

**BEVERAGE PACKAGING HOLDINGS GROUP
UNAUDITED HALF YEAR FINANCIAL REPORT
AS OF AND FOR THE PERIOD ENDED JUNE 30, 2008**

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BEVERAGE PACKAGING HOLDINGS GROUP

INTRODUCTION

This information is being provided under the terms of the Senior Notes Indenture dated June 29, 2007 for the issuance of €180 million 8% Senior Notes due 2016 (the “Senior Notes”) among Beverage Packaging Holdings (Luxembourg) II S.A. (“BP II” or the “Issuer”), Rank Group Holdings Limited (“RGHL”) as an Initial Guarantor, the other Senior Note Guarantors (as defined therein), The Bank of New York as Trustee and the other parties thereto and the Senior Subordinated Notes Indenture dated June 29, 2007 for the issuance of €20 million 9½% Senior Subordinated Notes due 2017 (the “Senior Subordinated Notes” and, together with the Senior Notes, the “Notes”) among BP II, RGHL, the other Subordinated Guarantors (as defined therein), The Bank of New York as Trustee and the other parties thereto.

The financial information contained herein relates to the financial information for BP II combined with Beverage Packaging Holdings (Luxembourg) I S.A. (“BP I”) and its subsidiaries, including Beverage Packaging Holdings (Luxembourg) III S.à.r.l. (“BP III”) and the continuing business of SIG Holding AG and its subsidiaries (“SIG”). The combined Group is collectively referred to as the Beverage Packaging Holdings Group (the “combined Group”).

The interim unaudited condensed consolidated combined financial statements contained in this Half Year Report have been prepared in accordance with International Accounting Standards, in particular IAS 34 “Interim Financial Reporting”, and other authoritative announcements of the International Accounting Standards Board. It is recommended that this interim financial report be read in conjunction with the December 31, 2007 Annual Financial Report of the Beverage Packaging Holdings Group, available on the website www.bevpackholdings.com, as well as any public announcements in relation to BP I or BP II on the Irish Stock Exchange website, www.ise.ie.

The interim unaudited condensed consolidated combined financial statements contained in this Half Year Report relates to the financial statements for the combined Group as of and for the three month and six month periods ended June 30, 2008.

The interim unaudited condensed consolidated combined financial statements contained in this Half Year Report have been prepared under the historical cost convention, except for available for sale financial assets, and financial assets and liabilities (including derivative financial instruments), which are stated as being carried at fair value.

BP I and BP II were both incorporated on May 4, 2007.

BP II’s financial information includes the impact of:

- the incorporation of BP II; and
- the issuance of the Senior Notes and the Senior Subordinated Notes.

BP I’s financial information includes the impact of:

- the incorporation and capitalisation of BP I, including debt drawn down under Senior Credit Facilities (see Note 4 of the interim unaudited condensed consolidated combined financial statements included herein);
- the use of proceeds from the issuance of the Notes to repay the Senior Subordinated Bridge Facility (see Note 4 of the interim unaudited condensed consolidated combined financial statements included herein) and reduce the outstanding senior credit facility; and
- the acquisition of SIG by BP III, including the repayment of certain of SIG’s existing indebtedness.

As of December 31, 2007, BP I indirectly through BP III, held 100% of the shares of SIG Holding AG (except for 178,100 treasury shares, which were cancelled on February 28, 2008).

As BP I and BP II were not incorporated until May 4, 2007, comparative information in the interim unaudited condensed consolidated combined income statement, statement of changes in equity and cash flows is presented from May 4, 2007 only.

The information furnished herein reflects all adjustments (including normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for a full (January to December) fiscal year.

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CERTAIN DEFINITIONS

In this Half Year Report:

- “*interim unaudited condensed consolidated combined financial statements*” refers to the interim unaudited condensed consolidated combined financial statements for the combined Group as of and for the three month and six month periods ended June 30, 2008.
- “€” or “euro” refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
- “BP I” refers to Beverage Packaging Holdings (Luxembourg) I S.A., a sister company of the Issuer and a direct subsidiary of RGHL.
- “BP III” refers to Beverage Packaging Holdings (Luxembourg) III S.à r.l., a direct subsidiary of BP I.
- “combined Group” refers to BP I and its consolidated subsidiaries together with the Issuer.
- “E.U.” refers to the European Union.
- “GAAP” refers to Generally Accepted Accounting Principles under IFRS.
- “IFRS” refers to International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).
- “Notes” refers to the Senior Notes and the Senior Subordinated Notes.
- “PE” refers to Polyethylene
- “proceeds loans” refers to the loans made on the issue date of the Notes by the Issuer to BP I using the proceeds of the issue of the Notes.
- “RGHL” refers to Rank Group Holdings Limited, the parent company of the issuer.
- “Rank Group” refers to Rank Group Limited, our strategic owner. Rank Group is a private company based in New Zealand that is wholly owned by Graeme Hart.
- “Senior Credit Facilities” refers to the senior credit facilities made available under a senior credit facilities agreement dated May 11, 2007 among BP I, RGHL, BP III, Credit Suisse, as mandated lead arranger, the financial institutions listed therein, as lenders, and Credit Suisse, as agent, security trustee and issuing bank. See “Description of Certain Indebtedness.”
- “Senior Notes” refers to the €480 million 8% senior notes due 2016.
- “Senior Subordinated Notes” refers to the €420 million 9 ½ % senior subordinated notes due 2017.
- “SIG” refers to SIG Holding AG and its consolidated subsidiaries.
- “we,” “us,” “our,” and other similar terms refer to the combined Group, unless expressly stated or the context otherwise requires.

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PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, financial information in this Half Year Report has been prepared in accordance with IFRS, in particular IAS 34 “Interim Financial Reporting”, as issued by the International Accounting Standards Board (IASB). IFRS as issued by the IASB differs in certain respects from IFRS as adopted by the E.U. However, we do not believe that the interim unaudited condensed consolidated combined financial statements for the periods presented would be different had they been prepared in accordance with IFRS as adopted by the E.U.

The unaudited pro forma interim condensed consolidated combined financial information included elsewhere in this Half Year Report have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act of 1933 or generally accepted practice in the United States. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited in accordance with International Standards on Auditing nor U.S. generally accepted auditing standards (“GAAS”).

In this Half Year Report, we utilise certain non-GAAP financial measures and ratios, including EBITDA and Adjusted EBITDA, each with the meanings and as calculated as set forth in “Operating and Financial Review and Prospects”, as well as leverage and coverage ratios. These measures are presented as we believe that they and similar measures are widely used in the industry in which we operate as a means of evaluating a company’s operating performance and financing structure. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or the generally accepted accounting principles, nor should they be considered as substitutes for the information contained in the interim unaudited condensed consolidated combined financial statements included in this Half Year Report.

The financial information included in this Half Year Report is not intended to comply with SEC reporting requirements. Compliance with such requirements may require the modification, reformulation or exclusion of certain financial measures, including EBITDA and Adjusted EBITDA and our pro forma and adjusted data. In addition, changes may be required in the presentation of certain other information, including the provision of financial information for the guarantors of the Notes and entities whose assets secure the Notes.

Some financial information in this Half Year Report has been rounded and, as a result, the figures shown as totals in this Half Year Report may vary slightly from the exact arithmetic aggregation of the figures that precede them.

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FORWARD LOOKING STATEMENTS

This Half Year Report contains disclosures which are forward-looking statements. Forward-looking statements include statements regarding our goals, beliefs, plans or current expectations, taking into account the information currently available to our management. Forward-looking statements are not statements of historical fact. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, acquisitions and other information that does not relate solely to historical or current facts. When used in this document, forward-looking statements can be identified by the use of words such as “may,” “will,” “projects,” “plan,” “anticipates,” “believes,” “expects,” “intends” or “continue.” We have based these forward-looking statements on our management’s current view with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates and the projections reflected in the forward-looking statements are reasonable, such estimates and projections may prove to be incorrect, and our actual results may differ from those described in our forward-looking statements as a result of the following risks, uncertainties and assumptions, among others:

- risks related to the cost of raw materials including our main raw materials, polyethylene (“PE”) and aluminium and the limited number of suppliers we use for those materials;
- risks related to the consolidation of our customer base, competition and pricing pressure;
- risks related to our exposure to environmental liabilities and changes in legislation;
- risks related to our dependence on key management and other highly skilled personnel;
- risks related to exchange rate fluctuations;
- risks related to our dependence on the protection of our intellectual property and the development of new technologies; and
- risks relating to other factors discussed in this Half Year Report, including in the section entitled “Risk Factors.”

The risks described in the “Risk Factors” section in this Half Year Report are not exhaustive. Other sections of this Half Year Report describe additional factors that could adversely affect our business, financial condition and results of operations.

Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or to the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Half Year Report.

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RISK FACTORS

You should carefully consider the following risk factors, in addition to the other information presented in this Half Year Report in evaluating our business. Any of the following risks, as well as other risks and uncertainties, could harm our business and financial results and cause the value of the Notes to decline; which in turn could cause to lose all or part of your investment. The risks below are not the only ones facing us. Additional risks not currently known to us or that we currently deem immaterial also may impair our business.

Our business and financial performance may be harmed by future increases in raw material and freight costs.

Raw material costs historically have represented about one-half of our net sales, so significant changes in raw material prices will impact our results of operations. The primary raw materials for our aseptic carton packaging business are cartonboard, aluminium foil and PE resin, which are used to manufacture carton sleeves, and the primary raw material for the construction of filler machines is stainless steel. Aluminium foil, PE resin and stainless steel are each commodities that are subject to cyclical price fluctuations. For example, during 2004, 2005 and 2006, the price of PE resin, which has historically been correlated with global oil prices, increased significantly and reached record high levels in 2007. During the first six months of 2008 the price of PE resin further increased compared to the already high levels as noted in the fourth quarter of 2007. Consistent with the current trend in commodity markets, aluminium prices have increased significantly in 2007 and further increased in 2008, which the combined Group has been partially shielded as a result of the current hedging programme.

We are also dependent on third parties for the transportation of our raw materials as well as the products we sell. In certain jurisdictions we incur import duties, with freight costs being particularly influenced by the fluctuating costs of fuel.

Raw materials and freight costs comprise a significant portion of our costs. Accordingly, the cyclical nature of such commodity pricing and freight costs presents a potential risk to our margins because we purchase our PE resin and aluminium requirements in the spot market and generally are not able to hedge our purchases. We generally are not able to pass along price increases to our customers on a timely basis (if at all) and so do not always recover such price increases. Since 2004, our gross margins have been adversely impacted by increases in raw material costs, particularly PE resin and, in 2007, aluminium. Moreover, an increase in the selling prices for the products we produce resulting from a pass-through of increased raw materials costs or freight costs could reduce the volume of units we sell and decrease our revenues.

We depend on a small number of suppliers for our raw materials and any interruption in our supply of raw materials would harm our business and financial performance.

Most of our raw material requirements, including cartonboard, aluminium and PE resin, are sourced from a relatively small number of suppliers. As a consequence, we are highly dependent on these producers for an uninterrupted supply of our key raw materials. Such supply could be disrupted for a wide variety of reasons, many of which are beyond our control. Any interruption in the supply of raw materials could have an adverse impact on our business and results of operations.

Our business and financial performance may be adversely affected by downturns in the target markets that we serve.

Demand for our aseptic carton packaging products in the principal end-use markets we serve is primarily driven by consumer consumption of the products sold in the packages we produce, which is affected by general economic conditions. Our primary end-use markets are beverage products, such as milk, dairy products, juices and other non-carbonated soft drinks, as well as liquid food. Downturns or periods of economic weakness in these consumer markets could result in decreased demand for our products. In particular, our business could be adversely affected by any economic downturn that results in difficulties for any of our major customers. These conditions are beyond our control and may have an impact on our sales and results of operations.

Increased competition could reduce our sales and profitability and adversely affect our financial condition and results of operations.

Competition in the aseptic carton packaging business is effectively limited to a small number of major producers, only one of which we believe is competitive with us in terms of sales volume and product coverage in the aseptic carton market worldwide. This competitor, Tetra Pak, has a significantly higher market share in most of the geographic markets in which we compete, and has substantially greater financial and other resources than we do.

We believe that the aseptic carton packaging business is highly competitive, particularly in the European market, and product pricing is a key competitive factor. Besides product pricing, we also compete by offering customers' rebates, marketing allowances and favourable financing terms for purchases of our filling machines. As a result, unless we are able to control our operating costs, our gross margin will be adversely affected.

Although capital costs in the aseptic carton packaging industry are comparatively high and there are intellectual property and technological barriers to entry, we face the threat of competition in the future from new entrants from other segments in the packaging industry or outside the packaging industry, as well as from existing aseptic packaging suppliers. We also face potential competition, particularly in emerging markets like Russia and China, from companies that supply carton sleeves to customers who already own filling machines.

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RISK FACTORS (CONTINUED)

These competitors do not incur the capital costs associated with the production and supply of filling machines and are therefore able to provide carton sleeves at a lower cost. As a result, to the extent there are new entrants it may become difficult for us to increase or even maintain our prices.

In addition to other aseptic carton packaging suppliers, our Combibloc business also faces competition from packaging made from PET and other substrates. The prices that we can charge for our products and systems are therefore constrained by the availability and cost of substitutes. In the German market, for example, the possibility of PET substitution has impacted our results of operations.

If we fail to maintain satisfactory relationships with our major customers, our results of operations could be adversely affected.

We have multi-year supply agreements with most of our customers. Many of our larger packaging customers are multinational companies that purchase large quantities of packaging materials. The significant negotiating leverage possessed by many of our customers and potential customers, in addition to the competitive environment in which we operate, results in significant downward pricing pressure, particularly in Western Europe and the United States, and generally constrains our ability to pass on price increases. We typically offer our major customers a variety of incentives to purchase or lease our filling machines. If some of our major customers reduce their purchasing volumes or stop purchasing aseptic carton sleeves from us, our business and results of operations would likely be adversely affected.

Our business and financial performance may be adversely affected by downturns in the target markets that we serve.

Demand for our products in the principal end-use markets we serve is primarily driven by consumer consumption of the products sold in the packages we produce. General economic conditions affect consumption in our primary end-use markets, including the beverage products, such as milk, dairy products, juices and other non-carbonated soft drinks market, as well as the liquid food market. Downturns or periods of economic weakness or increased prices in these consumer markets could result in decreased demand for our products. In particular, our business could be adversely affected by any economic downturn that results in difficulties for any of our major customers. These conditions are beyond our control and may have an impact on our sales and results of operations.

We could incur significant expenditures for compliance and remediation requirements under environmental laws.

We are subject to various environmental laws and regulations in each of the jurisdictions in which we operate. Among other things, these requirements regulate the discharge of materials into the water, air and land and govern the use, management and disposal of hazardous substances and wastes. Under certain environmental laws, we can also be held strictly liable for contamination of any real property we have ever owned, operated or used as a disposal site, or for natural resource damages associated with such contamination. We regularly make capital and operating expenditures for the purposes of compliance with environmental laws. Despite these efforts, environmental liability is a risk of our business. We typically establish reserves for investigation and/or remediation costs associated with the anticipated closure or renovation of facilities. We also may establish environmental-related reserves in connection with the disposition of businesses. Nevertheless, changes in, or new interpretations of, existing laws, regulations or enforcement policies, additional information or facts surfacing with respect to existing investigations, the discovery of previously unknown environmental liabilities or further investigation of the potential health hazards of certain products or business activities may lead to additional compliance or other costs that could have a material adverse effect on our business, financial condition or results of operations.

Loss of our key management and other personnel, or an inability to attract such management and other personnel, could impact our business.

We depend on our senior executive officers and other key personnel to run our business and on technical experts to develop new products and technologies and to service equipment. The loss of any of these officers or other key personnel could adversely affect our operations. Competition for qualified employees among companies that rely heavily on engineering and technology is intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to conduct research and development activities successfully and develop and support marketable products.

Future government regulations and judicial decisions affecting the packaging we produce or the products shipped in the packaging we produce could significantly reduce demand for our packaging products.

Government regulations and judicial decisions that affect the packaging we produce or the products shipped in the packaging we produce could significantly reduce demand for our packaging products. For example, in Germany, legislation has been passed that requires a deposit for packaging products that are made from materials for which the percentage of recycling is below 60%. It is possible that in the future our products may become subject to such deposit requirements if the recycling of our products falls below an applicable threshold. Future legislation could also limit the use of packaging. Such legislation could significantly reduce demand for many of our paperboard packaging products and adversely affect our sales.

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RISK FACTORS (CONTINUED)

If there is significant consolidation among our customers, demand for our products may decrease or we may become less profitable.

Consolidation among our customers or competitors could adversely affect our profitability. Over the last ten years, we have observed a trend toward consolidation among our customers and we expect that this trend will continue. In particular, consolidation among our customers could increase their ability to apply price pressure, and, thereby, force us to reduce our selling prices or lose sales, which would impact our results of operations. These customers may also close production facilities following a consolidation, which could impact sales of our filling machines and other products.

We may not be successful in adequately protecting our intellectual property rights, including our unpatented proprietary know-how and trade secrets, or in avoiding claims that we infringed on the intellectual property rights of others.

In addition to relying on patent and trademark rights, we rely on unpatented proprietary know-how and trade secrets, and employ various methods, including confidentiality agreements with employees and consultants, to protect our know-how and trade secrets. However, these precautions and our patents and trademarks may not afford complete protection against infringement by competitors and there can be no assurance that others will not independently develop the know-how and trade secrets or develop better production methods than us. Further, we may not be able to deter current and former employees, contractors and other parties from breaching confidentiality agreements and misappropriating proprietary information. It is possible that third parties may copy or otherwise obtain and use our information and proprietary technology without authorisation or otherwise infringe on our intellectual property rights. Additionally, we have licensed, and may license in the future, patents, trademarks, trade secrets, and similar proprietary rights to third parties. While we attempt to ensure that our intellectual property and similar proprietary rights are protected when entering into business relationships, third parties may take actions that could materially and adversely affect our rights or the value of our intellectual property, similar proprietary rights or reputation. In the future, we may also rely on litigation to enforce our intellectual property rights and contractual rights, and, if not successful, we may not be able to protect the value of our intellectual property. Any litigation could be protracted and costly and could have a material adverse effect on our business and results of operations regardless of its outcome.

Our success depends in part on our ability to obtain, or license from third parties, patents, trademarks, trade secrets and similar proprietary rights without infringing on the proprietary rights of third parties. Although we believe our intellectual property rights are sufficient to allow us to conduct our business without incurring liability to third parties, our products may infringe on the intellectual property rights of such persons. Furthermore, no assurance can be given that we will not be subject to claims asserting the infringement of the intellectual property rights of third parties seeking damages, the payment of royalties or licensing fees and/or injunctions against the sale of our products. Any such litigation could be protracted and costly and could have a material adverse effect on our business and results of operations.

If we are unable to stay abreast of changing technology in our industry, our profits may decline.

Our businesses are subject to frequent and sometimes significant changes in technology, and if we fail to anticipate or respond adequately to these factors, or do not have sufficient capital to invest in these developments, our profits may decline. Our future financial performance will depend upon our ability to develop and market new products and to implement and utilise technology successfully to improve our business operations. We believe that our manufacturing technologies are sufficient to accommodate our customers' anticipated requirements, as well as to permit us to introduce new products in the future. However, we cannot predict all the effects of future technological changes. The cost of installing new technologies could be significant and our ability to finance these technological developments may be adversely affected by our substantial debt service requirements or we may be unable to obtain the financing we require to obtain competing technologies.

Currency exchange rate fluctuations could adversely affect our results of operations.

Our business is exposed to fluctuations in exchange rates. Although our reporting currency is the euro, we operate in different geographical areas and transact in a range of currencies in addition to the euro and the Swiss Franc, principally the U.S. dollar, the Thai baht and the Chinese Renimbi. Where possible, we try to minimise the impact of exchange rate fluctuations by transacting in local currencies so as to create natural hedges. In appropriate circumstances where we are unable to naturally offset our exposure to these currency risks, we enter into derivative transactions to reduce such exposures. Nevertheless, exchange rate fluctuations may either increase or decrease our revenues and expenses as reported in the euro.

Employee slowdowns, strikes and similar actions could have a material adverse effect on our business and operations.

A significant proportion of our employees are subject to collective bargaining agreements covering locations in Austria, Germany, Switzerland and Thailand. In Europe, many of our employees are represented by works councils. In addition, the transportation and delivery of raw materials to our manufacturing facilities and of our products to our customers by workers that are members of labour unions is critical to our business. In many cases, before we take significant actions with respect to our production facilities, such as workforce reductions or closures, we must reach agreement with labour unions and employee works councils. The failure to maintain satisfactory relationships with our employees and their representatives, or prolonged labour disputes, slowdowns, strikes or similar actions could have a material adverse effect on our business and results of operations.

BEVERAGE PACKAGING HOLDINGS GROUP

RISK FACTORS (CONTINUED)

Our third party equipment leasing arrangements may increase credit risk of exposures from customer defaults.

We enter into arrangements under which filling machines are sold to a third party finance company that leases the machines to customers. If the customer defaults under the lease, under certain circumstances, the finance company can require us to repurchase the filling machine. As a result, we are exposed to the credit risk of our customers under these leasing arrangements.

We may pursue and execute acquisitions, which, if not successful, could adversely affect our business.

As part of our strategy, we plan to consider the acquisition of other companies, assets and product lines that either complement or expand our existing business. We cannot assure you that we will be able to consummate any acquisitions or that any future acquisitions will be consummated at acceptable prices and terms. We periodically evaluate potential acquisition opportunities, including those that could be material in size and scope. Acquisitions involve a number of special risks, including:

- the diversion of management's attention to the assimilation of the acquired companies and their employees and on the management of expanding operations;
- the incorporation of acquired products into our product line;
- demands on our operational systems;
- possible adverse effects on our reported operating results;
- the inability to retain key employees of the acquired business; and
- failure to achieve the results we anticipate from the acquisition.

We may become responsible for unexpected liabilities that we failed or were unable to discover in the course of performing due diligence in connection with historical acquisitions and any future acquisitions. We have typically required the sellers in past acquisitions to indemnify us against certain undisclosed liabilities; however, we cannot assure you that the indemnification rights we have obtained, or will obtain in the future, will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business or property acquired. Any of these liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

In addition, we may not be able to successfully integrate future acquisitions without substantial costs, delays or other problems. The costs of such integration could have a material adverse effect on our operating results and financial condition.

We have given warranties and indemnities to the purchasers in connection with our recent business disposals, which have not yet expired and may give rise to claims against us or our controlled entities

From time to time we have disposed of a number of our businesses and we may dispose of other businesses in the future. On April 2, 2008 we sold our Beverages business. We generally are required to indemnify the purchasers of businesses that we sell for various liabilities, and these indemnification obligations may be significant. Some of the time periods within which a claim can be brought under warranty and indemnity provisions have not expired and we have experienced several indemnity claims. If any material claims in respect of these dispositions are successfully brought against us in the future, it may have an adverse effect on our business, financial condition and operations.

We may be able to incur substantially more debt

We may be able to incur or issue substantial additional debt in the future. Although restrictions on the incurrence of additional debt are contained in the indentures governing our Notes and our senior financing arrangements, these restrictions are subject to a number of qualifications and exceptions. Also, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness. Our ability to incur indebtedness depends, in part, upon our satisfaction of certain financial covenants in the indentures governing our Notes and the terms of our senior financing arrangements. The amount of indebtedness that we can incur at any point in time will vary materially as a result of historical and pro forma changes in our earnings, cash flows, and performance against agreed ratios and other results and factors.

A failure to comply with the debt covenants could lead to an acceleration of our debt and possibly bankruptcy

Our senior financing arrangements and our Notes require us to meet certain covenants. A default under any of our debt instruments could result in acceleration of our debt and possibly bankruptcy.

BEVERAGE PACKAGING HOLDINGS GROUP

RISK FACTORS (CONTINUED)

The interests of our shareholder, RGHL, may conflict in some circumstances with the interests of holders of our debt.

The interests of RGHL, our shareholder, may, in some circumstances, differ from the interests of holders of our debt, and RGHL is in a position to take actions that may adversely affect their interests. RGHL currently owns 100% of the shares of BP I and BP II. Accordingly, RGHL ultimately controls our voting shares and that of all of our subsidiaries. As a result, RGHL has and will continue to have the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as to elect our directors and those of our subsidiaries, to change their management and to approve any other changes to their operations.

An increase in interest rates would increase the cost of servicing the combined Group's debt and could reduce the combined Group's profitability.

A significant portion of the combined Group's outstanding debt, including under the Senior Credit Facilities, bears interest at variable rates. As a result, an increase in interest rates, whether because of an increase in market interest rates or an increase in the combined Group's cost of borrowing, would increase the cost of servicing this debt and could materially reduce the combined Group's profitability and adversely affect our ability to meet our obligations under the Notes. The impact of such an increase would be more significant than it would be for some other companies because of the combined Group's substantial debt.

The Issuer of the Notes is a finance subsidiary that has no revenue-generating operations and will depend on payments received under the proceeds loans to make payments on the Notes.

The Issuer of the Notes is a finance subsidiary that was formed in connection with the offering of the Notes. The Issuer is not permitted to engage in any activities other than the issuance of the Notes, shares, any additional notes and any other permitted debt, and activities that are incidental to or necessary or convenient to the foregoing. The Issuer has no subsidiaries and its only material asset and potential source of income is its right to receive payments under the proceeds loans to BP I. The Issuer's ability to make payments on the Notes is therefore dependent on the payments received under the proceeds loans and other funds that may be received from RGHL and its other subsidiaries. However, there is no obligation on the part of RGHL and its other subsidiaries to provide funds to the Issuer. If payments on the proceeds loans are not made by BP I, for whatever reason, the Issuer may not have funds available to it that would permit it to make payments on the Notes. In such circumstances, the holders of the Notes would have to rely upon claims for payment under the guarantees and recoveries, if any, under the pledge of the proceeds loans, which claims and recoveries would be subject to a number of significant risks, including those described below.

BP I, the borrower under the proceeds loans, is an intermediate holding company that is an indirect parent company of our operating subsidiaries. BP I has no material assets other than shares of its subsidiaries and certain intercompany loans, payables and receivables. As a consequence of the foregoing, BP I's ability to make payments under the proceeds loans and, in turn, the Issuer's ability to make payments on the Notes, will be substantially dependent upon dividends, loans and other intercompany payments from BP I's subsidiaries. BP I's subsidiaries may not be able to generate sufficient cash to make such payments or have adequate distributable reserves to distribute funds to BP I to enable it to make payments on the proceeds loans. Furthermore, the ability of BP I's subsidiaries to distribute earnings to BP I by way of dividends, distributions, interest, returns on investments (including repayment of loans) and other payments is subject to various restrictions arising under applicable corporate law (which, for example, limit the amount that may be paid as a dividend out of the retained profit of the relevant entity) and contained in the debt instruments of such subsidiaries, including restrictions imposed by the Senior Credit Facilities and other existing indebtedness. Future indebtedness of BP I's subsidiaries will also likely limit such payments.

On the issue date of the Notes, the receivables under the proceeds loans were pledged to secure indebtedness under and in connection with the Senior Credit Facilities on a basis that ranks ahead of the security over such receivables that was granted for the benefit of the holders of the Notes. In addition, receivables of the proceeds loans are pledged to secure the indebtedness under the Senior Notes on a basis that ranks ahead of the security over such receivables that was granted for the benefit of the holders of the Senior Subordinated Notes.

The proceeds loans are also subject to subordination provisions similar to those applicable to the senior subordinated guarantees of the Senior Notes and the subordinated guarantees of the Senior Subordinated Notes, including payment blockage, standstill on enforcement and turnover provisions.

The combined Group's ability to generate the significant amount of cash needed to pay interest and principal on the Notes and service the combined Group's other debt and the ability to refinance all or a portion of the combined Group's indebtedness or obtain additional financing depends on many factors beyond the combined Group's control.

The ability of a combined Group member to make scheduled payments on, or to refinance its obligations under, its debt will depend on the combined Group's financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business-related factors, many of which may be beyond the combined Group's control.

BEVERAGE PACKAGING HOLDINGS GROUP

RISK FACTORS (CONTINUED)

If the combined Group's cash flow and capital resources are insufficient to fund the combined Group's debt service obligations, the combined Group may be forced to reduce working capital levels, reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure the combined Group's debt. In the future, the combined Group's cash flow and capital resources may not be sufficient for payments of interest on and principal of the combined Group's debt, and such alternative measures may not be successful and may not permit the combined Group to meet its scheduled debt service obligations, including the payment of interest or principal in respect of the Notes. We also cannot assure you that the combined Group will be able to refinance any of the combined Group's indebtedness or obtain additional financing, particularly because of the combined Group's anticipated high levels of debt and the debt incurrence restrictions imposed by the agreements governing the combined Group's debt, as well as prevailing market conditions. In the absence of such operating results and resources, the combined Group could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations. The Senior Credit Facilities and the indentures governing the Notes will restrict the combined Group's ability to dispose of assets and use the proceeds from any such dispositions. We cannot assure you that the combined Group will be able to consummate any asset sales, or if it does, what the timing of the sales will be or whether the proceeds that we realise will be adequate to meet our debt service obligations when due.

BEVERAGE PACKAGING HOLDINGS GROUP

**PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS
INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED INCOME STATEMENTS**

For the period (in €millions)	Six months ended June 30, 2008	Six months ended June 30, 2007 *	Three months ended June 30, 2008	Three months ended June 30, 2007 *
Revenues	613	180	325	180
Share of profit of joint ventures	1	-	-	-
Other income	17	5	11	5
Operating income	631	185	336	185
Own work capitalised	24	3	14	3
Changes in inventories of finished goods and WIP	12	3	(11)	3
Raw materials and consumables used	(321)	(89)	(159)	(89)
Employee benefit expenses	(114)	(32)	(59)	(32)
Other operating expenses	(106)	(40)	(56)	(40)
Operating profit / (loss) before depreciation and amortisation (EBITDA)	126	30	65	30
Depreciation of property, plant and equipment	(41)	(11)	(21)	(11)
Amortisation of intangible assets	(43)	(14)	(21)	(14)
Operating profit / (loss) (EBIT)	42	5	23	5
Financial income	2	1	1	1
Financial expenses	(70)	(34)	(41)	(34)
Net financial expenses	(68)	(33)	(40)	(33)
Profit/ (loss) before tax (EBT)	(26)	(28)	(17)	(28)
Income tax expenses	(9)	(2)	(6)	(2)
Profit / (loss) from continuing operations	(35)	(30)	(23)	(30)
Profit/ (loss) from discontinued operations and gain after tax on sale of discontinued operations	28	1	23	1
Profit/ (loss) for the period	(7)	(29)	-	(29)
Adjusted EBITDA continuing operations	129	26	68	26

* Being the period from the date of incorporation of BP I and BP II on May 4, 2007

BEVERAGE PACKAGING HOLDINGS GROUP

PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED BALANCE SHEETS

As at (in €millions)	Notes	June 30, 2008	December 31, 2007
Assets			
Cash and cash equivalents		76	45
Inventories	3	141	122
Trade receivables		109	116
Other current receivables		68	90
Other financial assets at fair value through profit or loss		7	10
Assets of disposal group held for sale	7	-	105
Total current assets		401	488
Non-current receivables		30	30
Investment properties		76	82
Property, plant and equipment		473	477
Intangible assets		1,145	1,221
Investments accounted for using the equity method		54	54
Deferred income tax assets		15	22
Available-for-sale financial assets		4	4
Total non-current assets		1,797	1,890
Total assets		2,198	2,378
Liabilities			
Trade payables		50	56
Other current payables		115	112
Current income tax liabilities		17	13
Interest-bearing current borrowings	4	28	29
Current provisions	5	40	23
Liabilities of the disposal group held for sale	7	-	62
Total current liabilities		250	295
Interest bearing non-current borrowings	4	1,369	1,471
Derivative financial instruments		-	3
Deferred income tax liabilities		142	157
Non-current provisions	5	99	97
Total non-current liabilities		1,610	1,728
Total liabilities		1,860	2,023
Net assets		338	355
Ordinary shares	6	405	405
Retained earnings/(deficit)		(44)	(37)
Other reserves	6	(23)	(13)
Total equity attributable to equity holders of the Group		338	355

BEVERAGE PACKAGING HOLDINGS GROUP
**PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS
INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED STATEMENTS OF CASH FLOWS**

For the period (in €millions)	Six months ended June 30, 2008	Six months ended June 30, 2007 *	Three months ended June 30, 2008	Three months ended June 30, 2007 *
Cash flow from operating activities				
Profit / (loss) from continuing operations	(35)	(30)	(23)	(30)
Income tax expense	9	2	6	2
Profit adjusted for current and deferred taxes	(26)	(28)	(17)	(28)
Adjustments for:				
Depreciation and amortisation of property, plant and equipment and intangible assets	84	25	42	25
Financial expenses - net	68	33	40	33
Profit from the sale of tangible assets (-)	(1)	-	(1)	-
Result from investments in joint ventures (accounted for as associates)	(1)	-	-	-
(Increase) / decrease in inventories	(19)	(10)	9	(10)
(Increase) / decrease in trade and other receivables	32	18	14	18
(Decrease) / increase in trade and other payables	(2)	19	2	19
(Decrease) / increase of provisions	17	(19)	21	(19)
Interest paid	(66)	(16)	(52)	(16)
Income tax paid	(10)	(3)	(4)	(3)
Net cash generated from operating activities	76	19	54	19
Cash flow from investing activities				
(Acquisition) / sale of subsidiaries, net of cash	115	(1,194)	115	(1,194)
(Acquisition) / sale of subsidiaries - escrow	-	(28)	-	(28)
Escrow cash held for repurchase of bonds	-	(7)	-	(7)
Purchase of property, plant and equipment	(42)	(13)	(25)	(13)
Proceeds from the sale of property, plant and equipment	9	-	8	-
Purchase of intangible assets	(12)	(3)	(8)	(3)
Decrease in loans	3	5	-	5
Proceeds from the sale of securities	2	(4)	1	(4)
Interest received	2	2	1	2
Net cash generated from (used in) investing activities	77	(1,242)	92	(1,242)
Free cash flow (i)	153	(1,223)	146	(1,223)
Cash flow from financing activities				
Drawdown of senior secured debt	-	1,510	-	1,510
Proceeds from issue of shares	-	120	-	120
Repurchase of SIG bonds	-	(241)	-	(241)
Debt fees paid	-	(56)	-	(56)
Repayment of borrowings	(122)	(7)	(120)	(7)
Net cash generated from (used in) financing activities	(122)	1,326	(120)	1,326
Effect of exchange rate fluctuations on cash held	-	9	-	9
Changes in cash and cash equivalents	31	112	26	112
Cash and cash equivalents at the beginning of period	45	-	50	-
Cash and cash equivalents at the end of period	76	112	76	112

(i) Free cash flow is defined as the total of the net cash flows generated or used from operating activities and investing activities.

* Being the period from the date of incorporation of BP I and BP II on May 4, 2007

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**PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS
INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED STATEMENTS OF CHANGES IN EQUITY**

(€millions)	Ordinary shares	For the 6 month period ended June 30, 2008			Total equity
		Retained earnings (accumulated deficit)	Other reserves	Minority interests	
Opening balance at January 1, 2008	405	(37)	(13)	-	355
Cash flow hedges (net of income taxes)	-	-	5	-	5
Currency translation differences	-	-	(15)	-	(15)
Net income/expense recognised directly in equity	-	-	(10)	-	(10)
Profit/(loss) for the period	-	(7)	-	-	(7)
Total recognised income and expense	-	(7)	-	-	(7)
Issuance of share capital	-	-	-	-	-
Balance at June 30, 2008	405	(44)	(23)	-	338

(€millions)	Ordinary shares	For the 6 month period ended June 30, 2007			Total equity
		Retained earnings (accumulated deficit)	Other reserves	Minority interests	
Opening balance as of May 4, 2007*	-	-	-	-	-
Cash flow hedges (net of income taxes)	-	-	-	-	-
Currency translation differences	-	-	14	-	14
Net income/expense recognised directly in equity	-	-	14	-	14
Profit/(loss) for the period	-	(29)	-	-	(29)
Total recognised income and expense	-	(29)	-	-	(29)
Issuance of share capital	405	-	-	-	405
Balance at June 30, 2007	405	(29)	14	-	390

* Being the date of incorporation of BP I and BP II

BEVERAGE PACKAGING HOLDINGS GROUP

PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The combined Group's significant accounting policies are those that are most important to the portrayal of the combined Group's financial condition and results, and that require management's most difficult, subjective or complex judgments. In many cases, the accounting treatment of a particular transaction is specifically dictated by IFRS with no need for the application of our judgment. In certain circumstances, however, the preparation of interim unaudited condensed consolidated combined financial statements in conformity with IFRS requires management to use judgment to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated combined financial statements and the reported amounts of revenues and expenses during the reporting period. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated combined financial statements are disclosed in part II, Critical accounting policies.

(a) Basis of preparation

The interim unaudited condensed consolidated combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in particular IAS 34 "Interim Financial Reporting" with the associated amendments and interpretations as effective in 2008 as issued by the IASB. The interim unaudited condensed consolidated combined financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) which are carried and stated at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the combined Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in part II, Critical accounting policies.

These interim unaudited condensed consolidated combined financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Annual Report for the combined Group for the fiscal period ended December 31, 2007.

The accounting policies of the combined Group have been consistently applied by each entity within the combined Group.

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at the end of each reporting period. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

These interim unaudited condensed consolidated combined financial statements are presented in euro, rounded to the nearest million euro, which is the combined Group's functional and presentational currency.

(1) *Standards, amendments and interpretations to existing standards that are not yet effective, that have been early adopted by the combined Group.*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the adoption in reporting period beginning on or after January 1, 2008 or later periods, which the combined Group has elected to either early adopt or adopt during the financial period;

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The combined Group has applied IFRIC 14 from January 1, 2008.

(2) *Standards, amendments and interpretations to existing standards that are not yet effective, that have not been early adopted by the combined Group*

The following interpretations to existing standards have been published and are mandatory for the combined Group's accounting periods beginning on or after January 1, 2008 or later periods but are not expected to have an impact on the combined Group's operations:

BEVERAGE PACKAGING HOLDINGS GROUP

PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- IFRIC 12, “Service concession arrangements” (effective from January 1, 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the combined Group’s operations because none of the combined Group’s companies provide public sector services.
 - IFRIC 13, “Customer loyalty programmes” (effective from July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values.
 - IAS 23 (Amendment), “Borrowing costs” (effective from January 1, 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. There will be no impact on adoption of this on the income statement or balance sheet, because the combined Group has previously adopted the alternative treatment (i.e. capitalisation of borrowing costs for qualifying assets).
- (3) *The following standards, amendments and interpretations to existing standards have been published and are mandatory for the combined Group’s accounting periods beginning on or after 1 January, 2008 or later periods, and may have an impact on the reporting of the combined group’s operations:*

Segment Reporting

IFRS 8, “Operating segments” (effective from January 1, 2009) replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The impact of the first time adoption of IFRS 8 is expected to be minimum as the standard is principally aimed at disclosure only.

Business Combinations

The revision to IFRS 3 “Business Combinations” modifies certain of the principals of acquisition accounting in respect of business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. We are required to apply the revised IFRS 3 on a prospective basis for all business combinations completed on or after January 1, 2010.

EU endorsement expected in Q1 2009

Presentation of Financial Statements

The revision to IAS 1 “Presentation of Financial Statements” introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other International Accounting Standards. The revised IAS 1 will become mandatory for our annual reporting periods beginning on or after January 1, 2009. We are in the process of evaluating the potential impact of the revised IAS 1 to the combined groups’ disclosure.

EU endorsement expected by end of 2008

Consolidated and Separate Financial Statements

The revision to IAS 27 “Consolidated and Separate Financial Statements” changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. We are required to apply the revised IAS 27 on a prospective basis for all business combinations completed on or after January 1, 2010.

EU endorsement expected in Q1 2009

BEVERAGE PACKAGING HOLDINGS GROUP

PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of combination

The interim unaudited condensed consolidated combined financial statements represent the combination of the consolidated financial statements of BP I and its subsidiaries consisting BP I, BP II and SIG (the “BP I Group”) with those of BP II, a sister company to BP I, being the issuer of the Senior Notes and the Senior Subordinated Notes.

As the financial statements represent the combination of entities that do not have direct shareholdings in each other, consolidated financial statements of BP I Group and BP II cannot be prepared. Consequently, the number of shares and value of issued capital disclosed in the balance sheets represents the aggregation of the issued capital of each of the entities included in the combination. In preparing the financial statements of the combined Group, the effects of all transactions and balances between entities within the combined Group have been eliminated.

(c) Principles of consolidation of the combined Group

(1) *Subsidiaries*

Subsidiaries are entities (including special purpose entities) over which the combined Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the combined Group controls another entity. The financial statements of subsidiaries are included in the combined financial statements from the date that control (or effective control) commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the combined Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the combined Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see note 1 (h)).

Inter-company transactions, balances and unrealised gains on transactions between combined Group entities are eliminated. Unrealised losses are also eliminated in the same manner as gains, but only to the extent that there is no evidence of impairment.

(2) *Transactions and minority interests*

The combined Group applies a policy of treating transactions with minority interests as transactions with parties external to the combined Group. Disposals of investments in minority interests result in gains and losses for the combined Group that are recorded in the income statement. An investment in a minority interest can result in goodwill, being the difference between the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(3) *Joint ventures and associates*

Joint ventures are entities over which the combined Group has joint control with the other parties or ventures. With the exception of certain joint venture arrangements which are proportionally consolidated, joint ventures are accounted for as associates using the equity method.

Associates are all entities over which the combined Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The combined Group’s investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see note 1 (h)).

The combined Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the combined Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the combined Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the combined Group and its associates are eliminated to the extent of the combined Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the combined Group.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

BEVERAGE PACKAGING HOLDINGS GROUP

PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Accounting for the sale of filling machines

SIG's Combibloc business involves the supply of a filling system which combines the provision of a filling machine with a committed stream of future revenue from the sale of carton sleeves. Three primary methods are used to supply filling machines to customers. The filling machine may be sold or leased directly to the customer, or may be sold to a third party which then leases it to the customer. The supply of the filling machine will usually be accompanied by a commitment on the part of the customer to purchase carton sleeves for an initial term of five to seven years.

The initial supply of the filling machine, whether by sale, lease or third party lease, and the subsequent sales of carton sleeves represents a linked business as defined under IAS Framework 96.

The difference between the sale price of the filling machine and the cost of manufacturing the machine is capitalised as an intangible asset (rights to supply) and amortised over the term of the carton sleeve contract. At each balance date, the unamortised balance is reviewed to assess whether it will be recovered from the projected gross margin of estimated future carton sleeve sales. Any write down in the recoverable amount of this intangible asset is recognised in the income statement for the current period.

Revenues are recognised upon the sale of a filling machine to the third party finance company. In the event that the customer becomes insolvent, SIG is obliged to accept the return of the filling machine at a residual price. Under the third party lease method SIG provides a marketing allowance to the customer to offset the additional expense that they incur under the lease from the third party finance company.

(e) Presentation currency

The financial statements of the combined Group are presented in euro, which is the combined Group's functional and presentation currency.

(f) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the combined Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined Group's financial information is presented in euro.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement profit or loss as part of the fair value gain or loss.

(3) Combined Group companies

The results and financial position of all the combined Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i.) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii.) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii.) all resulting exchange differences are recognised as a separate component of equity.

BEVERAGE PACKAGING HOLDINGS GROUP

PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

(3) Combined Group companies (continued)

On consolidation of the combined Group, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(g) Property, plant and equipment and investment properties

(1) Investment properties

Investment properties are held for the purpose of generating long-term rental yields and are not occupied by the combined Group. Investment properties are carried at historical cost with their fair values being disclosed separately.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If such information is not available, the combined Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually internally and regularly reviewed by external valuers.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives (buildings 25-30 years (for office buildings 30-40 years)).

(2) Land and buildings, machines, plants and others

Items of property, plant and equipment are measured at historical cost less depreciation. Costs include expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the combined Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings 25-30 years (for office buildings 30-40 years)

– Machinery 4-12 years

– Equipment, furniture, fixtures and vehicles 3-8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the income statement.

(3) Lease: accounting by lessor (operating lease)

When assets are leased out under a lease contract, the asset is included in the balance sheet and disclosed as a "leased asset". The valuation principle is the same as described in note 1 (g), (2).

Lease income is recognised over the term of the lease on a straight-line basis.

(4) Assets under construction

Assets under construction refer to property, plant and equipment not ready for immediate use. As soon as such assets are ready for use, they are transferred to the appropriate property, plant and equipment category. Assets under construction are not depreciated but tested for impairment at least annually.

(5) Non current assets held for sale

Non current assets held for sale are measured at the lower of book or fair value less cost of sale.

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PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment and investment properties (continued)

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the combined Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are deducted from the carrying amount of the corresponding asset. The grant is recognised as income over the life of a depreciable asset by way of reduced depreciation charge.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

(h) Intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the combined Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Goodwill (be it separately identified or form a component of an investment in an associate) is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a portion of a business include the carrying amount of goodwill relating to the business portion sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or combined Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(2) Trademarks

Acquired trademarks are shown at historical cost. Trademarks have an indefinite useful life and are therefore not amortised. Trademarks are tested annually for impairment and are carried at cost less accumulated impairment losses.

(3) Rights to supply

Rights to supply are rights of the division SIG Combibloc to deliver packaging material or sleeves to their customers. These rights are capitalised and amortised using the straight-line method over the expected useful life of up to 6 years.

(4) Others (mainly licenses and patents, capitalised customer base and computer software)

Acquired licences, patents and customer base are shown at historical cost. Licences, patents and customer bases have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences, patents and customer bases over their estimated useful lives (licenses and patents: up to 5 years; customer base: up to 6 years).

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs are amortised over their estimated useful lives which is 3 to 5 years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the combined Group, that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the direct software development employee costs and an appropriate portion of relevant overheads.

(i) Impairment of assets

Assets that have an indefinite useful life, for example goodwill and acquired trademarks, are not subject to amortisation and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments

The combined Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired and is determined at the point of initial recognition. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit and loss.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The combined Group's loans and receivables comprise 'trade and other receivables' in the balance sheet (see note 1 (m)).

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the combined Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the combined Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within 'finance cost' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'finance income' when the combined Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'finance cost'.

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as part of 'financial income'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'financial income' when the combined Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the combined Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The combined Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 1 (m).

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PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The combined Group designates certain derivatives as either:

- (i.) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (ii.) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The combined Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The combined Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Movements on the hedging reserve in shareholders' equity are shown in combined statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current asset or liability.

(1) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The combined Group only applies fair value hedge accounting for hedging foreign exchange risks on receivables and/or payables (hedge of forecasted sales).

(2) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance costs'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'finance costs'.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Obsolete inventories are written off and slow moving inventories are provided for. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges related to purchases of raw material.

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PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade receivables

Trade receivables are recognised initially at fair value and are subsequently provided for as doubtful when there is objective evidence that the combined Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will or may enter bankruptcy or a financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the collectability of the trade receivable may be doubtful. The carrying amount of the receivable is reduced through the use of a provision account, with the amount of the provision being recognised in the income statement within 'other operating expenses'. When a trade receivable is deemed uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities less than three months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(o) Share capital

Ordinary shares are classified as equity. The incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any members of the combined Group purchases the combined Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, are deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the combined Group's equity holders.

(p) Trade payables

Trade payables are recognised initially at fair value.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds, net of transaction costs and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the combined Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the combined Group operations generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the balance sheet method which provides for temporary differences arising between the tax bases of assets and liabilities and their corresponding accounting carrying values in the interim unaudited condensed consolidated combined financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the combined Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

(1) Pension obligations

Entities within the combined Group operate a variety of pension schemes. These schemes are generally funded through payments to insurance companies or trustee-administered funds, which arise as a result of periodic actuarial calculations. The combined Group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the combined Group pays fixed contributions into a separate entity. The combined Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(2) Other post-employment obligations

Some members of the combined Group provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(3) Termination benefits

Termination benefits are payable when employment is terminated by the combined Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The combined Group recognises termination benefits when it is committed to either:

- terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(4) Profit-sharing and bonus plans

The combined Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the equity after certain adjustments. The combined Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions

Provisions for warranties, restructuring costs and legal claims are recognised when:

- the combined Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the combined Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the combined Group.

The combined Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the combined Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The combined Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(1) Sales of goods

The combined Group manufactures and sells a range of machines and sleeves to the beverages industry globally. Sales of goods are recognised when a combined Group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of damage and or loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the combined Group has objective evidence that all criteria for acceptance have been satisfied. Sleeves are often sold with volume discounts or the right by the customer to return faulty products. Sales of these items are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Historical experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with credit terms consistent with local market practice.

(2) Services

The combined Group provides maintenance services to customers for filling machines, previously sold. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally in line with the underlying sleeve contract.

Revenue from time and material services contracts are typically recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from fixed-price contracts for maintenance services are generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

(3) Interest income

Interest income is recognised using the effective interest method.

(4) Dividend income

Dividend income is recognised when the right to receive payment is established.

BEVERAGE PACKAGING HOLDINGS GROUP

PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Leases

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Finance leases

The combined Group currently is not a lessee under finance leases.

(w) Dividend distribution

Dividend distribution to the shareholders of BP I and BP II is recognised as a liability in the combined Group's financial statements in the period in which the dividends are approved by the shareholders.

(x) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets (or the disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(y) Research and development

Research expenditure is recognised as an expense in the period incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is the ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which does not exceed five years. Development assets are tested for impairment annually (see note 1 (i)).

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PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SEGMENT INFORMATION

Primary reporting format – business segments

At June 30, 2008 the combined Group is organised on a worldwide basis into:

Business segment

SIG Combibloc

Products and services

Complete aseptic carton packaging systems, including aseptic filling machines, aseptic cartons and closures and related services

Finance, support and service functions

The segment “Corporate/Services” consists of:

- Research and Development expenses of combined Group-wide high impact projects of SIG Technology, and
- Operating income and operating expenses of our investment properties

The SIG Beverages business is presented as a discontinued operation and is therefore not reported in the segment information.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

For the period (€millions)	6 months ended June 30, 2008			Total
	SIG Combibloc	Corporate / Services	Eliminations	
Net sales - external	613	-	-	613
Net sales between segments	-	-	-	-
Net sales	613	-	-	613
Income from associated companies	1	-	-	1
Other operating income	6	26	(15)	17
Operating income	620	26	(15)	631
Operating profit / (loss) before depreciation and amortisation (EBITDA)	126	1	(1)	126
Depreciation of property, plant and equipment	(39)	(2)	-	(41)
Amortisation of intangible assets	(29)	(14)	-	(43)
Operating profit/(loss) (EBIT)	58	(15)	(1)	42
Financial income				2
Financial expense				(70)
Net financial expenses				(68)
Profit/(loss) before tax (EBT)				(26)
Income tax expenses				(9)
Profit / (loss) for the period of continuing operation				(35)
Profit / (loss) for the period discontinued operations and gain after tax on sale of discontinued operations				28
Profit / (loss) for the period				(7)

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**PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS
NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL
STATEMENTS (CONTINUED)**
NOTE 2. SEGMENT INFORMATION (CONTINUED)

(€millions)	June 30, 2008			Total
	SIG Combibloc	Corporate / Services	Eliminations	
Goodwill	626	-	-	626
Investments in joint ventures	54	-	-	54
Long-term loans between segments ⁽ⁱ⁾	-	47	(47)	-
Other non-current assets ⁽ⁱ⁾	746	893	(537)	1,102
Deferred income tax assets	3	13	(1)	15
Total non-current assets	1,429	953	(585)	1,797
Short-term loans between segments ⁽ⁱ⁾	35	53	(88)	-
Other current assets	361	64	(24)	401
Total current assets	396	117	(112)	401
Total assets	1,825	1,070	(697)	2,198
Equity incl. minority interests	1,301	(425)	(538)	338
Deferred income tax liabilities	92	49	1	142
Financial liabilities	209	1,323	(135)	1,397
Other liabilities	223	123	(25)	321
Total liabilities	524	1,495	(159)	1,860
Liabilities of disposal group held-for-sale	-	-	-	-
Total equity and liabilities	1,825	1,070	(697)	2,198

⁽ⁱ⁾ The high values in the segment Corporate/Services are the result of the intercompany financing, as well as the carrying amounts of the investments in the Holding companies. These values are offset in the column “Eliminations”

For the period (€millions)	6 months ended June 30, 2007 *			Total
	SIG Combibloc	Corporate / Services	Eliminations	
Net sales - external	180	-	-	180
Net sales between segments	-	-	-	-
Net sales	180	-	-	180
Income from associated companies	-	-	-	-
Other operating income	2	9	(6)	5
Operating income	182	9	(6)	185
Operating profit before depreciation and amortisation (EBITDA)	31	-	(1)	30
Depreciation of property, plant and equipment	(11)	(1)	1	(11)
Amortisation of intangible assets	(9)	(5)	-	(14)
Operating profit/(loss) (EBIT)	11	(6)	-	5
Financial income				1
Financial expense				(34)
Net financial expenses				(33)
Profit/(loss) before tax (EBT)				(28)
Income tax expenses				(2)
Profit/(loss) for the period continuing operation				(30)
Profit/(loss) for the period discontinued operation				1
Profit/(loss) for the period				(29)

* Being the period from the date of incorporation of BP I and BP II on May 4, 2007

BEVERAGE PACKAGING HOLDINGS GROUP

**PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS
NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL
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NOTE 2. SEGMENT INFORMATION (CONTINUED)

(€millions)	June 30, 2007			Total
	SIG Combibloc	Corporate / Services	Eliminations	
Goodwill ⁽ⁱⁱ⁾	642	-	-	642
Investments in joint ventures	52	-	-	52
Long-term loans between segments ⁽ⁱ⁾	-	15	(15)	-
Other non-current assets ⁽ⁱ⁾	787	1,078	(654)	1,211
Deferred income tax assets	3	23	1	27
Total non-current assets	1,484	1,116	(668)	1,932
Short-term loans between segments ⁽ⁱ⁾	12	199	(211)	-
Other current assets	317	196	(56)	457
Total current assets	329	395	(267)	457
Assets of disposal group held-for-sale	-	-	-	111
Total assets	1,813	1,511	(935)	2,500
Equity incl. minority interests	1,244	(211)	(687)	390
Deferred income tax liabilities	124	68	3	195
Financial liabilities	223	1,506	(228)	1,501
Other liabilities	222	148	(23)	347
Total liabilities	569	1,722	(248)	2,043
Liabilities of disposal group held-for-sale	-	-	-	67
Total equity and liabilities	1,813	1,511	(935)	2,500

⁽ⁱ⁾ The high values in the segment Corporate/Services are the result of the intercompany financing, as well as the carrying amounts of the investments in the Holding companies. These values are offset in the column “Eliminations”.

⁽ⁱⁱ⁾ According to IFRS the combined Group restated the purchase accounting (PPA = Purchase Price Allocation) back to the date of acquisition (May 11, 2007). Therefore the above balance sheet as per end of June 30, 2007 includes the PPA effect from this date.

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NOTE 3. INVENTORIES

As at (€millions)	June 30, 2008	December 31, 2007
Raw material and manufacturing supplies and advance payments to suppliers	36	36
Work in progress and semi finished goods	26	26
Finished goods and merchandise	79	60
Total	141	122

NOTE 4. INTEREST BEARING LIABILITIES

As at (€millions)	June 30, 2008	December 31, 2007
Bank borrowings ^(e)	27	28
Other loans	1	1
Total current borrowings	28	29
Non-current		
Secured		
Senior indebtedness		
Bank borrowings (Term loan facilities ^{(a) (c)})	489	592
Other ^{(c) (e)}	1	1
Unsecured		
8% senior notes due 2016 ^{(b) (d)}	463	463
9 ½% senior subordinated notes due 2017 ^{(b) (d)}	406	405
Loans from related parties ^(f)	10	10
Total non-current borrowings	1,369	1,471
Total borrowings	1,397	1,500
^(a) Term borrowings	504	610
Unamortised discount and debt issue costs	(15)	(18)
	489	592
^(b) Notes payable	900	900
Unamortised discount and debt issue costs	(31)	(32)
	869	868

^(c) On May 11, 2007 BP I entered into a €25 million Senior Facilities Agreement. Following the issuance of the Senior Notes and the Senior Subordinated Notes by BP II on June 29, 2007 (see note (d) below), BP I received gross cash of €900 by BP II by way of loan agreement and used €130 million of this cash to repay the term loan facilities from €25 million to €695 million. On September 11, 2007 certain Austrian and German subsidiaries of SIG Holding AG became borrowers under the Senior Facilities Agreement in a total of €10 million and in connection therewith BP I repaid in full amounts it owed under the Senior Facilities Agreement. On April 2, 2008 SIG Beverage was sold. The combined Group used €106 million of the proceeds to repay the term loan facilities from €110 million to €504 million. As at June 30, 2008 the Senior Facilities Agreement consists of following:

- a €52 million term loan facility (Facility B); maturity date May 11, 2015
- a €52 million term loan facility (Facility C); maturity date May 11, 2016
- a €85 million multicurrency revolving credit facility; maturity date May 11, 2014. Up to €40 million of the revolving credit facility may be utilised by way of ancillary facilities or issuance of bank guarantees.

At June 30, 2008 Facilities B and C were drawn in full and €40 million under the revolving facility was drawn in the form of bank guarantees in the ordinary course of business.

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NOTE 4. INTEREST BEARING LIABILITIES (CONTINUED)

Indebtedness under the Senior Facilities Agreement may be voluntarily repaid in whole or in part and must be mandatorily repaid in certain circumstances.

The rate of interest payable on each facility for each interest period is the percentage rate per annum which is the aggregate of the applicable margin, and EURIBOR 1 month and mandatory costs, if any. As of June 30, 2008 margins are:

- Facility B, 2.25% per annum; and
- Facility C, 2.50% per annum.

The effective interest rate as of June 30, 2008 was 6.96 % in relation to Facility B and 7.15% in relation to Facility C.

RGHL the shareholder of both BP I and BP II and the indirect shareholder of BP III, along with BP I and BP III have guaranteed on a senior basis the obligations under the Senior Facilities Agreement, to the extent permitted by law. Security comprising (with limited exceptions) all material assets of these guarantors has been given to support the obligations under the borrowings and the guarantees.

On September 11, 2007 certain Austrian and German subsidiaries of SIG Holding AG became borrowers under the Senior Facilities Agreement and in connection therewith BP I repaid in full amounts it owed under the Senior Facilities Agreement. BP I no longer owes amounts as borrower under the Senior Facilities Agreement but remains a guarantor and security provider under that agreement. On September 11, 2007 the Austrian and German subsidiaries of SIG Holding AG guaranteed the Senior Facilities Agreement and security comprising (with limited exceptions) certain material assets of these guarantors has been given to support the obligations under the guarantees and to the extent applicable, the obligations as borrowers. In November 2007 the Swiss, U.S., Guernsey, UK and Luxembourg subsidiaries of SIG Holding AG and SIG Holding AG guaranteed the Senior Facilities Agreement and security comprising (with limited exceptions) certain material assets of these guarantors have been given to support the obligations under the guarantees. In December 2007 the Thai subsidiary of SIG Holdings AG guaranteed the obligations under the Senior Facilities Agreement.

- (d) On June 29, 2007 BP II issued €480 million 8% Senior Notes due 2016 (the “Senior Notes”) and €20 million 9 ½ % Senior Subordinated Notes due 2017 (the “Senior Subordinated Notes” and, together with the Senior Notes, the “Notes”).

The Senior Notes mature on December 15, 2016 and the Senior Subordinated Notes mature on June 15, 2017. BP II will pay interest on the Notes semi-annually on each June 15 and December 15, commencing on December 15, 2007. The Senior Notes are secured on a second-priority basis, and the Senior Subordinated Notes are secured on a third-priority basis, by all of the equity interests of BP I held by RGHL and the receivables under loans of the proceeds of the Notes made by BP II to BP I. All of the guarantors of the Senior Facilities Agreement have also guaranteed the Senior Notes and the Senior Subordinated Notes.

- (e) Other than the above facilities, the combined Group has a number of smaller working capital facilities extended to certain operating companies of the combined Group. These facilities can bear interest at floating or fixed rates.

- (f) Loan from RGHL Group Holdings Limited. The rate of interest payable is the aggregate of EURIBOR and the margin of 2.375%.

As at (in €millions)	June 30, 2008	December 31, 2007
Pledged assets as security for liabilities		
Investment properties	78	82
Land	9	14
Buildings	69	95
Other property, plant and equipment	231	202
Intangible assets	95	126
Other financial assets	20	29
Inventories	116	84
Cash at bank	46	20
Accounts receivable	90	87
Other current assets	41	50
Total pledged assets as security for liabilities	795	789

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PART I – INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 5. PROVISIONS

As at (€millions)	June 30, 2008	December 31, 2007
Current		
Legal and warranty claims	39	21
Business closure and rationalisation	1	2
Total current provisions	40	23
Non-current		
Provision for staff pension plans	63	62
Other	36	35
Total non-current provisions	99	97
Total provisions	139	120

NOTE 6. CAPITAL AND RESERVES

As at (€millions)	June 30, 2008	December 31, 2007
Share capital		
- BP I: 13,063,527 ordinary shares, fully paid	405	405
- BP II: 1,000 ordinary shares, fully paid	-	-
Combined Group	405	405

Movements during the period in the issued capital of BP I and BP II have been as follows:

a) Capital of BP I	Number of shares	Value (€)
Opening balance of BP I as per January 1, 2008	13,063,527	404,969,337
Movement during the period	-	-
Balance of BP I at June 30, 2008	13,063,527	404,969,337

The par value of each BP I share is €1 and has been paid in full.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and, at shareholder meetings, are entitled to one vote on a show of hands and one vote per share on a poll.

In the event of a winding up ordinary shareholders rank after secured and unsecured creditors and are fully entitled to the balance of any proceeds on liquidation.

b) Capital of BP II	Number of shares	Value (€)
Opening balance of BP I as per January 1, 2008	1,000	31,000
Movement during the period	-	-
Balance of BP I at June 30, 2008	1,000	31,000

The par value of each BP II share is €1 and has been paid in full.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and, at shareholders meetings, are entitled to one vote on a show of hands and one vote per share on a poll.

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NOTE 6. CAPITAL AND RESERVES (CONTINUED)

In the event of winding up ordinary shareholders rank after secured and unsecured creditors and are fully entitled to the balance of any proceeds on liquidation.

c) Reserves

(€millions)	June 30, 2008	December 31, 2007
Reserves opening balance	(13)	-
Cash flow hedges (net of income tax)	5	(3)
Foreign exchange translation differences	(15)	(10)
Reserves at end of the period	(23)	(13)

Foreign currency translation reserve

The foreign currency translation reserve comprises the foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the consolidated entity, as well as the translation of transactions that hedge the consolidated entity's net investment in foreign operations or the translation of foreign currency monetary items forming part of the net investment in self-sustaining operations, net of related income tax (expense)/benefit.

NOTE 7. DISCONTINUED OPERATIONS

On April 2, 2008 the sale of the SIG Beverages business was completed.

As at (€millions)	June 30, 2008	December 31, 2007
a) Assets of the disposal group held for sale		
Property, plant and equipment	-	22
Intangible assets	-	23
Other non-current assets	-	2
Inventories	-	32
Other current assets	-	26
Total assets	-	105
b) Liabilities of the disposal group held for sale		
Trade payables	-	12
Provisions	-	11
Other liabilities	-	39
Total liabilities	-	62

c) Analysis of the result of discontinued operations for the period ended June, 30 2008

For the period (€millions)	Six months ended June 30, 2008	Period ended June 30, 2007 *
Revenue	34	22
Expenses	(29)	(20)
Gain after tax on sale of discontinued operations	24	-
Profit before tax of discontinued operations (EBT)	29	2
Tax	(1)	(1)
Profit after tax of discontinued operations	28	1

* Being the period from the date of incorporation of BP I and BP II on May 4, 2007

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NOTE 7. DISCONTINUED OPERATIONS (CONTINUED)

d) Cash Flow of the discontinued operations for the period ended June, 30 2008

For the period (€millions)	Six months ended June 30, 2008	Period ended June 30, 2007 *
Cash flow from operating activities	(17)	(1)
Cash flow from investing activities	(4)	3
Cash flow from financing activities	18	(7)
Total cash flow	(3)	(5)

* Being the period from the date of incorporation of BP I and BP II on May 4, 2007

NOTE 8. CONTINGENT LIABILITIES

As at (€millions)	June 30, 2008	December 31, 2007
Contingent liabilities	20	21
Contingent assets	-	-

The contingent liabilities primarily arise from the guarantees given to banks granting credit facilities to our joint venture company SIG Combibloc Obeikan Company Ltd. in Riyadh.

Litigation and legal proceedings

The combined Group is subject to litigation in the ordinary course of operations, for which a provision has been recognised in the aggregated Group's financial statements as of June 30, 2008. The Group does not believe that it is engaged in any other legal proceedings for which provision has not been made which would be likely to have a material affect on its business, financial position or results of operations.

Security and guarantee arrangements

Certain entities of the combined Group have entered into guarantee and security arrangements in respect of some of the combined Group's indebtedness as described in note 4.

NOTE 9. COMMITMENTS

a) Capital commitments

Capital expenditure contracted for the balance sheet date but not yet incurred is as follows:

As at (€millions)	June 30, 2008	December 31, 2007
Property, plant and equipment	10	20

b) Operating lease commitments

The combined Group leases various buildings under non-cancellable operating lease arrangements with terms of between 5 and 10 years (with a majority of the lease agreements being renewable at the end of the lease period at market rates). In addition the Group also leases various items of IT equipment under cancellable operating lease agreements which the combined Group is required give a six-month notice of termination on.

The future combined Group's minimum lease payments under non-cancellable operating leases are as follows:

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NOTE 9. COMMITMENTS (CONTINUED)

As at (€millions)	June 30, 2008	December 31, 2007
Less than one year	4	5
Between one and five years	7	8
More than five years	4	4
Total	15	17

NOTE 10. RELATED-PARTY TRANSACTIONS

The combined Group is directly controlled by Rank Group Holdings Limited (incorporated in New Zealand), which owns 100% of the combined Groups share capital. The ultimate parent of the combined Group is Packaging Holdings Limited (incorporated in New Zealand). The ultimate sole shareholder is Mr. G.R Hart.

The following transactions were carried out with related parties:

a) Sales of goods and services

For the period (€millions)	June 30, 2008	June 30, 2007*
Joint ventures	28	7

* Being the period from the date of incorporation of BP I and BP II on May 4, 2007

Goods are sold based on the price lists in force and terms that would be available to third parties. Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 3% to 5%.

b) Key management compensation (Executive's and Board of Directors)

For the period (€millions)	June 30, 2008	June 30, 2007*
Salaries and other short-term employee benefits	1	3
Termination benefits	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Incentive program	-	4
Total	1	7

* Being the period from the date of incorporation of BP I and BP II on May 4, 2007

(c) Year-end balances arising from sales/purchases of goods/services

Receivables from related parties:

As at (€millions)	June 30, 2008	December 31, 2007
Joint ventures	15	22

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NOTE 10. RELATED-PARTY TRANSACTIONS (CONTINUED)

(d) Loans from related parties (Rank Group Holdings Ltd.)

As at (€millions)	June 30, 2008	December 31, 2007
Beginning of period	10	-
Loans received during year	-	10
Loan repayments made	-	-
Interest paid	-	-
Interest charged	-	-
End of period	10	10

NOTE 11. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to June 30, 2008 which, in the views of the directors would have a material effect and require disclosure in the financial statements.

BEVERAGE PACKAGING HOLDINGS GROUP

PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Half Year Report. This following discussion should be read in conjunction with “Risk Factors,” and the interim unaudited condensed consolidated combined financial statements for the three months and six months ended June 30, 2008 included elsewhere in this Half Year Report.

We are one of the world’s leading manufacturers and suppliers of aseptic carton packaging solutions and have operated in that industry for over 30 years. We believe we hold the number two market position in the global aseptic beverage carton market measured by volume of packaging materials sold and by revenues. We manufacture a broad range of innovative, high quality aseptic carton packaging solutions that are designed to retain the taste and nutritional value of beverages and liquid food, without the use of chemical preservatives, even when stored for months without refrigeration. Our primary business is the supply of aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons and closures. We currently have more than 985 filling machines deployed in the market, which we believe represents the second largest deployed base, and we supplied our customers with approximately 19 billion aseptic carton sleeves in 2007. Our aseptic cartons range in size from 125ml to 2 litres and consist of multi-layer containers made from cartonboard, polyethylene and aluminium. Our products are used in the stable and non-cyclical end markets of beverages and food, in particular the non-carbonated soft drinks (i.e. juice) and liquid dairy (i.e. milk) segments.

At June 30, 2008 our continuing business employed 4,343 employees and operates in 29 countries. We operate through the segment “SIG Combibloc”, which is a leading manufacturer of aseptic carton packaging for both beverage and wet food products and has nine manufacturing plants located at six production sites, including six in Europe with sites in Southeast Asia, China and the Middle East (through a joint venture).

On April 2, 2008 we completed the sale of the SIG Beverage business.

Basis of presentation

Historical financial statements

This discussion and analysis is based on the interim unaudited condensed consolidated combined financial statements of the combined Group for the three and six month periods ended June 30, 2008 and 2007.

Discontinued operations

At the end of 2007, we elected to make available for sale the SIG Beverages business. As a result of this election the results of the Beverages business have been disclosed separately from the continuing Group in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”.

Accounting principles

The financial information contained within has been prepared in accordance with IFRS. The interim unaudited condensed consolidated combined financial information has been prepared using uniform accounting policies for all entities in the combined Group.

Reporting currency

The interim unaudited condensed consolidated combined financial statements are presented in euro, which is the major trading currency of the combined Group. Where the euro is not the functional currency of a specific operation or jurisdiction such results have been translated in accordance with the requirements of IAS 21 “Accounting for the effects of changes in foreign exchange rates”.

Segment reporting

In accordance with IAS 14, the combined Group has reported its interim results of operations on the basis of the major business lines which provide products or services that are different from those of other segments. After the sale of the Beverages business on April 2, 2008 the combined Group consists of one main segment, being:

- Combibloc, a manufacturer of complete aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons and closures and related services

We report items that are not directly allocable to our main business segment, including costs associated with our corporate and information technology functions and the licensing of the intellectual property and SIG trademark, in our segment “Corporate/Services”.

We also report certain financial information by country or geographic region.

BEVERAGE PACKAGING HOLDINGS GROUP

PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Key factors influencing our financial condition and results from operations

Restructuring and cost saving programs

We have completed a number of restructuring and cost-saving programs over the past three years in order to reduce our operating costs. In addition, we currently have one program underway, which focuses on raw material cost improvements, and we are likely to undertake additional restructuring and cost-saving programs as a result of our acquisition by RGHL.

Our restructuring and cost-saving programs have included the following initiatives:

- Workforce reductions;
- Consolidation of facilities;
- Rationalisation of certain product lines;
- Divestiture of non-core businesses;
- Streamlining of Research and Development activities
- Streamlining of corporate overhead;
- Reduction of raw material costs; and
- Delisting of SIG shares.

As part of the restructuring and cost saving programs, we recorded restructuring costs, which has decreased EBITDA by €1 million in 2006, €9 million in 2007 and €3 million for the period ended June 30, 2008. We expect to incur further restructuring costs during the remainder of the 2008 year.

Raw material prices

Our results of operations have been in the past, and will continue to be in the future, impacted by changes in the cost of raw materials, including raw cartonboard, PE resin, aluminium, steel and components for our filling machines. Raw material costs represent approximately half of our net sales. The prices for raw materials can fluctuate significantly, particularly PE resin, which historically has been correlated with global oil prices. With the exception of raw cartonboard, we purchase most of our raw materials based on spot market prices and generally cannot immediately pass on price increases to our customers. Similarly, we are not obligated to pass on favourable changes in raw material prices to our customers. For example, during 2005, 2006 and 2007, our results were adversely impacted by the worldwide increase in PE resin prices, which reached record high levels in 2007 and have continued to climb in 2008. Aluminium prices were stable during 2005 and 2006, reached a peak by end of 2007 and further increased in 2008, which have been partially offset as a result of the current hedging programme. Prices for cartonboard increased slightly in accordance with the inflation. We expect that our results will be further impacted by higher PE prices due to the global oil price.

Pricing and product mix

Our results of operations have been in the past, and will continue to be in the future, impacted by changes in our product mix and prices. Sales of our sleeves are an important part of our business, and have increased overall on a volume and sales basis worldwide. Our carton sleeve product mix has changed in recent years. Over the past few years, we have sold increased volumes of smaller-size carton sleeves to our customers in the Asian market, where we have expanded our presence, while sales volumes of large-size and mid-size carton sleeves to our customers in established European markets have been stable. The price of smaller size carton sleeves is generally lower than large-size and mid-size carton sleeves. In general, we have faced pricing pressures for our sleeves in Europe, while prices have been stable in Asia. While the prices of our carton sleeves vary according to size, our overall operating margins for our carton sleeves and filling machines have been comparable, both across different carton sleeves sizes and across the European and Asian markets. Price increases have been successfully implemented from the beginning of 2008 to partly compensate the significant raw material price increases of the last two years.

Seasonality and working capital fluctuations

Our Combibloc business is impacted by moderate seasonal fluctuations. Our customers are principally engaged in providing products such as beverages and food that are generally less sensitive to changing economic conditions, although we do experience some seasonality as a result of increased consumption of tea and juices during the summer months in Europe. We therefore typically experience a greater level of carton sleeve sales in the second and third quarter. Sales also are also typically higher in the fourth quarter, as the timing of annual volume rebate calculations on carton sleeves encourages customers to purchase additional sleeves prior to the end of the year.

Sales of filling machines also increase in the fourth quarter as customers seek to utilise their residual capital expenditures budgets before the end of the year. As a result, we normally have lower sales and build inventory levels during the first, second and third quarter, which together increase our working capital levels and reduce operating cash flow.

BEVERAGE PACKAGING HOLDINGS GROUP

PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The acquisition, substantial leverage and other transaction-related effects

Our results of operations and financial position were significantly impacted by the effects of the acquisition and the related transactions.

The acquisition of SIG by BP I and the related transactions were financed with borrowings of €10 million under the Senior Credit Facilities and with the proceeds of the senior Notes of €480 million and senior subordinated Notes of €420 million issued in September 2007. As a result, we have substantial additional indebtedness. As of June 30, 2008, after having sold the Beverages business and repaid a component of the Senior Credit Facility (€106 million), we have €1.4 billion of indebtedness. Our future results of operations, including our net finance charges, will be significantly affected by our financing facilities and leverage. The servicing of this indebtedness will also impact our cash flows and cash balance.

In addition, in connection with the acquisition of SIG by BP I, the combined group has recorded an amount of goodwill of €26 million. Although goodwill is not subject to amortisation under IFRS, it is subject to an annual impairment test. To the extent that a significant portion of the purchase price was allocated to identifiable tangible and intangible assets, our non-cash depreciation and amortisation expenses are significantly higher than in the prior historical periods.

Critical accounting policies

Our critical accounting policies are those that we believe are most important to the portrayal of our financial condition and results, and that require the most difficult, subjective or complex judgments. In many cases, the accounting treatment of a particular transaction is specifically dictated by IFRS with no need for the application of our judgment. In certain circumstances, however, the preparation of the consolidated combined financial statements in conformity with IFRS requires us to use our judgment to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. We believe the policies described below are our most critical accounting policies.

Accounting for the sale of filling machines

The SIG Combibloc business involves the supply of filling systems which combine the provision of a filling machine with a committed stream of future revenue from the sale of carton sleeves. We use three primary methods to supply our filling machines to customers. The filling machine may be sold or leased directly to the customer or may be sold to a third party who then leases it to the customer. The supply of the filling machine will usually be accompanied by a commitment on the part of the customer to purchase carton sleeves for an initial term of five to seven years.

The initial supply of the filling machine, whether by sale, lease or third party lease, and the subsequent sales of carton sleeves represents a linked transaction as defined under IAS Framework 96.

The difference between the sale price of the filling machine and our cost of manufacturing the machine is capitalised as an intangible asset (Rights to supply) and amortised over the term of the carton sleeve contract. At each balance date, the unamortised balance is reviewed to assess whether it will be recovered from the projected gross margin of estimated future carton sleeve sales. Any write down in the recoverable amount of this intangible asset is recognised in the income statement for the current period.

We recognise revenues upon the sale of a filling machine to the third party finance company. In the event that the customer becomes insolvent, we have the right to buy back the filling machine at a residual price. To date, we have never been required to accept the return of a filling machine due to customer insolvency. Marketing allowance to the customer are provided based on the achievement of agreed target sleeves volumes.

Impairment of goodwill, intangible assets and property, plant and equipment

We assess the impairment of goodwill, identifiable intangible and property, plant and equipment on a regular basis. Goodwill and any non-amortising intangibles are assessed for impairment at least annually. Other non-current assets are tested when a trigger event may indicate the existence of impairment. If any such indication of impairment exists, the asset's recoverable amount is estimated.

The recoverable amount for an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In estimating future cash flows, we make estimates with respect to the useful lives of our assets. Changes in circumstances, including the relative cost efficiency of our production facilities, may cause us to change these estimates.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

BEVERAGE PACKAGING HOLDINGS GROUP

PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Critical accounting policies (continued)

Impairment of goodwill, intangible assets and property, plant and equipment (continued)

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

As of June 30, 2008, we had €1,694 million of goodwill, other intangible assets and property, plant and equipment recorded on our balance sheet. Any impairment in the value of intangible assets (which at the balance sheet none existed) would result in a reduction in the carrying value on the balance sheet and an expense recorded in our income statement.

Accounting for business combinations

We account for business combinations under the purchase method of accounting. The excess of the purchase price over the fair value of net tangible assets acquired is allocated first to the fair value of identifiable intangible assets. The remaining purchase price is then allocated to goodwill.

Goodwill and acquired indefinite life intangible assets are not amortised. Other acquired intangible assets with finite lives are amortised on a straight line basis over the period of expected benefit.

The results of operations for businesses acquired are included in our combined financial statements from the date of acquisition.

In May 2007, BP I acquired 98.3% and in November 2007 the remaining 1.7 % of the ordinary shares of SIG for a total purchase price of €1.7 billion. The purchase price allocation is reflected in our financial statement as of December 31, 2007 and June 30, 2008.

The allocation of the purchase price to the fair value of acquired assets and liabilities involves assessments of the expected future cash flows associated with individual assets and liabilities and appropriate discount rates, as at the date of the acquisition.

Subsequent changes in our assessments may trigger an impairment loss, which will be recognised in the income statement.

Income taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognise liabilities for tax issues based on estimates of whether additional taxes will be due based on our best interpretation of the relevant tax laws. In cases where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

We recognise deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. This is based on estimates of taxable income in each jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that annual results differ from these estimates in future periods, and depending on the tax strategies that we may have been able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and results of operations.

Provisions

We recognise a provision in the balance sheet when we have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

As a result of recent business disposals, we have provided certain warranties and indemnities to the purchasers of these businesses. As a result of these contractual conditions, we have estimated the probable outflow that will be required to settle specific matters. The determination of these provisions requires an assessment as to the likelihood and magnitude of a particular claim, and the expected timing of any payment.

BEVERAGE PACKAGING HOLDINGS GROUP

PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Critical accounting policies (continued)

Employee benefits—defined benefit pension obligations

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires us to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets and future healthcare costs. We consult with third-party actuaries regarding these assumptions on at least an annual basis. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred.

Results and financial condition

Set forth below is a brief description of key line items of the income statement:

- **Net sales:** Net sales represent the revenues from the delivery of goods and services net of value-added taxes, rebates and discounts. Revenue is recognised when the significant risks and rewards of ownership of the goods or services are transferred to the buyer.
- **Share of profit of joint ventures:** Income from joint ventures represents our share of net profit of all our joint ventures using the equity method of consolidation. In the balance sheet as of June 30, 2008 there are two companies being joint ventures with Obeikan in Riyadh and Dubai, where we hold an interest of 50% in each.
- **Other income:** Other income include revenues that do not arise from our normal operation and mainly include rental income from investment properties, rental income from temporarily leased land and buildings, the gain on sale of property plant and equipment and income from services of our shared service centres rendered to third parties and to the discontinued business of SIG Beverages.
- **Changes in inventories of finished goods and work in progress:** Changes in inventories of semi-finished, finished goods and work in progress (WIP) between the opening balance during the reporting period and the closing balance.
- **Own work capitalised:** Own work capitalised is the value of internally manufactured tangible assets and the capitalised rights to supply filler machines that are sold below their production cost.
- **Operating expenses:** Operating expenses are classified by the nature of the expense and are as follows:
 - **Raw materials and consumables used:** Raw materials, supplies and services used in the manufacturing process. The primary materials used in SIG Combibloc are raw cartonboard, polyethylene (PE), aluminium foil for the production of sleeves and steel and machine components for the assembling of fillers.
 - **Personnel costs:** Personnel costs include wages and salaries, social security expenses, contributions for post-retirement benefits, pension funds and healthcare, anniversary payments, bonuses, severance payments and fringe benefits of employees.
 - **Other operating expenses:** Other operating expenses include special costs of sales (like market and promotional allowances to customers, freight costs, packaging material, credit insurances), advertising, representation and travel costs, maintenance, energy and rental costs, other sales expenses, value adjustments and losses on receivables, legal and consultancy costs, realised and unrealised exchange rate profits and losses on balance sheet items except on financial liabilities and other administrative expenses.
- **EBITDA:** EBITDA mean earnings (or Operating profit) before interest, taxes, depreciation and amortisation.
- **Depreciation of property, plant and equipment:** Depreciation of property, plant and equipment is charged to the income statement on a straight-line basis over the expected life of the related asset. Impairments on all assets are recognised in the income statement when they occur.
- **Amortization of intangible assets (excluding goodwill):** Amortization of intangible assets (excluding goodwill) is charged to the income statement on a straight-line basis over the expected life of the related asset. Impairments on all assets are recognised in the income statement when they occur. The majority of the amortization cost in all periods is the amortization of capitalised delivery rights of Combibloc's filler business and the amortisation of fair value adjustments for the customer base of Combibloc, technology and patents, resulting from the Purchase Price Allocation process.
- **EBIT:** EBIT means earnings (or operating profit) before interest and taxes.
- **Financial income:** Financial income consists of interest from loans, securities and cash, the profit (gain and loss) from fair value adjustments and the profit (gain and loss) from the sale of financial assets.

BEVERAGE PACKAGING HOLDINGS GROUP

PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Results and Financial Condition (continued)

- **Financial expense:** Financial expense consists of interest and similar expenses charged for financial liabilities, exchange rate profit (gain and loss) on third party financial liabilities and on intercompany current loans and amortisation of capitalised debt issuance costs.
- **Net financial expenses:** is the difference between financial income and financial expense.
- **Income tax expense:** Income tax represents the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Current tax is the amount on income taxes payable/(recoverable) in respect of the taxable profit/(loss) for a period. Deferred tax represents the amount of income taxes payable / (recoverable) in future periods in respect of taxable/(deductible) temporary differences and unused tax losses.
- **Profit or loss for the period:** Profit or loss includes profit of the continuing business before minority interests, consisting of the segments Combibloc, Corporate and shared service functions (Corporate/Services).

Presentation of Historical and adjusted EBITDA

In this discussion and analysis, we present the EBITDA and Adjusted EBITDA of the continuing operations of combined Group for the three months and six months periods ended June 30, 2007 and 2008.

To assist with the understanding of the operating performance of the continuing operations of the combined Group, the financial information for the combined Group from May 4, 2007 has been aggregated with that of SIG from January 1, 2007 to May 10, 2007. In aggregating the financial information of SIG with that of the combined Group, pro forma adjustments for depreciation, amortisation, net financial costs and income taxes have been made to reflect the acquisition of SIG by BPI as if it had occurred on January 1, 2007.

Due to the significant changes in our strategy over the last three years, certain revenues have been generated and expenses have been incurred in respect of specified events, which we believe are of such a size, nature or incidence that their disclosure is relevant in explaining operating performance over such period. The following discussion of our results of operations discloses for each period the principal adjustments, if any, to EBITDA reflected in the computation of “Adjusted EBITDA”

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PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Results of operation

(€millions, except for Percentages ⁽¹⁾)	Three months ended June 30,				Six months ended June 30,			
	2008		2007		2008		2007	
Net sales	325	100%	321	100%	613	100%	607	100%
Share of profit of joint ventures	-	-	-	-	1	-	-	-
Other income	11	3%	8	2%	17	3%	16	3%
Total operating income	336	103%	329	102%	631	103%	623	103%
Own work capitalised	14	4%	14	4%	24	4%	21	4%
Changes in inventories of finished goods and WIP	(11)	(3%)	6	2%	12	2%	16	2%
Raw materials and consumables used	(159)	(49%)	(173)	(54%)	(321)	(52%)	(318)	(52%)
Personnel costs	(59)	(18%)	(61)	(19%)	(114)	(19%)	(117)	(19%)
Other operating expenses	(56)	(17%)	(53)	(16%)	(106)	(17%)	(118)	(20%)
Total operating expenses	(271)	(83%)	(267)	(83%)	(505)	(82%)	(516)	(85%)
EBITDA	65	20%	62	19%	126	21%	107	18%
Depreciation of property, plant and equipment	(21)	(6%)	(21)	(7%)	(41)	(7%)	(42)	(7%)
Amortisation of intangible assets	(21)	(7%)	(24)	(7%)	(43)	(7%)	(44)	(8%)
EBIT	23	7%	17	5%	42	7%	21	3%
Net financial expenses	(40)	(12%)	(33)	(10%)	(68)	(11%)	(66)	(10%)
Loss before tax (EBT)	(17)	(5%)	(16)	(5%)	(26)	(4%)	(45)	(7%)
Income tax expenses	(6)	(2%)	(2)	(1%)	(9)	(2%)	(2)	(1%)
Profit/(loss) after tax from continuing operations	(23)	(7%)	(18)	(6%)	(35)	(6%)	(47)	(8%)
Profit from discontinued operations (net of income tax)	23	7%	2	1%	28	5%	4	1%
Profit/(loss) for the period	-	-	(16)	(5%)	(7)	(1%)	(43)	(7%)
Adjusted EBITDA	68	21%	58	18%	129	21%	103	17%

⁽¹⁾ Percentages represent the respective line items as a percentage of total revenue from sale of goods

BEVERAGE PACKAGING HOLDINGS GROUP

PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Three months ended June 30, 2008 compared to the three months ended June 30, 2007

Net sales: Net sales increased by 1% to €25 million for the three months ended June 30, 2008 as compared to €21 million for the three months ended June 30, 2007. The moderate growth in sleeve sales as compared to the prior three months is a factor of sales volume combined with the impact of exchange rate movements in respect of sales which are denominated in US dollars. Filler sales were of the same level as previous three months with 23 new machines placed.

Europe: Total sleeve sales in Europe decreased by 1%, compared to the prior year three months. The decline in the German market of 2% in sleeve sales compared to the previous year three months reflects the expected substitution from carton into PET packages in the juice segment, which was significantly lower than expected. All other European jurisdictions except Russia have grown by on average 4%, with sleeve sales in Russia decreasing by 26% when compared to the previous year three months due to the impact of the current market instability on consumer behaviour.

Non-Europe: The non-European markets have achieved a growth in sleeve sales of 8% compared to the prior year three months. Such growth has occurred even though these jurisdictions have suffered from unfavourable exchange rate developments, which have negatively impacted sales by €5 million.

The main contributors to the growth in the non-European countries is the Chinese market which realised an increase of 21% for the three months ended June 30, 2008 compared to the prior year three months even though the expected growth has partially stalled due to the inflation driven price increases for milk. The Middle East and South America markets contributed to the non-European market growth with an increase of 47% and 175% respectively when compared to the previous year three months.

Total operating expenses: Total operating expenses increased by €4 million to €71 million (83% of net sales) for the three months ended June 30, 2008 compared to €67 million (83% of net sales) for the three months ended June 30, 2007.

Raw materials and consumables: Expenses for raw material and consumables decreased by 8% to €159 million (49% of net sales) for the three months ended June 30, 2008 from €173 million (54% of net sales) for the three months ended June 30, 2007. The decrease in material expenses is a factor of the lower levels of inventories at the finished and semi-finished stages compared to the levels at the end of the three months of the prior year, which is reflected in the consolidated combined income statements element “Changes in inventories of finished good and WIP”. After allocating the negative impact from the inventory decrease raw materials for the three months ended June 30, 2008 would amount to 52% of net sales compared to 52% for the three months ended June 30, 2007. The three months ended June 30, 2007 includes a one-off item of €3 million resulting from a change in the valuation of prototype machines. Costs of raw materials, especially carton board and polyethylene, have increased by a combined €6 million over the cost of an equivalent volume of the same materials in the comparative three months, whereas aluminium prices have decreased by €1 million over the cost of an equivalent volume of these materials in the comparative period, resulting from the positive impact of the current hedging programme.

Personnel costs: Personnel costs decreased by 3% to €9 million (18% of net sales) for the three months ended June 30, 2008 from €11 million (19% of net sales) for the three months ended June 30, 2007. Both the three months ended June 30, 2007 and the three months ended June 30, 2008 include one-off redundancy costs of €3 million. On an adjusted basis personnel costs for the three months ended June 2008 have decreased by €2 million, mainly due to the segment “Corporate/Services”, reflecting a decrease in head office functions as a result of the delisting process, as well as an alignment of the service functions due to the sale of the SIG Beverages business on April 2, 2008.

Other operating expenses: Other operating expenses increased by 6% to €6 million (17% of net sales) for the three months ended June 30, 2008 from €3 million (16% of net sales) for the three months ended June 30, 2007. The three months ended June 30, 2007 includes one-off net benefits of €10 million (benefit from the release of a €12 million provision offset by auction related costs of €2 million). On an adjusted basis other operating expenses for the three months ended June 2008 have decreased by €7 million compared to the prior year three months, primarily as a result of the €4 million positive exchange rate differences resulting from cash flow hedges. In addition to this benefit, savings have been noted in respect of our customer marketing allowances used to support the sales of carton sleeves and our other sales-promotional costs totalling €2 million. The remaining €1 million of cost reductions is attributable to lower general administration costs.

EBITDA: EBITDA increased by 5% from €62 million (19% of net sales) for the three months ended June 30, 2007 to €65 million (20% of net sales) for the three months ended June 30, 2008. The increase of €3 million was due to the items as outlined previously.

Adjusted EBITDA: Adjusted EBITDA which differs to the reported EBITDA in the exclusion of one-off items, increased by 17% from €8 million (18% of net sales) for the three months ended June 30, 2007 to €8 million (21% of net sales) for the three months ended June 30, 2008.

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Depreciation of property, plant and equipment: Depreciation of property, plant and equipment amounted for both three months period ended June 30, 2007 and 2008 to €21 million (7% respectively 6% of net sales).

Amortization of intangible assets: Amortization of intangible assets decreased by €3 million to €21 million (7% of net sales) for the three months ended June 30, 2008 from €24 million (7% of net sales) for the three months ended June 30, 2007.

Profit from operations (EBIT): EBIT increased from €17 million for the three months ended June 30, 2007 to €23 million for the three months ended June 30, 2008, as a result of the above mentioned impacts.

Net financial expense: Net financial expenses were €40 million for the three months ended June 30, 2008 compared to €33 million for the three months ended June 30, 2007, reflecting the combined Group's overall indebtedness resulting from the financing of the SIG acquisition by Rank. The three months ended June 30, 2007 includes a charge of €2 million for the amortization of the Senior Subordinated Bridge facility costs of €1 million which was extinguished on June 2007.

Profit from discontinued operations: Profit from discontinued operations presents the operating result and the gain from the sale of the SIG Beverages business on April 2, 2008.

Income tax expenses: Although the consolidated group presents negative earnings before tax (EBT) for the three months ended June 30, 2008 of €17 million, a provision for income tax of €6 million has been recognised. The main reason for this charge is that net income in certain jurisdictions where local taxes arise can not be offset by the net financing charges arising under the group's net indebtedness.

Six months ended June 30, 2008 compared to the six months ended June 30, 2007

Net sales: Net sales increased by 1% to €613 million for the six months ended June 30, 2008 as compared to €607 million for the six months ended June 30, 2007. The growth in sleeve sales as compared to the prior six months is a factor of sales volume combined with the impact of exchange rate movements in respect of sales which are denominated in US dollars. Filler sales for the six months ended June 2008 were 3% higher than the prior six months, consisting of 33 new placed machines in 2008 compared to 34 in 2007.

Europe: Total sleeve sales in Europe decreased by 2%, compared to the prior six months ended June 30, 2007. The decline in the German market of 5% in sleeve sales compared to the prior six months reflects the expected substitution from carton into PET packages in the juice segment, which was significantly lower than expected. All other European jurisdictions beside Russia have grown an average 5%, with sleeve sales in Russia decreasing by 25% when compared to the prior six months due to the impact of the current market instability on consumer behaviour.

Non-Europe: The non-European markets have achieved a growth in sleeve sales of 8% compared to the prior six months. Such growth has occurred even though these jurisdictions have suffered from unfavourable exchange rate developments, which have negatively impacted sales by €9 million. The main contributors to the growth in the non-European countries is the Chinese market which realized an increase of 24% for the six months ended June 30, 2008 compared to the prior six months even though the expected growth has partially stalled due to the inflation driven price increases for milk and shortage of milk products at the beginning of the year. The Middle East and South America markets contributed to the non-European market growth with an increase of 33% and 153% respectively, when compared to the prior six months.

Total operating expenses: Total operating expenses decreased by €11 million to €505 million (82% of net sales) for the six months ended June 30, 2008 compared to €516 million (85% of net sales) for the six months ended June 30, 2007

Raw materials and consumables: Expenses for raw material and consumables increased by 1% to €321 million (52% of net sales) for the six months ended June 30, 2008 from €318 million (52% of net sales) for the six months ended June 30, 2007. The increase in material expenses is a factor of the lower levels of inventories at the finished and semi-finished stages compared to the levels at the end of the three months of the prior year, which is reflected in the consolidated combined income statements element "Changes in inventories of finished good and WIP". Allocating the negative impact from the inventory decrease, raw materials for the six months ended June 30, 2008 would amount to 50% of net sales compared to 50% for the six months ended June 30, 2007. The six months ended June 30, 2007 includes a one-off item of €3 million resulting from a change in the valuation of prototype machines. Costs of raw materials, especially carton board and polyethylene, have increased by a combined €1 million over the cost of an equivalent volume of the same materials in the comparative half, whereas aluminium prices have decreased by €2 million over the cost of an equivalent volume of these materials in the comparative period, resulting from the positive impact of the current hedging programme.

Personnel costs: Personnel costs decreased by 3% to €14 million (19% of net sales) for the six months ended June 30, 2008 from €17 million (19% of net sales) for the six months ended June 30, 2007. Both the six months ended June 30, 2007 and the six months ended June 30, 2008 include one-off redundancy costs of €3 million. On an adjusted basis personnel costs for the six months ended June 2008 have decreased by €3 million from €14 million to €11 million, mainly

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PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

due to the segment “Corporate/Services”, reflecting a decrease in head office functions as a result of the delisting process and an alignment in service functions due to the sale of the SIG Beverages business on April 2, 2008.

Other operating expenses: Other operating expenses decreased by 10% to €106 million (17% of net sales) for the six months ended June 30, 2008 from €118 million (20% of net sales) for the six months ended June 30, 2007. The six months ended June 30, 2007 includes one-off net benefits of €10 million (benefit from the release of a €12 million provision and auction related costs of €2 million). On an adjusted basis, other operating expenses for the six months ended June 2008 have decreased by €22 million from €128 million to €106 million compared to the prior six months, primarily as a result of €7 million positive exchange rate differences resulting from cash flow hedges. In addition to this benefit, savings have been noted in respect of our customer marketing allowances used to support the sales of carton sleeves and our other sales-promotional costs totalling €5 million. The remaining €10 million of cost reductions is attributable to lower general administration costs.

EBITDA: EBITDA increased by 18% from €107 million (18% of net sales) for the six months ended June 30, 2007 to €126 million (21% of net sales) for the six months ended June 30, 2008. The increase of €19 million was due to the items as outlined above.

Adjusted EBITDA: Adjusted EBITDA which differs to the reported EBITDA in the exclusion of one-off items, increased by 25% from €103 million (17% of net sales) for the six months ended June 30, 2007 to €129 million (21% of net sales) for the six months ended June 30, 2008.

Depreciation of property, plant and equipment: Depreciation of property, plant and equipment decreased by €1 million to €41 million (7% of net sales) for the six months ended June 30, 2008 compared to €42 million (7% of net sales) for the six months ended June 30, 2007.

Amortization of intangible assets: Amortization of intangible assets decreased by €1 million to €43 million (7% of net sales) for the six months ended June 30, 2008 from €44 million (8% of net sales) for the six months ended June 30, 2007.

Profit from operations (EBIT): EBIT increased from €21 million for the six months ended June 30, 2007 to €42 million for the six months ended June 30, 2008, as a result of the above mentioned impacts.

Net financial expense: Net financial expenses were €68 million for the six months ended June 30, 2008 compared to €66 million for the six months ended June 30, 2007, reflecting the interest expense on the overall indebtedness of €1.5 billion (from April 11, 2008 €1.4 billion) resulting from the financing of the purchase price of SIG by Rank. The six months ended June 30, 2007 includes a charge of €6 million for the amortisation of the Senior Subordinated Bridge facility costs of €1 million which was extinguished on June 2007.

Profit from discontinued operations: Profit from discontinued operations presents the operating result and the gain from the sale of the SIG Beverages business on April 2, 2008.

Income tax expenses: Although the combined Group presents negative earnings before tax for the six months ended June 30, 2008 of €26 million, a provision for income tax of €9 million has been recognised. The main reason for this charge is that net income in certain jurisdictions where local taxes arise can not be offset by the net financing charges arising under the Group's net indebtedness.

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Liquidity and capital resources

The following table sets forth the combined Group's cash flows for the period presented:

For the period (€millions)	Six months ended June 30, 2008	Period ended June 30, 2007
Cash flow from operating activities	76	19
Cash flow from investing activities	77	(1,242)
Cash flow from financing activities	(122)	1,326

* Being the period from the date of incorporation of BP I and BP II on May 4, 2007

Cash flow from operating activities

Operating activities for the six months ended June 30, 2008 generated a net cash inflow of €76 million. The net cash inflow from operating activities includes interest expenses paid of €66 million, income taxes paid of €10 million and a positive cash impact of €1 million from a lower net working capital position, mainly due to the implementation of a new non recourse based factoring program. This compares to the comparative period where the combined Group generated a cash flow from operating activities of €19 million which is reflective of the reporting period, being from May 11, 2007 to June 30, 2007.

Cash flow from investing activities

Investing activities for the six months ended June 30, 2008 resulted in a net cash inflow of €77 million. Cash flows from investing activities include a cash inflow of €15 million from the sale of the SIG Beverages business, a cash inflow of €6 million from the sale of an investment property, and a cash outflow of €54 million in respect of capital expenditure on property, plant and equipment and new filling machines. Investing activities for the six months ended June 30, 2007 of (€1,242) include €1,194 paid for the acquisition of SIG Group, as well as €28 million of cash set aside in escrow accounts for the purchase of SIG shares which were not owned at June 30, 2007.

Cash flow from financing activities

Financing activities for the six months ended June 30, 2008 resulted in a net cash outflow of €122 million of which €106 million is attributable to the repayment of a component of the Senior Financing Facilities funded by the proceeds of the sale of SIG Beverages business. From the realized free cash flow of €153 million (cash flow from operating activities minus cash flow from investing activities) €122 million in total was used to repay borrowings and €31 million to increase liquidity. The cash flow from financing activities for the six months ended June 30, 2007 is attributable to the issue of €480 million of Senior Notes, the issue of €20 million of Senior Subordinated Notes, the drawdown of €10 million of Senior Financing Facilities and the proceeds of €120 million from the issue of shares. Offsetting these cash inflows were the outflow of €241 million for the redemption of SIG bonds which were repurchased in a tender offer and the outflow of debt fees paid of €56 million.

Capital expenditure

The following table shows capital expenditures for property, plant and equipment and filling machines.

For the period (€millions)	Six months ended June 30, 2008
<i>Property, Plant and Equipment (without Filling machines)</i>	20
<i>Filling machines</i>	32
SIG Combibloc	52
Corporate/Services	2
Total capital expenditures	54

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The capital expenditure in respect of the SIG Combibloc division is a blend of capital expenditure for property, plant and equipment and market driven capital expenditure in respect of the manufacture and placement of filling machines with customers. Capital expenditures incurred in respect of property, plant and equipment comprises costs required to maintain and upgrade the existing facilities and those associated with the construction of new locations. (i.e. €2 million of total property plant and equipment is attributable to the plant expansion project in China). Filling machine capital expenditures consists of the capital cost in placing new filling machines in the market, as well as replacing existing machines.

Capital resources

The acquisition of SIG and the related transactions in May 2007 were funded with a combination of the Senior Financing Facilities, the Senior Subordinated Bridge Facility and equity contributions by BP I. Our subsequent operations principally have been funded by existing cash resources, cash flow from operations, capital leases and local bank facilities.

We will continue to need significant cash resources to, among other things:

- meet our debt service requirements under our Senior Credit Facilities, the Notes and our other indebtedness;
- fund our working capital requirements;
- make capital investments;
- expand our business; and
- fund our research and development activities.

We have substantial debt and debt service obligations. As of June 30, 2008, we had approximately €1.4 billion of debt. In addition, we may incur additional debt in the future.

Intra-group funding

The liquidity needs of BP II, and BP I and its subsidiaries are met through a combination of internally generated cash flow, dividends, intercompany loans, capital contributions, intra-group payment obligations, transfer payments and payments under license, royalty and services agreements and other arrangements.

Subsidiaries may be restricted from providing funds to BP I and other subsidiaries (including guarantors of the Notes) under a variety of circumstances. Certain subsidiaries are subject to corporate law and contractual restrictions, including restrictions under debt instruments such as the Senior Credit Facilities and the intercreditor agreement, that limit their ability to pay dividends or make other distributions.

We expect that the debt service requirements of the Issuer under the Notes will be satisfied through payments under the proceeds of loans. We may also, but are not required to, provide the Issuer with funds to meet debt service requirements under the Notes through intercompany loans or other methods.

Sources of liquidity

Our sources of liquidity for the future are expected to be cash resources, cash flow from operations, drawings under our revolving credit facility, capital leases, and local bank facilities. As of June 30, 2008, €45 million was available for drawing under the revolving credit facility.

If we are required to borrow additional amounts under the revolving credit facility and our other bank facilities, we may be restricted from doing so by the terms of such indebtedness, including financial maintenance covenants and other conditions, as well as the terms of our other indebtedness, including the Notes.

We believe that our cash flow from operations and available cash, and our other available external financing sources will be adequate to meet our future liquidity needs for the foreseeable future, although we cannot assure you that this will be the case.

Our future operating performance and our ability to service or refinance the Notes and other indebtedness are subject to economic conditions, financial, business and other factors, many of which are beyond our control.

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Material commitments and contractual obligations

The following table summarises the combined Group's material cash commitments as of June 30, 2008.

For the period (€millions)	Payments due by period as of June 30, 2008			
	Total	Less than one year	One to five years	Over five years
Contractual obligations				
Total debt ¹	1,443	28	-	1,415
Operating leases	15	4	7	4
Unconditional purchase obligations ²	10	10	-	-
Total contractual cash obligations	1,468	42	7	1,419

¹ Total debt consists of principal amounts only

² Unconditional purchase obligations consist of capital expenditure obligations

The amounts shown in the table above represent the current contractual obligations at June 30, 2008. As most of the planned capital expenditures are not currently committed the future capital expenditures will substantially exceed the amounts shown above. In addition actual future expenditures for the other items shown above could exceed the amounts shown due to changes in the combined Groups business plan, operating results or other factors.

Contingent liabilities

Our contingent liabilities are primarily comprised of guarantees of third-party obligations, including obligations of joint ventures, indemnification obligations under purchase and sale agreements, letters of credit and performance bonds and other similar obligations in the ordinary course of business.

Qualitative and quantitative disclosures about market risk

Interest rate risk

Our policy is to manage interest rate risk through the use of both fixed and floating rate debt as well as the use of derivatives in the form of interest rate swaps. Our primary exposure is to interest rates in Europe. Our policy is to have no more than 40% of our debt exposed to movements in interest rates.

Our gross total debt as of June 30, 2008 totals €1,443 million before unamortised debt issue costs. Of our gross total debt, €90 million has been borrowed at fixed interest rates. Our fixed interest debt is comprised of:

- €80 million 8% Senior Notes due 2016;
- €20 million 9.5% Senior Subordinated Notes due 2017.

Our floating interest debt is primarily comprised of our Senior Credit Facilities tranches due 2015 and 2016. As of June 30, 2008 we have €504 million outstanding under our Senior Credit Facilities.

We have entered into interest rate swap agreements to hedge €305 million of our floating rate debt outstanding under our Senior Credit Facilities. As a consequence of entering into these agreements, approximately only 20% of our senior debt facilities will be subject to fluctuations in interest rates.

Other than the facilities above, our debt comprises a number of smaller working capital facilities extended to certain operating companies in the combined Group. These facilities can bear interest at floating or fixed rates.

We currently hold cash on deposit, which earns interest at floating rates. Interest rates earned on these cash deposits are subject to changes in interest rates in Europe and other global jurisdictions. We do not currently intend to hedge our exposure to movements in interest rates earned on our cash on deposit.

Foreign currency exchange rate risk

The operating companies of the combined Group consist of an international group of companies headquartered in Switzerland. The currency used in most of our trading activities is euro. The currencies used in our major markets outside the European Union are the U.S. dollar, the Thai Baht and the Chinese Renimbi. As a result, we are exposed to risk arising from movements in foreign currency exchange rates.

BEVERAGE PACKAGING HOLDINGS GROUP

PART II – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

We from time to time hedge a portion of our foreign currency exchange rate risk. As of June 30, 2008, we had the following exposures for foreign currency derivatives:

(€millions)	June 30, 2008			Total contract values
	Forward purchases	Forward sales	Interest rate swap	
Exposures for foreign currency derivatives	66	18	305	389

Commodity risk

We purchase certain raw material commodities such as raw cartonboard, PE resin, aluminium and steel. Other than cartonboard, we generally purchase these commodities at spot market prices. In general, we do not use commodity financial instruments or derivatives to hedge commodity prices. We enter into forward purchase arrangements as appropriate for a portion of our commodity requirements.

Pension plans

The combined Group sponsored ten pension plans as of June 30, 2008. Contributions are calculated based on a mandatory pension system in Switzerland and on the advice of the actuaries for the voluntary plans in other countries. The pension benefit recognised in the income statement amounted to €1.6 million in the year ended December 31, 2007. The amount is determined annually by independent actuaries.

The plans generally provide benefits on a defined contribution basis for all employees in Switzerland and selected employees in Germany. A number of employees and retirees in other jurisdictions, mainly Germany, Austria and the United States, have defined benefit and pension entitlements.