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**QUARTERLY REPORT**  
**For the three month period ended March 31, 2011**

**REYNOLDS GROUP HOLDINGS LIMITED**

New Zealand  
(Jurisdiction of incorporation or organization)

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**QUARTERLY REPORT**  
**For the three month period ended March 31, 2011**

**BEVERAGE PACKAGING HOLDINGS GROUP**

Luxembourg  
(Jurisdiction of incorporation or organization)

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## Introductory Note

In this quarterly report, references to “we,” “us,” or “our” are to Reynolds Group Holdings Limited, also referred to as “RGHL”, and its consolidated subsidiaries, unless otherwise indicated.

## Certain Definitions

In this quarterly report

- “2007 Notes” refers to the 2007 Senior Notes and the 2007 Senior Subordinated Notes.
- “2007 Senior Notes” refers to the 8.0% senior notes due 2016 issued by BP II on June 29, 2007, of which €480.0 million (\$678.5 million) aggregate principal amount was outstanding at March 31, 2011.
- “2007 Senior Subordinated Notes” refers to the 9.5% senior subordinated notes due 2017 issued by BP II on June 29, 2007, of which €420.0 million (\$593.6 million) aggregate principal amount was outstanding at March 31, 2011.
- “2009 Dollar Notes” refers to the 7.750% Senior Secured Notes due 2016, issued on November 5, 2009, of which \$1,125.0 million aggregate principal amount was outstanding at March 31, 2011.
- “2009 Euro Notes” refers to the 7.750% Senior Secured Notes due 2016, issued on November 5, 2009, of which €450.0 million (\$636.0 million) aggregate principal amount was outstanding at March 31, 2011.
- “2009 Notes” refers to the 2009 Dollar Notes and the 2009 Euro Notes.
- “2011 Notes” refers to (i) \$1,000.0 million aggregate principal amount of 6.875% Senior Secured Notes due 2021 and (ii) \$1,000.0 million aggregate principal amount of 8.250% Senior Notes due 2021 issued by the Issuers on February 1, 2011 in connection with the 2011 Notes Transaction.
- “2011 Notes Transaction” refers to (i) the offering of the 2011 Notes and (ii) the full repayment of the Original Tranche D Term Loans. The remaining proceeds from the offering of the 2011 Notes have been or will be used for general corporate purposes, which may include financing future strategic acquisitions and repaying additional indebtedness.
- “BP I” refers to Beverage Packaging Holdings (Luxembourg) I S.A., a direct subsidiary of RGHL. BP I guarantees the notes and the Senior Secured Credit Facilities.
- “BP II” refers to Beverage Packaging Holdings (Luxembourg) II S.A., a sister company of BP I and a direct subsidiary of RGHL. BP II is the issuer of the 2007 Notes. BP II does not guarantee the 2011 Notes, the October 2010 Notes, the May 2010 Notes, the 2009 Notes or the Senior Secured Credit Facilities.
- “BP III” refers to Beverage Packaging Holdings (Luxembourg) III S.à r.l., a direct subsidiary of BP I and an indirect wholly owned subsidiary of RGHL. BP III guarantees the notes and the Senior Secured Credit Facilities.
- “Closures” refers to our caps and closures segment.
- “Dopaco” refers to Dopaco Inc., Dopaco Canada Inc. and, unless the context otherwise requires, their subsidiaries.
- “Evergreen” refers to our fresh carton packaging, liquid packaging board, cartonboard and freesheet segment.
- “Issuers” or “issuers” refers to the US Issuers and the Lux Issuer. The Issuers are each wholly owned indirect subsidiaries of RGHL.
- “Lux Issuer” refers to Reynolds Group Issuer (Luxembourg) S.A., a *société anonyme* (public limited liability company) formed under the laws of Luxembourg, an indirect subsidiary of RGHL, a sister company of BP III and a wholly owned direct subsidiary of BP I. Lux Issuer is a co-issuer of the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes.

- “*May 2010 Notes*” refers to the 8.5% Senior Notes due 2018 issued by the Issuers on May 4, 2010, of which \$1,000.0 million aggregate principal amount was outstanding at March 31, 2011.
- “*notes*” refers to the 2011 Notes, the October 2010 Notes, the May 2010 Notes, the 2009 Notes and the 2007 Notes.
- “*October 2010 Notes*” refers to (i) the 7.125% Senior Secured Notes due 2019, of which \$1,500.0 million principal amount was outstanding at March 31, 2011 and (ii) the 9.000% Senior Notes due 2019, of which \$1,500.0 million principal amount was outstanding at March 31, 2011.
- “*Original Senior Secured Credit Facilities*” refers to the senior secured credit facilities governed by the credit agreement entered into on November 5, 2009, as amended from time to time. The Original Senior Secured Credit Facilities were repaid in full with proceeds from the term loans under the Senior Secured Credit Facilities and part of the proceeds from the offering of the 2011 Notes.

The Original Senior Secured Credit Facilities consisted of: (i) \$1,035.0 million of U.S term loans, or the “Original U.S. Term Loans,” which were borrowed on November 5, 2009; (ii) \$800.0 million of U.S. Tranche C term loans, or the “Original Tranche C Term Loans,” which were borrowed on May 4, 2010; (iii) \$500.0 million of U.S. Tranche A term loans, or the “Original Tranche A Term Loans,” and \$1,520.0 million of U.S. Tranche D term loans, or the “Original Tranche D Term Loans,” which were borrowed on November 16, 2010; (iv) €250.0 million of European term loans, or the “Original European Term Loans” which were borrowed on November 5, 2009; (v) a U.S revolving credit facility of \$120.0 million; and (vi) a European revolving credit facility of €80.0 million.

- “*Pactiv*” refers to Pactiv Corporation and, unless the context otherwise requires, its subsidiaries.
- “*Pactiv Foodservice*” refers to our foodservice packaging segment, which (i) consisted of our Reynolds foodservice packaging business prior to the Pactiv acquisition and (ii) consists of our Reynolds foodservice packaging business and our Pactiv foodservice packaging business following the Pactiv acquisition.
- “*Reynolds Consumer Products*” refers to our consumer products segment, which (i) consisted of our Reynolds consumer products business prior to the Pactiv acquisition and (ii) consists of our Reynolds consumer products business and our Hefty consumer products business following the Pactiv acquisition.
- “*RGHL*” refers to Reynolds Group Holdings Limited, the indirect parent of BP III and the issuers, among others. RGHL guarantees the notes and the Senior Secured Credit Facilities.
- “*RGHL Group*” refers to RGHL and its consolidated subsidiaries.
- “*Senior Secured Credit Facilities*” refers to the \$2,325.0 million senior secured U.S. term loans, the €250.0 million senior secured European term loans, the \$120.0 million senior secured revolving credit facility and the €80.0 million senior secured revolving credit facility governed by the amended and restated credit agreement entered into on February 9, 2011.
- “*SIG*” refers to our aseptic carton packaging segment.
- “*Southern Europe*” refers to France, Italy and Spain.
- “*US Co-Issuer*” refers to Reynolds Group Issuer LLC, an indirect wholly owned subsidiary of RGHL and co-issuer of the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes.
- “*US Issuer*” refers to Reynolds Group Issuer Inc., an indirect wholly owned subsidiary of RGHL and co-issuer of the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes.
- “*US Issuers*” refers to US Issuer and US Co-Issuer.
- “*Western Europe*” refers to Belgium, Luxembourg, Denmark, Estonia, Finland, Germany, Ireland, Latvia, Lithuania, Netherlands, Norway, Sweden and the United Kingdom.

## SEC Review

The information in this quarterly report is being provided pursuant to covenants contained in the indentures governing the notes and the agreement governing the Senior Secured Credit Facilities. The indentures governing the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes also require us to use commercially reasonable efforts to (i) file an exchange offer registration statement with the SEC with respect to an offer to exchange the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes for new notes having terms substantially identical to the terms of the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes, and (ii) under certain circumstances, file a shelf registration statement with respect to resales of the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes. We did not file the required registration statement for the 2009 Notes by November 5, 2010 and the May 2010 Notes by May 5, 2011, and consequently, we have been required to pay additional interest on the 2009 Notes beginning November 5, 2010 and additional interest on the May 2010 Notes beginning May 5, 2011 pursuant to the applicable registration rights agreements. Such additional interest will increase our interest expense for each period during which it is required to be paid. In addition, there can be no assurance that we will be able to file the required registration statement with respect to the October 2010 Notes by October 2011 or the 2011 Notes by February 2012. In the course of the SEC review of any such registration statement, we may be required to make changes to the description of our business, our markets and other information and financial data included in this quarterly report. The SEC may not view certain financial data included in this quarterly report as having been prepared in a manner that complies in all material respects with IFRS and the regulations published by the SEC. We may agree to modify such data and other data included in this quarterly report even if we do not necessarily agree that it did not comply with IFRS or applicable SEC regulations. Consequently, comments by the SEC on our financial data and other information included in any such registration statement may result in modification or reformulation of the data included in this quarterly report and any such modification or reformulation may be significant.

## Non-GAAP Financial Measures

In this quarterly report, we utilize certain non-GAAP financial measures and ratios, including earnings before interest, tax, depreciation and amortization (“EBITDA”) and Adjusted EBITDA, which in each case are not defined under IFRS. See Item 2. “Operating and Financial Review and Prospects.” These measures are presented as we believe that similar measures are widely used in the markets in which we operate as a means of evaluating a company’s operating performance and financing structure and, in certain cases, because those measures are used to determine such compliance with covenants in our debt agreements. The measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in the financial statements included elsewhere in this quarterly report. For additional information regarding the non-GAAP financial measures used by management, see note 6 to the RGHL Group’s financial statements included elsewhere in this quarterly report.

## Recent Developments

On May 2, 2011, we acquired Dopaco from Cascades Inc. The consideration for the acquisition paid at closing was \$398.1 million in cash (subject to certain customary post-closing adjustments for net debt and working capital, which are not yet finalized). The consideration was financed from the existing cash of the RGHL Group. We refer to this acquisition as the “Dopaco Acquisition.” We are in the process of integrating Dopaco’s business with the Pactiv Foodservice segment.

## Forward-Looking Statements

This quarterly report includes 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. For example, when we use words such as “believe”, “anticipate”, “expect”, “estimate”, “intend”, “should”, “would”, “could”, “may”, “will” or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements. 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 our completed and future acquisitions, such as the risks that we may be unable to complete any future acquisitions, or that we may not be able to achieve some or all of the benefits that we expect to achieve from such completed or future acquisitions, including risks related to the integration of our acquired businesses;
- risks related to the future costs of energy, raw materials and freight and the limited number of suppliers we use for those materials and services;
- risks related to our substantial indebtedness and our ability to service our current and future indebtedness;
- risks related to our hedging activities for resin, aluminum and other raw materials which may result in significant losses and in period-to-period earnings volatility;
- risks related to our internal control environment which in the past have resulted in material weaknesses in our internal control over financial reporting within certain of our segments;

- risks related to our suppliers for raw materials and any interruption in our supply of raw materials;
- risks related to downturns in our target markets;
- risks related to increases in interest rates which would increase the cost of servicing our debt;
- risks related to dependence on the protection of our intellectual property and the development of new products;
- risks related to exchange rate fluctuations;
- risks related to the consolidation of our customer bases, competition and pricing pressure;
- risks related to the impact of a loss of any of our key manufacturing facilities;
- risks related to our exposure to environmental liabilities and potential changes in legislation or regulation;
- risks related to complying with environmental, health and safety laws or as a result of satisfying any liability or obligation imposed under such laws;
- risks related to changes in consumer lifestyle, eating habits, nutritional preferences and health-related and environmental concerns that may harm our business and financial performance;
- risks related to restrictive covenants in the notes and our other indebtedness which could adversely affect our business by limiting our operating and strategic flexibility;
- risks related to our dependence on key management and other highly skilled personnel; and
- risks related to other factors discussed or referred to in this quarterly report.

The risks described above and the risks disclosed in or referred to in Item 3. "Key Information — Risk Factors" of our Annual Report for the year ended December 31, 2010 are not exhaustive. Other sections of this quarterly report describe additional factors that could adversely affect our business, financial condition or 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 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. Except as required by law, 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 included elsewhere in this quarterly report.

## PART I—FINANCIAL INFORMATION

### ITEM 1. INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS.

Refer to the attached F pages and G pages for the interim unaudited condensed financial statements and notes thereto for the three months ended March 31, 2011 and March 31, 2010 for the RGHL Group and for BP I and its consolidated subsidiaries, together with BP II (the “Bev Pack Group”), respectively.

### ITEM 2. 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 actual results to differ materially from those expressed or implied by the forward-looking statements with respect to us. Our actual results could differ materially from those discussed in these 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 quarterly report. Refer to “Forward-Looking Statements” and Item 1A. “Risk Factors” included elsewhere in this quarterly report.

#### Overview

RGHL was incorporated in New Zealand under the Companies Act 1993 on May 30, 2006. We are a leading global manufacturer and supplier of consumer food and beverage packaging and storage products. We operate through five segments: SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice. We acquired these businesses in a series of transactions.

#### *Pactiv Acquisition and Integration*

On November 16, 2010, we completed the Pactiv acquisition for an aggregate purchase price for the outstanding common stock of Pactiv of approximately \$4.5 billion. The Pactiv acquisition brought together two strong consumer and foodservice packaging platforms, increased our product, geographic and customer diversification and created an extensive and diverse distribution network. We believe our products are complementary, providing us with opportunities to generate incremental revenue through cross-selling and category expansion. We are in the process of combining our Reynolds consumer products and Reynolds foodservice packaging businesses with our Hefty consumer products and Pactiv foodservice packaging businesses, respectively, to form integrated Reynolds Consumer Products and Pactiv Foodservice segments. We expect to realize significant cost savings in the future by consolidating facilities, eliminating duplicate operations, improving supply chain management and achieving other efficiencies. For example, since the date of acquisition to the date of this quarterly report, we have announced the closure of five manufacturing sites in North America. Once we fully integrate the businesses acquired in the Pactiv acquisition, we expect to continue to generate significant operational synergies and cost savings by the end of 2012. In order to achieve these synergies and cost savings, we expect to incur cash outlays of approximately \$125 million by the end of 2012 related to the integration of the Pactiv businesses, of which we have incurred approximately \$21 million through March 31, 2011. Outlays related to our integration program include both expenses and capital expenditures associated with combining RGHL’s operations (as they existed prior to the Pactiv acquisition) with Pactiv’s operations and are separate from the costs associated with the Pactiv acquisition. Expenses incurred under our integration program generally include exit, disposal, severance and other costs associated with combining the consumer and foodservice packaging platforms. We believe that our efforts to achieve these objectives have yielded satisfactory results to date.

Refer to note 18 of the RGHL Group’s financial statements included elsewhere in this quarterly report for additional information related to the Pactiv acquisition.

#### *Our Segments*

Our SIG segment manufactures a broad range of aseptic beverage carton packaging primarily for the non-carbonated soft drinks (e.g., juices) and the liquid dairy (e.g., milk) segments. Aseptic carton packaging, most prevalent in Europe and Asia, is designed to allow beverages or liquid food to be stored for extended periods without refrigeration. Our Evergreen segment manufactures an extensive range of fresh carton packaging primarily for the non-carbonated soft drinks (e.g., juices) and the liquid dairy (e.g., milk) segments. Fresh carton packaging, most predominant in North America, is designed for beverages that require a cold-chain distribution system, and therefore have a more limited shelf life than beverages in aseptic carton packaging. Our Closures segment manufactures, globally, a broad range of beverage caps and closures, primarily for the carbonated soft drinks (e.g., cola), non-carbonated soft drinks (e.g., sports drinks) and bottled water segments. Our Reynolds Consumer Products segment (which has included our Hefty consumer products business since the consummation of the Pactiv acquisition) manufactures, primarily for the United States market, a range of branded products under our Reynolds and Hefty brands and store branded consumer foil, wraps, waste bags, food storage bags, and disposable tableware and cookware items. Our Pactiv Foodservice segment (which has included our Pactiv foodservice packaging business since the consummation of the Pactiv acquisition) offers a range of foodservice and food packaging products including tableware items, takeout service containers, clear rigid-display packaging, microwaveable containers, foam trays, dual-ovenable paperboard containers, molded fiber egg cartons, meat and poultry trays, plastic film and aluminum containers. Pactiv Foodservice distributes its foodservice and food packaging products through foodservice distributors, food processors, supermarket distributors, supermarkets and restaurants.

Our SIG, Evergreen and Closures segments, as well as our Reynolds consumer products and Reynolds foodservice packaging businesses, have been under common ownership and control through entities ultimately 100% owned by Graeme Hart, our

strategic owner, for over three years. These entities, however, were not owned, directly or indirectly, by a single company that consolidated their financial results or managed them on a combined basis prior to the consummation of the RGHL Transaction on November 5, 2009, the Evergreen Transaction on May 4, 2010 and the Reynolds Foodservice Acquisition on September 1, 2010 as further explained in Item 4. "Information on RGHL" in our Annual Report for the year ended December 31, 2010.

We have determined that the acquisitions by us of the Evergreen, Closures, Reynolds consumer products, and Reynolds foodservice packaging businesses constitute business combinations of entities under common control. IFRS is silent on the accounting required for business combinations involving entities that are under common control, but requires that entities develop and consistently apply an accounting policy for such transactions. Accordingly, we have chosen to account for the acquisitions of Evergreen, Closures and the Reynolds consumer products and Reynolds foodservice packaging businesses, which were acquired from entities under the common control of their ultimate shareholder, Graeme Hart, using the carry-over or book value method. Under the carry-over or book value method, the business combinations do not change the historical carrying values of the assets and liabilities of the businesses acquired. The excess of the purchase prices over the consolidated carrying values of the share capital acquired is recognized as a reduction to equity.

We account for business combinations under common control prospectively from the date that a single company originally obtained control of the businesses. Therefore, the acquisitions of Evergreen, Closures and the Reynolds consumer products and Reynolds foodservice packaging businesses have been accounted for under the principle of common control and all the prior periods presented in the accompanying financial statements have been recast to include their results of operations.

We account for business combinations, other than business combinations under common control, using the purchase method of accounting. Under the purchase method of accounting, the purchase price is required to be allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values as of the date of the acquisition, with any excess purchase price allocated to goodwill. We have accounted for the Pactiv acquisition using the purchase method of accounting.

### **Accounting Principles**

Our interim unaudited condensed financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and "IFRIC Interpretations" as issued by the International Accounting Standards Board ("IASB").

### **Reporting Currency**

IFRS does not require our financial reporting be presented in a particular currency. Our financial statements are presented in US dollars which is the reporting currency of the RGHL Group. In accordance with IAS 21, the figures are translated from the functional currency of a given entity into dollars using the following principles: (a) the assets and liabilities for each statement of financial position are translated at the closing rate as of the reporting date, (b) income and expense items for each profit or loss item are translated at average exchange rates during the period, (c) items of other comprehensive income are translated at average exchange rates during the period and (d) share capital is translated at historical rates.

### **Segment Reporting**

We currently report our financial results in five segments: SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice. IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of our combined operations that are regularly reviewed by our Chief Operating Decision Maker ("CODM") in order to allocate resources to the applicable segment and to assess our performance. The RGHL Group CODM are the officers and directors of RGHL.

The CODM assesses the performance of the operating segments based on Adjusted EBITDA. Adjusted EBITDA is defined as net profit before income tax expense, net financial expenses, and depreciation and amortization, adjusted to exclude certain significant items of a non-recurring or unusual nature, including but not limited to non-cash pension income, restructuring costs, unrealized gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs and equity method profit not distributed in cash. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

### **Critical Accounting Policies**

For a summary of our critical accounting policies, refer to Item 5. "Operating and Financial Review and Prospects—Critical Accounting Policies" of our Annual Report for the year ended December 31, 2010. Our critical accounting policies have not changed from those disclosed in our Annual Report for the year ended December 31, 2010.

### **Key Factors Influencing our Financial Condition and Results of Operations**

The following discussion should be read in conjunction with "Key Factors Influencing our Financial Condition and Results of Operations" in Item 5. "Operating and Financial Review and Prospects" of our Annual Report for the year ended December 31, 2010 which discusses further key factors influencing our financial condition and results of operations, including net revenue, expenses and raw materials.



### ***Acquisitions, Substantial Leverage and Other Transaction-Related Effects***

The five segments we operate in have all been acquired through a series of transactions.

Our results of operations and financial position were significantly impacted by the effects of these acquisitions. We have financed these acquisitions through borrowings which will also have a significant impact on the results of our operations. As of March 31, 2011, we had total borrowings of \$12,579.1 million. For more information regarding our external borrowings, refer to note 14 of the RGHL Group's financial statements included elsewhere in this quarterly report. Our future results of operations, including our net financial expenses, will be significantly affected by our substantial indebtedness. The servicing of this indebtedness has had and will continue to have an impact on our cash flows and cash balance. For more information, refer to "Liquidity and Capital Resources."

### ***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. During the three months ended March 31, 2011, we incurred restructuring charges of \$45.2 million that largely related to workforce reductions and consolidation of facilities at our Reynolds Consumer Products and Pactiv Foodservice segments.

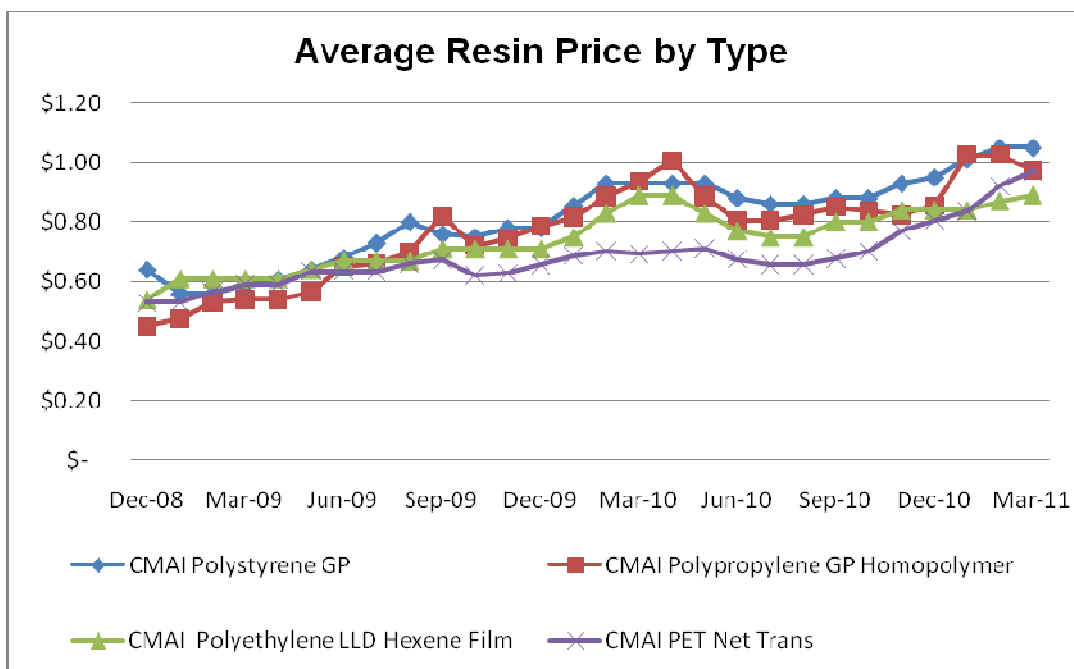
We expect to incur additional restructuring costs throughout the remainder of 2011 that will largely relate to the continuing integration of our Reynolds consumer products and Reynolds foodservice packaging businesses with our Hefty consumer products and Pactiv foodservice packaging businesses. We expect to realize significant cost savings and operational synergies by consolidating facilities, eliminating duplicate operations, improving supply chain management and achieving other efficiencies. For more information refer to "Liquidity and Capital Resources."

### ***Raw Materials and Energy Prices***

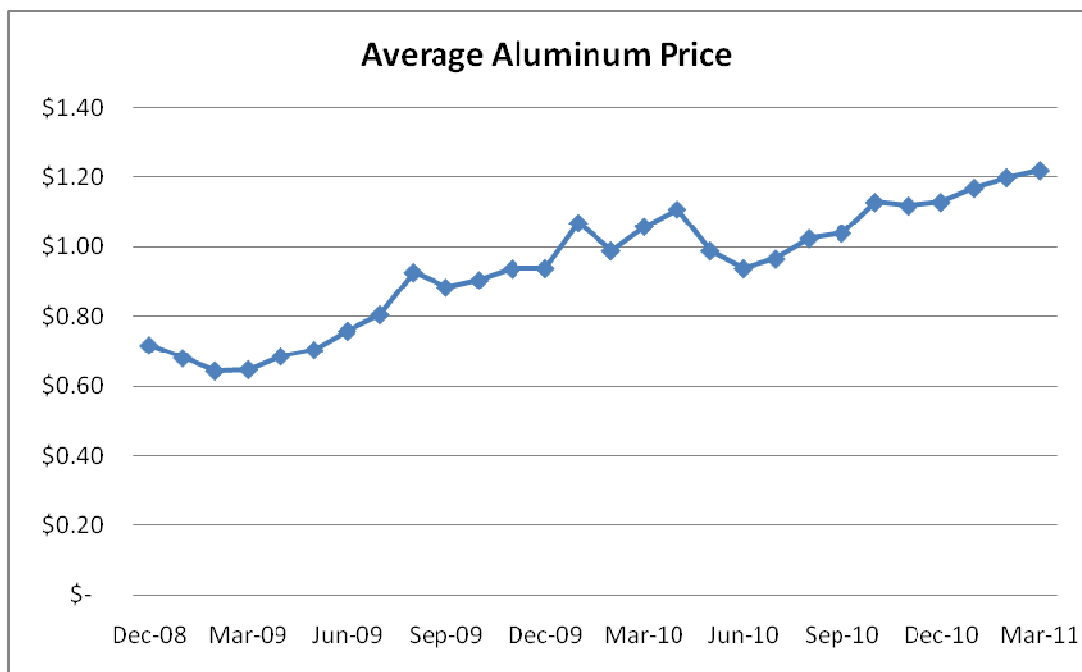
Our results of operations will be impacted by changes in the costs of our raw materials. The primary raw materials used to manufacture our products are resins, principally polystyrene, polyethylene, polypropylene, and polyethylene terephthalate (PET) and aluminum. We also use raw cartonboard, fiber, commodity chemicals, steel and energy, including fuel oil, electricity, natural gas and coal. The prices for raw materials, particularly resins and aluminum, have fluctuated significantly in recent years. The prices of resins are affected by the prices of crude oil and natural gas, as well as supply and demand factors of various intermediate petrochemicals.

As illustrated below, we have experienced an increase in the price for resin. Subsequent to March 31, 2011, the price for resin has continued to increase. We manage the risk associated with rising resin costs by utilizing a centralized procurement function that is able to take advantage of bulk discounts and where possible maintain multiple suppliers. We also manage our margin through our contractual arrangements with our customers. While these arrangements include the pass-through of resin price increases, there is a lag between the impact of an increase in resin prices and an increase in customer pricing. Accordingly we expect our results for the quarter ending June 30, 2011 to be adversely impacted by the lag in the pass-through of increasing resin prices.

The following charts illustrate resin prices and aluminum prices for the past two years:



Source: Chemical Market Associates Inc.



Source: Platts Metal Week

Most of our raw materials purchases are based on spot market prices and hence changes in raw material prices impact our results. We manage changes in raw material prices by entering into contracts with customers that provide for price adjustment mechanisms which allow us to pass through changes in raw material prices to our customers. However, not all of our contracts have a pass through mechanism and to the extent the contract has a pass through mechanism there is a time lag in passing through the cost changes to customers. Hence volatility in raw material prices will impact our results of operations. Centralized purchasing within the segments enables us to leverage our purchasing power of raw materials. From time to time we enter into hedging agreements for some of our raw materials and energy sources to minimize the impact of such fluctuations. We currently hedge a portion of our aluminum and

resin purchases. For more information related to our hedge position at March 31, 2011 refer to Item 3. "Quantitative and Qualitative Disclosures About Market Risk".

## Results of Operations

The following discussion should be read in conjunction with our financial statements included elsewhere in this quarterly report. Detailed comparisons of revenue and results are presented in the discussions of the operating segments, which follow the RGHL Group results discussion.

### Three Months Ended March 31, 2011 compared with the Three Months Ended March 31, 2010

(In \$ million, except for %)	For the three months ended March 31,					
	2011 <sup>1</sup>	% of revenue	2010 <sup>2</sup>	% of revenue	change	% change
<b>Revenue</b>	<b>2,367.5</b>	100.0%	<b>1,407.6</b>	100.0%	959.9	68%
Cost of sales	(1,917.5)	(81.0)%	(1,160.8)	(82.5)%	(756.7)	(65)%
<b>Gross profit</b>	<b>450.0</b>	19.0%	<b>246.8</b>	17.5%	203.2	82%
Other income	22.6	1.0%	34.5	2.5%	(11.9)	(34)%
Selling, marketing and distribution expenses	(82.0)	(3.5)%	(48.4)	(3.4)%	(33.6)	(69)%
General and administration expenses	(146.6)	(6.2)%	(95.4)	(6.8)%	(51.2)	(54)%
Other expenses	(57.3)	(2.4)%	(12.2)	(0.9)%	(45.1)	(370)%
Share of profit of associates and joint ventures, net of income tax (equity method)	6.3	0.3%	4.5	0.3%	1.8	40%
<b>Profit from operating activities</b>	<b>193.0</b>	8.2%	<b>129.8</b>	9.2%	63.2	49%
Financial income	101.0	4.3%	4.2	0.3%	96.8	2,305%
Financial expenses	(380.9)	(16.1)%	(135.2)	(9.6)%	(245.7)	(182)%
<b>Net financial expenses</b>	<b>(279.9)</b>	(11.8)%	<b>(131.0)</b>	(9.3)%	(148.9)	(114)%
<b>Loss before income tax</b>	<b>(86.9)</b>	(3.7)%	<b>(1.2)</b>	(0.1)%	(85.7)	7,142%
Income tax benefit (expense)	40.2	1.7%	(36.1)	(2.6)%	76.3	(211)%
<b>Loss after income tax</b>	<b>(46.7)</b>	(2.0)%	<b>(37.3)</b>	(2.6)%	(9.4)	25%
Depreciation and amortization	191.0	8.1%	120.2	8.5%	70.8	59%
RGHL Group EBITDA <sup>3</sup>	384.0	16.2%	250.0	17.8%	134.0	54%
RGHL Group Adjusted EBITDA <sup>3</sup>	416.9	17.6%	237.2	16.9%	179.7	76%

- 1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the three months ended March 31, 2011. Reynolds Consumer Products and Pactiv Foodservice include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the three months ended March 31, 2011.
- 2) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the three months ended March 31, 2010. Reynolds Consumer Products and Pactiv Foodservice do not include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the three months ended March 31, 2010 as those businesses were acquired on November 16, 2010.
- 3) RGHL Group EBITDA, a measure used by our management to measure operating performance, is defined as profit from operations for the period plus income tax expenses, net financial expenses, depreciation of property, plant and equipment and investment properties and amortization of intangible assets. RGHL Group Adjusted EBITDA is calculated as RGHL Group EBITDA adjusted for particular items relevant to explaining operating performance. These adjustments include significant items of a non-recurring or unusual nature that cannot be attributed to ordinary business operations, non-cash pension income, restructuring and redundancy costs and gains and losses in relation to the valuation of derivatives. EBITDA is not a presentation made in accordance with IFRS, is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to profit from operations for the period determined in accordance with IFRS or operating cash flows determined in accordance with IFRS. Refer to Item 3. "Key Information — Risk Factors" of our Annual Report for the year ended December 31, 2010. Additionally, RGHL Group EBITDA and RGHL Group Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not take into account certain items such as interest and principal payments on our indebtedness, working capital needs, tax payments, and capital expenditures. We believe that the inclusion of EBITDA and Adjusted EBITDA in this quarterly report is appropriate to provide additional information to investors about our operating performance and to provide a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. We additionally believe that issuers of high yield debt securities also present EBITDA and Adjusted EBITDA because investors, analysts and rating agencies consider these measures useful in measuring the ability of those issuers to meet debt service obligations. Because not all companies calculate EBITDA and Adjusted EBITDA identically, this presentation of EBITDA and Adjusted EBITDA may not be comparable to the similarly titled measures of other companies. Refer to the RGHL Group's Adjusted EBITDA reconciliation below.

As more fully described under the heading "Overview – Pactiv Acquisition and Integration", we acquired Pactiv on November 16, 2010. The operating results of Pactiv have been included within the Reynolds Consumer Products and Pactiv Foodservice segments since the consummation of the Pactiv acquisition. As our businesses are being combined we are unable to quantify the results of the

acquired business separately for the three months ended March 31, 2011. For the three months ended March 31, 2010, Pactiv's revenue, profit from operating activities, EBITDA and Adjusted EBITDA were \$783.8 million, \$103.1 million, \$149.5 million and \$137.4 million, respectively. These amounts include IFRS adjustments and will not agree to historically reported Pactiv results as Pactiv reported results under U.S. GAAP. For further details on the Pactiv acquisition, refer to note 18 of the RGHL Group's financial statements included elsewhere in this quarterly report.

Revenue increased by \$959.9 million, or 68%, to \$2,367.5 million for the three months ended March 31, 2011 compared to \$1,407.6 million for the three months ended March 31, 2010. The increase was largely attributable to incremental revenue from the Pactiv acquisition as well as higher revenue from the SIG, Evergreen and Closures segments. For a detailed explanation of the variations in revenue for each of our segments, see the individual segment discussions below.

Cost of sales increased by 65% to \$1,917.5 million from the prior year period. However, cost of sales as a percentage of revenue decreased by 1.5% to 81.0% from the prior year period. Decreases in the cost of sales as a percentage of revenue within the Evergreen, Closures and Pactiv Foodservice segments were partially offset by increases in each of the SIG and Reynolds Consumer Products segments. As a result of the factors described above, the gross profit margin increased by 1.5% to 19.0% of revenue from the prior year period.

Selling, marketing and distribution expenses increased by 69% to \$82.0 million, and general and administration expenses increased by 54% to \$146.6 million, from the prior year period. The increase was primarily due to the Pactiv acquisition. However, selling, marketing, distribution, and general and administrative expenses as a percentage of revenue decreased by 0.5% to 9.7% from the prior year period. For a detailed explanation of the variations in selling, marketing and distribution expenses and general and administration expenses for each of our segments, see the individual segment discussions below.

Net other income decreased by \$57.0 million to net other expense of \$34.7 million from the prior year period. This decline was primarily attributable to higher business restructuring expenses as well as a decline in the gain from sale and acquisition of businesses that were recorded in the prior year period. Refer to note 7 and note 8 of the RGHL Group's financial statements included elsewhere in this quarterly report for additional details.

As a result of the above factors, profit from operating activities increased by 49% to \$193.0 million from the prior year period.

Net financial expenses increased by 114% to \$279.9 million from the prior year period. The increase was largely related to an increase in interest expense of \$144.7 million due to an overall increase in our borrowings primarily as a result of funding for the acquisition of Pactiv. Net financial expenses also included the write off of \$86.0 million of unamortized debt issue costs and \$37.6 million of original issue discounts resulting from the debt refinancing in February 2011 as well as \$34.5 million of expense from the change in the fair value of derivative financial instruments. These costs were partially offset by a \$151.3 million decrease in foreign exchange losses resulting from borrowings denominated in currencies other than that of the borrowing entity. Our total borrowings as at March 31, 2011 were \$12,579.1 million compared to borrowings of \$11,840.3 million as at December 31, 2010. On February 9, 2011, we entered into an amended and restated credit agreement and borrowed \$2,325.0 million in U.S. term loans and €250.0 million (\$341.2 million) in European term loans. The proceeds from the term loans under the Senior Secured Credit Facilities were applied to refinance all term loans outstanding under the Original Senior Secured Credit Facilities. This refinancing resulted in reducing the interest rates and extending the repayment terms and maturity date of our term loans. For more information regarding the RGHL Group's financial expenses and borrowings, refer to notes 9 and 14, respectively, of the RGHL Group's financial statements included elsewhere in this quarterly report.

Income tax expense decreased by \$76.3 million from the prior period to an income tax benefit of \$40.2 million on a loss before income tax of \$86.9 million. The higher tax benefit rate of 46.3% for the three months ended March 31, 2011 was largely due to the recognition of prior year tax losses in the current year that had not been previously recognized. For a reconciliation of pre-tax loss to tax expense, refer to note 10 of the RGHL Group's financial statements included elsewhere in this quarterly report.

Depreciation of property, plant and equipment and investment properties and amortization of intangible assets increased by 59% to \$191.0 million from the prior year period, primarily due to the Pactiv acquisition.

As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 were \$193.0 million, \$384.0 million and \$416.9 million, respectively, compared to \$129.8 million, \$250.0 million and \$237.2 million, respectively, for the three months ended March 31, 2010.

## EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 and March 31, 2010 for the RGHL Group is as follows:

(In \$ million)	For the three months ended March 31,	
	2011 <sup>1</sup>	2010 <sup>2</sup>
<b>Profit from operating activities</b>	<b>193.0</b>	<b>129.8</b>
Depreciation and amortization	191.0	120.2
<b>EBITDA</b>	<b>384.0</b>	<b>250.0</b>
<b><i>Included in the RGHL Group EBITDA:</i></b>		
Business acquisition costs	0.6	0.5
Business integration costs	1.5	-
Business interruption costs	-	0.8
CSI Americas gain on acquisition	-	(9.8)
Gain on sale of business	-	(9.1)
Equity method profit not distributed in cash	(4.5)	(3.4)
Impact of purchase price accounting on inventories	0.8	-
Impact of purchase price accounting on leases	(0.4)	-
Operational process engineering-related consultancy costs	5.2	6.1
Non-cash pension income	(11.4)	-
Related party management fees	-	0.6
Restructuring costs	45.2	1.0
Unrealized (gain)/loss on derivatives	(4.1)	0.5
<b>RGHL Group Adjusted EBITDA<sup>3</sup></b>	<b>416.9</b>	<b>237.2</b>
<b><i>Segment detail of Adjusted EBITDA:</i></b>		
SIG	107.1	113.0
Evergreen	62.7	31.7
Closures	37.7	32.0
Reynolds Consumer Products	110.3	52.7
Pactiv Foodservice	105.6	8.3
Corporate/Unallocated	(6.5)	(0.5)
<b>RGHL Group Adjusted EBITDA<sup>3</sup></b>	<b>416.9</b>	<b>237.2</b>

- 1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the three months ended March 31, 2011. Reynolds Consumer Products and Pactiv Foodservice include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the three months ended March 31, 2011.
- 2) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the three months ended March 31, 2010. Reynolds Consumer Products and Pactiv Foodservice do not include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the three months ended March 31, 2010 as those businesses were acquired on November 16, 2010.
- 3) RGHL Group EBITDA, a measure used by our management to measure operating performance, is defined as profit from operations for the period plus income tax expenses, net financial expenses, depreciation of property, plant and equipment and investment properties and amortization of intangible assets. RGHL Group Adjusted EBITDA is calculated as RGHL Group EBITDA adjusted for particular items relevant to explaining operating performance. These adjustments include significant items of a non-recurring or unusual nature that cannot be attributed to ordinary business operations, non-cash pension income, restructuring and redundancy costs and gains and losses in relation to the valuation of derivatives. EBITDA is not a presentation made in accordance with IFRS, is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to profit (loss) from operations for the period determined in accordance with IFRS or operating cash flows determined in accordance with IFRS. Refer to Item 3. "Key Information — Risk Factors" of our Annual Report for the year ended December 31, 2010. Additionally, RGHL Group EBITDA and RGHL Group Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not take into account certain items such as interest and principal payments on our indebtedness, working capital needs, tax payments, and capital expenditures. We believe that the inclusion of EBITDA and Adjusted EBITDA in this quarterly report is appropriate to provide additional information to investors about our operating performance and to provide a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. We additionally believe that issuers of high yield debt securities also present EBITDA and Adjusted EBITDA because investors, analysts and rating agencies consider these measures useful in measuring the ability of those issuers to meet debt service obligations. Because not all companies calculate EBITDA and Adjusted EBITDA identically, this presentation of EBITDA and Adjusted EBITDA may not be comparable to the similarly titled measures of other companies.

## SIG segment

(In \$ million, except for %)	For the three months ended March 31,					
	2011	% of segment revenue	2010	% of segment revenue	change	% change
Revenue	461.4	100.0%	410.6	100.0%	50.8	12%
Gross profit	102.2	22.1%	104.6	25.5%	(2.4)	(2)%
Profit from operating activities	48.3	10.5%	53.2	13.0%	(4.9)	(9)%
SIG segment EBITDA	110.7	24.0%	113.2	27.6%	(2.5)	(2)%
SIG segment Adjusted EBITDA <sup>1</sup>	107.1	23.2%	113.0	27.5%	(5.9)	(5)%

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

Revenue increased by \$50.8 million, or 12%, to \$461.4 million for the three months ended March 31, 2011 compared to \$410.6 million for the three months ended March 31, 2010. This increase was largely attributable to higher volumes, incremental revenue from the acquisition of the Whakatane Mill business in May 2010 and a favorable foreign currency impact.

*Europe:* Aseptic packaging revenue in Europe decreased by 2% to \$261.7 million from the prior year period. The decrease in revenue was mainly driven by the Western European markets and Poland, reflecting the expected substitution of cartonboard by PET in the juice market, partially offset by increased revenue in Southern Europe.

*Rest of the World:* Aseptic packaging revenue in the rest of the world markets increased by 24% to \$176.1 million from the prior year period. The regions which experienced growth were Asia Pacific and South America, partially offset by a decrease in the Middle East largely due to disruptions in shipping related to the political unrest in Libya.

Gross profit decreased by 2% to \$102.2 million from the prior year period, and gross profit margin decreased to 22.1% of the segment's revenue compared to 25.5% for the prior year period, primarily due to increases in raw material pricing.

Selling, marketing and distribution expenses and general and administration expenses increased by 5% to \$63.7 million from the prior year period, primarily due to an increase in headcount.

As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 were \$48.3 million, \$110.7 million and \$107.1 million, respectively, compared to \$53.2 million, \$113.2 million and \$113.0 million, respectively, for the three months ended March 31, 2010.

### **EBITDA/Adjusted EBITDA Reconciliation**

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 and March 31, 2010 for our SIG segment is as follows:

(In \$ million)	For the three months ended March 31,	
	2011	2010
<b>Profit from operating activities</b>	<b>48.3</b>	<b>53.2</b>
Depreciation and amortization	62.4	60.0
<b>EBITDA</b>	<b>110.7</b>	<b>113.2</b>
<b>Included in SIG segment EBITDA:</b>		
Equity method profit not distributed in cash	(4.1)	(3.1)
Restructuring costs	0.7	2.9
Unrealized gain on derivatives	(0.2)	-
<b>SIG segment Adjusted EBITDA<sup>1</sup></b>	<b>107.1</b>	<b>113.0</b>

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

## Evergreen segment

(In \$ million, except for %)	For the three months ended March 31,					
	2011	% of segment revenue	2010	% of segment revenue	change	% change
Revenue	389.2	100.0%	363.4	100.0%	25.8	7%
Gross profit	62.3	16.0%	32.0	8.8%	30.3	95%
Profit from operating activities	49.1	12.6%	13.7	3.8%	35.4	258%
Evergreen segment EBITDA	63.7	16.4%	29.0	8.0%	34.7	120%
Evergreen segment Adjusted EBITDA <sup>1</sup>	62.7	16.1%	31.7	8.7%	31.0	98%

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

Revenue increased by \$25.8 million, or 7%, to \$389.2 million for the three months ended March 31, 2011 compared to \$363.4 million for three months ended March 31, 2010. This increase was largely attributable to an increase in sales of external liquid packaging board due to higher sales prices and higher volumes, an increase in sales of cartons due to higher sales prices and higher volumes, an increase in sales of coated groundwood due to higher prices, and an increase in sales of uncoated freesheet due to higher prices. This increase in revenue was partially offset by lower volumes on coated groundwood and uncoated freesheet.

Gross profit increased by 95% to \$62.3 million from the prior year period, and gross profit margin increased to 16.0% of the segment's revenue compared to 8.8% for the prior year period, largely due to improved productivity and material usages in the current year period. Colder than normal weather conditions resulted in lower production as well as higher raw material costs during the prior year period. The productivity improvements were partially offset by increases in raw material and other input costs.

Selling, marketing and distribution expenses and general and administration expenses increased by 2% to \$22.1 million from the prior year period.

As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 were \$49.1 million, \$63.7 million and \$62.7 million, respectively, compared to \$13.7 million, \$29.0 million and \$31.7 million, respectively, for the three months ended March 31, 2010.

During the three months ending June 30, 2011, Evergreen segment will undertake planned maintenance outages at the two mills. Mitigating plans, such as advanced inventory builds, have been implemented to minimize any business disruption. However, this planned maintenance will adversely impact the comparability of the result for the three months ending June 30, 2011 to the three months ended March 31, 2011.

### EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 and March 31, 2010 for our Evergreen segment is as follows:

(In \$ million)	For the three months ended March 31,	
	2011	2010
<b>Profit from operating activities</b>	<b>49.1</b>	<b>13.7</b>
Depreciation and amortization	14.6	15.3
<b>EBITDA</b>	<b>63.7</b>	<b>29.0</b>
<b>Included in Evergreen segment EBITDA:</b>		
Business acquisition costs	-	0.5
Equity method profit not distributed in cash	(0.4)	(0.3)
Operational process engineering-related consultancy costs	-	0.8
Related party management fees	-	0.6
Unrealized (gain)/loss on derivatives	(0.6)	1.1
<b>Evergreen segment Adjusted EBITDA<sup>1</sup></b>	<b>62.7</b>	<b>31.7</b>

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

## Closures segment

(In \$ million, except for %)	For the three months ended March 31,					
	2011	% of segment revenue	2010	% of segment revenue	change	% change
Revenue	294.7	100.0%	255.8	100.0%	38.9	15%
Gross profit	42.4	14.4%	35.0	13.7%	7.4	21%
Profit from operating activities	17.6	6.0%	20.5	8.0%	(2.9)	(14)%
Closures segment EBITDA	37.1	12.6%	41.9	16.4%	(4.8)	(11)%
Closures segment Adjusted EBITDA <sup>1</sup>	37.7	12.8%	32.0	12.5%	5.7	18%

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

Revenue increased by \$38.9 million, or 15%, to \$294.7 million for the three months ended March 31, 2011 compared to \$255.8 million for the three months ended March 31, 2010. This increase was largely attributable to higher revenues in both the North American markets and the rest of the world markets, incremental revenue from the acquisition of Closure Systems International Americas, Inc. ("CSI Americas") in February 2010 and a favorable foreign currency impact.

*North America:* Revenue from North America increased by 23% to \$120.5 million from the prior year period. This increase was primarily attributable to higher sales volume, growth in Mexico as a result of the CSI Americas acquisition in February 2010, slightly improved pricing due to the flow-through of resin price increases and the favorable impact of foreign currency fluctuations.

*Rest of the World:* Revenue from rest of the world markets increased by 10% to \$174.2 million from the prior year period. This increase was primarily due to higher sales volumes, improved pricing due to the flow-through of resin price increases, and the favorable impact of foreign currency fluctuations.

Gross profit increased by 21% to \$42.4 million from the prior year period, and gross profit margin increased to 14.4% of the segment's revenue compared to 13.7% for the prior year period largely due to sales volume growth and the favorable impact of cost saving initiatives, partially offset by higher raw material costs primarily related to resin.

Selling, marketing and distribution expenses and general and administration expenses increased by 2% to \$24.6 million from the prior year period.

The results of operations for the three months ended March 31, 2010 included a gain on acquisition of \$9.8 million from the purchase of CSI Americas in February 2010.

As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 were \$17.6 million, \$37.1 million and \$37.7 million, respectively, compared to \$20.5 million, \$41.9 million and \$32.0 million, respectively, for the three months ended March 31, 2010.

## EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 and March 31, 2010 for our Closures segment is as follows:

(In \$ million)	For the three months ended March 31,	
	2011	2010
<b>Profit from operating activities</b>	<b>17.6</b>	<b>20.5</b>
Depreciation and amortization	19.5	21.4
<b>EBITDA</b>	<b>37.1</b>	<b>41.9</b>
<b>Included in Closures segment EBITDA:</b>		
Business interruption costs	-	0.8
CSI Americas gain on acquisition	-	(9.8)
Restructuring costs	0.4	-
Unrealized (gain)/loss on derivatives	0.2	(0.9)
<b>Closures segment Adjusted EBITDA<sup>1</sup></b>	<b>37.7</b>	<b>32.0</b>

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.



## **Reynolds Consumer Products segment**

<b>(In \$ million, except for %)</b>	<b>For the three months ended March 31,</b>					
	<b>% of segment</b>		<b>% of segment</b>		<b>%</b>	
	<b>2011</b>	<b>revenue</b>	<b>2010</b>	<b>revenue</b>	<b>change</b>	<b>change</b>
Revenue	541.1	100.0%	258.9	100.0%	282.2	109%
Gross profit	130.3	24.1%	63.1	24.4%	67.2	106%
Profit from operating activities	67.8	12.5%	34.2	13.2%	33.6	98%
Reynolds Consumer Products segment EBITDA	99.1	18.3%	48.6	18.8%	50.5	104%
Reynolds Consumer Products segment Adjusted EBITDA <sup>1</sup>	110.3	20.4%	52.7	20.4%	57.6	109%

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

We acquired Pactiv on November 16, 2010. The operating results of the Hefty consumer products business have been included within the Reynolds Consumer Products segment since the Pactiv acquisition. As our businesses are being combined we are unable to quantify the results for the acquired business separately for the three months ended March 31, 2011. For the three months ended March 31, 2010, the Hefty consumer products business' revenue, profit from operating activities, EBITDA and Adjusted EBITDA were \$290.7 million, \$53.0 million, \$68.7 million and \$68.7 million, respectively. These amounts include IFRS adjustments and will not agree to historically reported Pactiv results as Pactiv reported results under U.S. GAAP.

Revenue increased by \$282.2 million, or 109%, to \$541.1 million for the three months ended March 31, 2011 compared to \$258.9 million for the three months ended March 31, 2010. This increase was largely attributable to incremental revenue from the acquisition of the Hefty consumer products business as part of the Pactiv acquisition in November 2010, partially offset by volume declines in foil products. If the Hefty consumer products business had been included in our results for the three months ended March 31, 2010, we estimate that revenue would have decreased by \$8.5 million, or 2%, to \$541.1 million for the three months ended March 31, 2011 on a pro forma basis. This revenue decline would have been largely attributable to volume declines in foil and tableware products, partially offset by increased volume in waste products.

Gross profit increased by 106% to \$130.3 million from the prior year period, and gross profit margin decreased slightly to 24.1% of the segment's revenue compared to 24.4% for the prior year period, reflecting the impact of increased raw material costs, partially offset by benefits from productivity efficiencies.

Selling, marketing and distribution expenses and general and administration expenses increased by 115% to \$53.0 million from the prior year period, due to the Pactiv acquisition.

The results of operations for the three months ended March 31, 2011 include restructuring expenses of \$9.6 million largely related to the continuing integration of Reynolds consumer products business with Hefty consumer products business. These restructuring costs are mostly severance related. As discussed in more detail in the "Key Factors Influencing our Financial Condition and Results of Operations" section included elsewhere in this quarterly report, we expect to incur additional restructuring costs throughout the rest of the year.

As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 were \$67.8 million, \$99.1 million and \$110.3 million, respectively, compared to \$34.2 million, \$48.6 million and \$52.7 million, respectively, for the three months ended March 31, 2010. If the Hefty consumer products business had been included in our results for the three months ended March 31, 2010, we estimate that Adjusted EBITDA for the three months ended March 31, 2010 would have been \$121.4 million on a pro forma basis.

## EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 and March 31, 2010 for our Reynolds Consumer Products segment is as follows:

(In \$ million)	For the three months ended March 31,	
	2011	2010
<b>Profit from operating activities</b>	<b>67.8</b>	<b>34.2</b>
Depreciation and amortization	31.3	14.4
<b>EBITDA</b>	<b>99.1</b>	<b>48.6</b>
<b>Included in Reynolds Consumer Products segment EBITDA:</b>		
Non-cash pension expense	1.2	-
Operational process engineering-related consultancy costs	1.6	5.3
Restructuring costs (recoveries)	9.6	(1.2)
Unrealized gain on derivatives	(1.2)	-
<b>Reynolds Consumer Products segment Adjusted EBITDA<sup>1</sup></b>	<b>110.3</b>	<b>52.7</b>

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

## Pactiv Foodservice segment

(In \$ million, except for %)	For the three months ended March 31,					
	2011	% of segment revenue	2010	% of segment revenue	change	% change
Revenue	712.2	100.0%	144.9	100.0%	567.3	392%
Gross profit	112.8	15.8%	12.1	8.4%	100.7	832%
Profit from operating activities	14.9	2.1%	8.7	6.0%	6.2	71%
Pactiv Foodservice segment EBITDA	78.1	11.0%	17.8	12.3%	60.3	339%
Pactiv Foodservice segment Adjusted EBITDA <sup>1</sup>	105.6	14.8%	8.3	5.7%	97.3	1,172%

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

We acquired Pactiv on November 16, 2010. The operating results of the Pactiv foodservice packaging business have been included within the Pactiv Foodservice segment since the Pactiv acquisition. As our businesses are being combined we are unable to quantify the results for the acquired business separately for the three months ended March 31, 2011. For the three months ended March 31, 2010, Pactiv foodservice packaging business' revenue, profit from operating activities, EBITDA and Adjusted EBITDA were \$493.1 million, \$48.8 million, \$77.5 million and \$78.3 million, respectively. These amounts include IFRS adjustments and will not agree to historically reported Pactiv results as Pactiv reported results under U.S. GAAP.

Revenue increased by \$567.3 million, or 392%, to \$712.2 million for the three months ended March 31, 2011 compared to \$144.9 million for the three months ended March 31, 2010. This increase was largely attributable to incremental revenue from the acquisition of the Pactiv foodservice packaging business as part of the Pactiv acquisition as well as improved pricing due to the flow-through of resin price increases, partially offset by a decline in revenue resulting from the sale of the envelope window film business in January 2010. If the Pactiv foodservice packaging business had been included in our results for the three months ended March 31, 2010, we estimate that revenue would have increased by \$74.2 million, or 12%, to \$712.2 million for the three months ended March 31, 2011 on a pro forma basis. This revenue increase would have been attributable to improved pricing due to the flow-through of resin price increases and a volume increase, partially offset by the sale of the envelope window film business in January 2010.

Gross profit increased by 832% to \$112.8 million from the prior year period, and gross profit margin increased to 15.8% of the segment's revenue compared to 8.4% for the prior year period, reflecting the impact of the acquisition of the Pactiv foodservice packaging business as part of the Pactiv acquisition.

Selling, marketing and distribution expenses and general and administration expenses increased by \$60.2 million to \$72.8 million from the prior year period, due to the Pactiv acquisition.

The results of operations for the three months ended March 31, 2010 reflect a gain of \$9.1 million on the sale of the envelope window film business in January 2010.

The results of operations for the three months ended March 31, 2011 include restructuring expenses of \$22.9 million largely related to the continuing integration of the Reynolds foodservice packaging business with the Pactiv foodservice packaging business.

These restructuring costs are mostly severance related. As discussed in more detail in the "Key Factors Influencing our Financial Condition and Results of Operations" section included elsewhere in this quarterly report, we expect to incur additional restructuring costs throughout the rest of the year.

As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 were \$14.9 million, \$78.1 million and \$105.6 million, respectively, compared to \$8.7 million, \$17.8 million and \$8.3 million, respectively, for the three months ended March 31, 2010. If the Pactiv foodservice packaging business had been included in our results for the three months ended March 31, 2010, we estimate that Adjusted EBITDA for the three months ended March 31, 2010 would have been \$86.6 million on a pro forma basis.

#### EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the three months ended March 31, 2011 and March 31, 2010 for our Pactiv Foodservice segment is as follows:

(In \$ million)	For the three months ended March 31,	
	2011	2010
<b>Profit from operating activities</b>	<b>14.9</b>	<b>8.7</b>
Depreciation and amortization	63.2	9.1
<b>EBITDA</b>	<b>78.1</b>	<b>17.8</b>
<b>Included in Pactiv Foodservice segment EBITDA:</b>		
Business acquisition costs	0.2	-
Business integration costs	1.5	-
Gain on sale of business	-	(9.1)
Impact of purchase price accounting on inventories	0.8	-
Impact of purchase price accounting on leases	(0.4)	-
Non-cash pension expense	1.8	-
Operational process engineering-related consultancy costs	3.0	-
Restructuring costs (recoveries)	22.9	(0.7)
Unrealized (gain)/loss on derivatives	(2.3)	0.3
<b>Pactiv Foodservice segment Adjusted EBITDA<sup>1</sup></b>	<b>105.6</b>	<b>8.3</b>

- 1) Refer to note 6 of the RGHL Group's financial statements included elsewhere in this quarterly report, for a description of Adjusted EBITDA and the CODM's use of Adjusted EBITDA to assess the performance of the operating segments.

#### Differences Between the RGHL Group and Beverage Packaging Holdings Group Results of Operations

There are certain differences between the RGHL Group financial statements and the Bev Pack Group financial statements, each included elsewhere in this quarterly report.

RGHL is a non-operating holding company. Consequently, there are no differences between the revenue and gross profit amounts presented in the RGHL Group financial statements and the Bev Pack Group financial statements. The differences in the reported profit (loss) before income tax between the RGHL Group financial statements and the Bev Pack Group financial statements are predominantly due to related party interest income and expenses that are recognized by RGHL, intercompany amounts between RGHL and the members of the Bev Pack Group that eliminate on consolidation of the RGHL Group, foreign exchange movements on the related party balances of RGHL and incidental RGHL corporate expenses.

Differences between the RGHL Group balance sheet and Bev Pack Group balance sheet are predominantly attributable to the related party receivables and borrowings of RGHL.

## Liquidity and Capital Resources

### Historical Cash Flows

The following table discloses our cash flows from operations for the periods presented:

(in \$ million)	For the three months ended March 31,	
	2011	2010
Net cash flows from operating activities	168.5	91.4
Net cash flows used in investing activities	(98.9)	(37.6)
Net cash flows from (used in) financing activities	449.8	(28.2)

### Cash Flow from Operating Activities

Cash flows from operating activities for the three months ended March 31, 2011 generated a net cash inflow of \$168.5 million compared to \$91.4 million for the prior year period. The increase largely reflects an improvement in net cash receipts from operating activities as well as income tax refunds received, partially offset by an increase in interest payments due to an overall increase in our borrowings as well as the timing of cash payments. Our working capital requirements increased from the prior year period. This is primarily due to an increase of \$220.2 million in our inventories during the three months ended March 31, 2011 compared to \$42.3 million in the prior year period, reflecting increases in raw material pricing as well as volume increases from the building of inventory.

### Cash Flow used in Investing Activities

Cash flows used in investing activities for the three months ended March 31, 2011 resulted in a net cash outflow of \$98.9 million compared to \$37.6 million for the prior year period. The increase was principally driven by additional capital expenditures from the acquisition of Pactiv and capacity expansion in Brazil. The cash flow used in investing activities from the prior year period also includes proceeds of \$32.4 million related to the sale of the envelope window film business and cash outflows of \$24.3 million related to the acquisition of CSI Americas.

Refer to "Capital Expenditures" for additional information regarding expenditures on property, plant and equipment and intangible assets.

### Cash Flow from (used in) Financing Activities

Cash flows from financing activities for the three months ended March 31, 2011 resulted in a net cash inflow of \$449.8 million compared to a net cash outflow of \$28.2 million for the prior year period. In February 2011, we issued \$1.0 billion principal amount of 6.875% senior secured notes due 2021 and \$1.0 billion principal amount of 8.250% senior notes due 2021. The proceeds from the offering of the 2011 Notes were used to fully repay the U.S. Tranche D Term Loans of \$1,520.0 million under the Original Senior Secured Credit Facilities. Also in February 2011, we entered into an amended and restated credit agreement and borrowed \$2,325.0 million in U.S. term loans and €250.0 million (\$341.2 million) in European term loans. The proceeds from the new term loans under the Senior Secured Credit Facilities were applied to refinance the term loans outstanding under the Original Senior Secured Credit Facilities. This refinancing resulted in reducing the interest rates and extending the repayment terms and maturity date of our term loans.

Cash flows from financing activities for the three months ended March 31, 2011 also included \$55.8 million of transaction costs largely related to the 2011 Notes compared to transaction costs of \$11.8 million in the prior year period.

### Capital Expenditures

(in \$ million)	For the three months ended March 31,	
	2011	2010
Property, plant and equipment	101.1	53.2
Intangibles	4.0	4.4
<b>Total Capital Expenditures</b>	<b>105.1</b>	<b>57.6</b>

Capital expenditures increased by \$47.5 million, or 82%, to \$105.1 million for the three months ended March 31, 2011 compared to \$57.6 million for the three months ended March 31, 2010. The increase related to an additional capital expenditure from the Pactiv acquisition and integration as well as higher spending at SIG to expand manufacturing capacity in Brazil.

## Capital Resources

We have substantial debt and debt service obligations. As of March 31, 2011, our aggregate net borrowings were \$12,579.1 million.

As of March 31, 2011, the Senior Secured Credit Facilities included revolving facilities of \$120.0 million and €80.0 million (\$113.1 million). As of March 31, 2011, these revolving tranches were utilized in the amount of \$48.5 million and €24.0 million (\$33.9 million) in the form of bank guarantees and letters of credit.

## Sources of Liquidity

Our sources of liquidity for the future are expected to be our existing cash resources, cash flows from operations, drawings under the revolving credit facilities of our Senior Secured Credit Facilities and local working capital facilities. In addition to our cash and cash equivalents, as of March 31, 2011, we had \$71.5 million and €56.0 million (\$79.2 million) available for drawing under our revolving credit facilities.

If we are required to borrow additional amounts under our revolving credit facility or our other local working capital facilities, we may be restricted from doing so by the terms of such indebtedness or other indebtedness (including the 2011 Notes, the October 2010 Notes, the May 2010 Notes, the 2009 Notes and the 2007 Notes), including financial maintenance covenants and other conditions.

We believe that our cash flows from operations and our existing available cash, together with our other available external financing sources, will be adequate to meet our future liquidity needs for the next year. We are currently in compliance with the covenants under our Senior Secured Credit Facilities and our other outstanding indebtedness (including the 2011 Notes, the October 2010 Notes, the May 2010 Notes, the 2009 Notes and the 2007 Notes). We expect to incur approximately \$420 million in capital expenditures for the remainder of 2011 (excluding acquisitions), however actual capital expenditures may differ. We also expect to incur cash outlays of approximately \$125 million by the end of 2012 to combine and integrate our Reynolds consumer products and Reynolds foodservice packaging businesses with our Hefty consumer products and Pactiv foodservice packaging businesses, respectively, to form integrated Reynolds Consumer Products and Pactiv Foodservice segments. Through March 31, 2011, we have spent approximately \$21 million. We expect to realize significant cost savings and operational synergies by consolidating facilities, eliminating duplicate operations, improving supply chain management and achieving other efficiencies. In order to achieve these synergies and cost savings, we expect to incur restructuring costs.

Our future operating performance and our ability to service or refinance the Senior Secured Credit Facilities, the 2011 Notes, the October 2010 Notes, the May 2010 Notes, the 2009 Notes and the 2007 Notes and other indebtedness, including the indebtedness assumed in the Pactiv acquisition, are subject to economic conditions and financial, business and other factors, many of which are beyond our control.

## Contractual obligations

The following table summarizes our material obligations as of March 31, 2011:

(in \$ million)	Payments due, by period, as of March 31, 2011			
	Total	Less than one year	One to five years	Greater than 5 years
Trade creditors	1,495.7	1,495.7	-	-
Debt and interest <sup>(1)</sup>	20,091.2	962.4	4,014.4	15,114.4
Operating leases	261.3	71.8	133.3	56.2
Unconditional capital expenditure obligations	108.2	108.2	-	-
<b>Total contractual cash obligations</b>	<b>21,956.4</b>	<b>2,638.1</b>	<b>4,147.7</b>	<b>15,170.6</b>

- 1) Total repayments of financial liabilities consist of the principal amounts, fixed and floating rate interest obligations and the cash flows associated with commodity and other derivative instruments. The interest rate on the floating rate debt balances has been assumed to be the same as the rate during the month of March 2011. Both the one month LIBOR and EURIBOR rates during the month of March 2011 were below the floor rates established in accordance with the respective agreements.

The amounts shown in the table above represent our current material contractual obligations as of March 31, 2011. As most of the planned capital expenditures are not currently committed, our 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 our business plan, operating results or other factors.

## Contingent Liabilities

Our contingent liabilities are primarily comprised of guarantees given to banks granting credit facilities to our joint venture company SIG Combibloc Obeikan Company Limited, in Riyadh, Kingdom of Saudi Arabia.

## **Off-Balance Sheet Arrangements**

We currently have no material off-balance sheet obligations.

## **Recently Issued Accounting Pronouncements**

### **Financial Instruments**

IFRS 9 "Financial Instruments" is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. We are currently evaluating the impact of IFRS 9 on our financial statements.

On May 12, 2011, the IASB released IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IFRS 13 "Fair Value Measurement" as part of its new suite of consolidation and related standards, replacing and amending a number of existing standards and pronouncements. Each of these standards is effective for annual reporting periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 10 introduces a new approach to determining which investments should be consolidated and supersedes the requirements of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". Under the requirements of this new standard, the IASB has provided a series of indicators to determine control (replacing the existing hierarchy approach) which requires judgment to be exercised in making the assessment of control. The new standard also introduces the concept of de facto control, provides greater guidance on the assessment of potential voting rights, while also requiring control to be assessed on a continuous basis where changes arise that do not merely result from a change in market conditions. IFRS 11 overhauls the accounting for joint arrangements (previously known as joint ventures) and directly supersedes IAS 31 "Interests in Joint Ventures" while amending IAS 28 (2011) "Investments in Associates and Joint Ventures". Under the requirements of the new standard, jointly controlled entities can be accounted for using either the equity or proportional consolidation method, whereas joint ventures (previously referred to as jointly controlled operations and jointly controlled assets) must be accounted for using the proportional consolidation method. IFRS 12 combines into a single standard the disclosure requirements for subsidiaries, associated and joint arrangements and unconsolidated structure entities. Under the expanded and new disclosure requirements, information is required to be provided to enable users to evaluate the nature of the risks associated with a reporting entity's interest in other entities and the effect those interests can have on the reporting entity's financial position, performance and cash flow. In addition, the standard introduces new disclosures about unconsolidated structure entities. IFRS 13 defines the concept of fair value and establishes a framework for measuring fair value, while setting the disclosure requirement for fair value measurement. The new standard focuses on explaining how to measure fair value when required by other IFRS's. Prior to the introduction of IFRS 13 there was no single source of guidance on fair value measurement. We are currently evaluating the effects of IFRS 10, IFRS 11, IFRS 12 and IFRS 13 on our financial statements.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

In the normal course of business we are subject to risks from adverse fluctuations in interest and foreign exchange rates and commodity prices. We manage these risks through a combination of an appropriate mix between variable rate and fixed rate borrowings and natural offsets of foreign currency receipts and payments, supplemented by forward foreign exchange contracts and commodity derivatives. Derivative contracts are not used for trading or speculative purposes. The extent to which we use derivative instruments is dependent upon our access to them in the financial markets and our use of other risk management methods, such as netting exposures for foreign exchange risk and establishing sales arrangements that permit the pass-through to customers of changes in commodity prices. Our objective in managing our exposure to market risk is to limit the impact on earnings and cash flow.

### **Interest Rate Risk**

We had significant debt commitments outstanding as of March 31, 2011. These on-balance sheet financial instruments, to the extent they provided for variable interest rates, expose us to interest rate risk. Our interest rate risk arises primarily on significant borrowings that were denominated in dollars and euro that are drawn under our Senior Secured Credit Facilities. These agreements include an interest rate floor of (i) 2% per annum on U.S. revolving loans, (ii) 1% per annum on U.S. term loans, (iii) 2% per annum on European revolving loans and (iv) 1% per annum on European term loans.

The underlying one month LIBOR and EURIBOR rates as of March 31, 2011 were 0.25% and 0.98%, respectively. Based on liabilities held as of March 31, 2011, a one-year time frame and all other variables, in particular foreign exchange rates, remaining constant, a 1% increase in interest rates would have a \$5.9 million impact on the interest expense on the \$2,325.0 million U.S. term loans and \$3.5 million impact on the €250.0 million in European term loans. As a result of the LIBOR and EURIBOR floors under our Senior Secured Credit Facilities, a 1.0% decrease in interest rates would have no impact on our interest expense on these borrowings.

We are also exposed to interest rate risks arising from deposits which earn interest at floating rates.

We have adopted a policy, which is consistent with the covenants under the Senior Secured Credit Facilities, to ensure that at least 50% of our overall borrowings are on a fixed rate basis.

### **Foreign Currency Exchange Rate Risk**

As a result of our international operations, we are exposed to foreign exchange risk arising from sales, purchases, assets and borrowings that are denominated in foreign currencies. The currencies in which these transactions primarily are denominated are the euro, Swiss Franc, Thai Baht, Chinese Yuan Renminbi, Brazilian Real, British Pound, Japanese Yen, Mexican Peso, Canadian Dollar, and New Zealand Dollar.

In accordance with our treasury policy, we take advantage of natural offsets to the extent possible. Therefore, when commercially feasible, we borrow in the same currencies in which cash flows from operations are generated. Generally we do not use forward exchange contracts to hedge residual foreign exchange risk arising from customary receipts and payments denominated in foreign currencies. However, when considered appropriate we may enter into forward exchange contracts to hedge foreign exchange risk arising from specific transactions. As of March 31, 2011, we had no significant forward foreign exchange contracts outstanding.

We generally do not hedge our exposure to translation gains or losses in respect of our non-dollar functional currency assets or liabilities.

### **Commodity Risk**

We are exposed to commodity and other price risk principally from the purchase of resin, natural gas, electricity, raw cartonboard, aluminum and steel. We use various strategies to manage cost exposures on certain raw material purchases with the objective of obtaining more predictable costs for these commodities. We generally enter into commodity financial instruments or derivatives to hedge commodity prices related to resin, aluminum and natural gas.

We enter into resin futures, aluminum swaps and natural gas swaps to hedge our exposure to price fluctuations. We believe these contracts manage our price risk by reference to the difference between the fixed contract price and the market price. The following table provides the detail of our outstanding derivative contracts at March 31, 2011.

<b>Type</b>	<b>Unit of Measure</b>	<b>Contracted Volumes</b>	<b>Contracted Price Range</b>	<b>Contracted Date of Maturity</b>
Resin futures	LB	21,000,000	\$0.87 - 0.96	Apr 2011 - Dec 2011
Resin futures	KL	13,700	44,000 - 47,200 YEN	Apr - Nov 2011
Aluminum sw aps	MT	41,482	\$1,962 - \$2,696	Apr 2011 - Jul 2012
Natural Gas sw aps	MMBTU	2,109,007	\$4.38 - \$5.88	Apr 2011 - Mar 2012
Ethylene sw aps	LB	10,545,000	\$0.40	Mar 2012
Benzene sw aps	GAL	3,831,062	\$2.32	Mar 2012

The fair values of the derivative contracts are based on quoted market prices or traded exchange market prices and represent the estimated amounts that we would pay or receive to terminate the contracts. At March 31, 2011 and at December 31, 2010, the estimated fair value of the outstanding commodity derivative contracts was a net receivable of \$15.1 million and \$10.7 million, respectively. During the three months ended March 31, 2011, we recognized a \$4.1 million unrealized gain in other income in the profit and loss component of the statement of comprehensive income related to the outstanding commodity derivatives.

### **ITEM 4. CONTROLS AND PROCEDURES.**

We are currently not required to evaluate the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), but intend to do so upon becoming a registrant with the SEC. We are currently not required to report on changes in internal control over financial reporting, but intend to do so upon becoming a registrant with the SEC.

## **PART II—OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

We are involved in legal proceedings from time to time in the ordinary course of business. We believe that the outcome of these proceedings will not have a material effect on our financial condition, results of operations or cash flows. There have been no material changes to the legal proceedings disclosed in our Annual Report for the year ended December 31, 2010.

### **ITEM 1A. RISK FACTORS.**

You should carefully consider the risks and uncertainties described in Part I, Item 3. "Key Information — Risk Factors" and the discussions set forth in Part I, Item 5. "Operating and Financial Review and Prospects," of our Annual Report for the year ended December 31, 2010 as well as other information in this quarterly report, our interim unaudited condensed financial statements and

related notes included elsewhere in this quarterly report. There have been no material changes to the risk factors disclosed in Part I, Item 3. “Key Information — Risk Factors” in our Annual Report for the year ended December 31, 2010.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

Not applicable.



# Reynolds Group Holdings Limited

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**Reynolds Group Holdings Limited**

**Interim unaudited condensed financial statements  
for the three month periods ended March 31, 2011 and March 31, 2010**

## Reynolds Group Holdings Limited

### Interim unaudited condensed statements of comprehensive income

(In \$ million)	Note	For the three months ended March 31,	
		2011	2010
Revenue		2,367.5	1,407.6
Cost of sales		(1,917.5)	(1,160.8)
<b>Gross profit</b>		<b>450.0</b>	<b>246.8</b>
Other income	7	22.6	34.5
Selling, marketing and distribution expenses		(82.0)	(48.4)
General and administration expenses		(146.6)	(95.4)
Other expenses	8	(57.3)	(12.2)
Share of profit of associates and joint ventures, net of income tax (equity method)		6.3	4.5
<b>Profit from operating activities</b>		<b>193.0</b>	<b>129.8</b>
Financial income	9	101.0	21.9
Financial expenses	9	(380.9)	(152.9)
<b>Net financial expenses</b>		<b>(279.9)</b>	<b>(131.0)</b>
<b>Loss before income tax</b>		<b>(86.9)</b>	<b>(1.2)</b>
Income tax benefit (expense)	10	40.2	(36.1)
<b>Loss after income tax</b>		<b>(46.7)</b>	<b>(37.3)</b>
<b>Other comprehensive income (loss) for the period, net of income tax</b>			
Exchange differences on translating foreign operations		(121.9)	77.8
Transfers from foreign currency translation reserve to profit and loss	16	-	48.5
<b>Total other comprehensive income (loss) for the period, net of income tax</b>		<b>(121.9)</b>	<b>126.3</b>
<b>Total comprehensive income (loss) for the period</b>		<b>(168.6)</b>	<b>89.0</b>
<b>Profit (loss) attributable to:</b>			
Equity holder of the Group		(47.0)	(36.4)
Non-controlling interests		0.3	(0.9)
		<b>(46.7)</b>	<b>(37.3)</b>
<b>Total other comprehensive income (loss) attributable to:</b>			
Equity holder of the Group		(121.9)	126.1
Non-controlling interests		-	0.2
		<b>(121.9)</b>	<b>126.3</b>

The interim unaudited condensed statements of comprehensive income should be read in conjunction with the notes to the interim unaudited condensed financial statements.

**Reynolds Group Holdings Limited**  
**Interim unaudited condensed statements of financial position**

(In \$ million)	Note	As at March 31, 2011	As at December 31, 2010
<b>Assets</b>			
Cash and cash equivalents		1,185.5	663.8
Trade and other receivables		1,120.4	1,150.2
Inventories	11	1,514.1	1,280.6
Current tax assets		53.2	108.6
Assets held for sale		20.2	17.8
Derivatives		15.3	11.8
Other assets		48.4	63.1
<b>Total current assets</b>		<b>3,957.1</b>	<b>3,295.9</b>
Non-current receivables		307.0	303.1
Investments in associates and joint ventures (equity method)		118.0	109.6
Deferred tax assets		25.8	23.3
Property, plant and equipment	12	3,281.4	3,274.6
Investment properties		67.0	67.6
Intangible assets	13	8,960.7	8,949.8
Derivatives		95.9	87.0
Other assets		87.7	75.0
<b>Total non-current assets</b>		<b>12,943.5</b>	<b>12,890.0</b>
<b>Total assets</b>		<b>16,900.6</b>	<b>16,185.9</b>
<b>Liabilities</b>			
Bank overdrafts		3.5	11.7
Trade and other payables		1,495.7	1,247.5
Borrowings	14	31.5	141.3
Current tax liabilities		150.1	140.0
Derivatives		0.2	1.2
Employee benefits		138.6	194.7
Provisions	15	91.9	72.6
<b>Total current liabilities</b>		<b>1,911.5</b>	<b>1,809.0</b>
Non-current payables		8.0	8.3
Borrowings	14	12,547.6	11,699.0
Deferred tax liabilities		1,263.3	1,329.9
Employee benefits		962.6	971.5
Provisions	15	100.4	91.4
<b>Total non-current liabilities</b>		<b>14,881.9</b>	<b>14,100.1</b>
<b>Total liabilities</b>		<b>16,793.4</b>	<b>15,909.1</b>
<b>Net assets</b>		<b>107.2</b>	<b>276.8</b>
<b>Equity</b>			
Share capital		1,695.0	1,695.0
Reserves		(1,313.8)	(1,191.9)
Retained earnings (accumulated losses)		(296.2)	(249.2)
<b>Equity attributable to equity holder of the Group</b>		<b>85.0</b>	<b>253.9</b>
Non-controlling interest		22.2	22.9
<b>Total equity</b>		<b>107.2</b>	<b>276.8</b>

The interim unaudited condensed statements of financial position should be read in conjunction with the notes to the interim unaudited condensed financial statements.

## Reynolds Group Holdings Limited

### Interim unaudited condensed statements of changes in equity

(In \$ million)	Share capital	Translation of foreign operations	Other reserves	Retained earnings (accumulated losses)	Equity attributable to equity holder of the Group	Non-controlling interests	Total
Balance at the beginning of the period (January 1, 2010)	1,653.9	76.1	(513.3)	(129.6)	1,087.1	16.3	1,103.4
Total comprehensive income for the period:							
Profit (loss) after tax	-	-	-	(36.4)	(36.4)	(0.9)	(37.3)
Foreign exchange translation reserve	-	126.1	-	-	126.1	0.2	126.3
Dividends paid to non-controlling interests	-	-	-	-	-	(1.8)	(1.8)
<b>Balance at March 31, 2010</b>	<b>1,653.9</b>	<b>202.2</b>	<b>(513.3)</b>	<b>(166.0)</b>	<b>1,176.8</b>	<b>13.8</b>	<b>1,190.6</b>
Balance at the beginning of the period (January 1, 2011)	1,695.0	369.0	(1,560.9)	(249.2)	253.9	22.9	276.8
Total comprehensive income for the period:							
Profit (loss) after tax	-	-	-	(47.0)	(47.0)	0.3	(46.7)
Foreign exchange translation reserve	-	(121.9)	-	-	(121.9)	-	(121.9)
Dividends paid to non-controlling interests	-	-	-	-	-	(1.0)	(1.0)
<b>Balance at March 31, 2011</b>	<b>1,695.0</b>	<b>247.1</b>	<b>(1,560.9)</b>	<b>(296.2)</b>	<b>85.0</b>	<b>22.2</b>	<b>107.2</b>

The interim unaudited condensed statements of changes in equity should be read in conjunction with the notes to the interim unaudited condensed financial statements.

**Reynolds Group Holdings Limited**
**Interim unaudited condensed statements of cash flows**

(In \$ million)	For the three months ended March 31,	
	2011	2010
<b>Cash flows from operating activities</b>		
Cash received from customers	2,427.6	1,386.1
Cash paid to suppliers and employees	(2,228.4)	(1,232.6)
Interest paid	(58.3)	(27.8)
Income taxes (paid) refunds	27.6	(34.3)
<b>Net cash from operating activities</b>	<b>168.5</b>	<b>91.4</b>
<b>Cash flows used in investing activities</b>		
Acquisition of property, plant and equipment and investment properties	(101.1)	(53.2)
Proceeds from sale of property, plant and equipment, investment properties and other assets	2.4	9.3
Acquisition of intangible assets	(4.0)	(4.4)
Acquisition of businesses, net of cash acquired	-	(24.3)
Disposal of business, net of cash disposed	-	32.4
Disposal of other investments	0.8	1.2
Related party advances	-	(0.7)
Interest received	1.2	1.0
Dividends received from joint ventures	1.8	1.1
<b>Net cash used in investing activities</b>	<b>(98.9)</b>	<b>(37.6)</b>
<b>Cash flows (used in) from financing activities</b>		
Draw down of loans and borrowings:		
2011 Credit Agreement	2,666.2	-
2011 Notes	2,000.0	-
2009 Credit Agreement	10.0	-
Other borrowings	0.2	0.6
Repayment of loans and borrowings:		
2009 Credit Agreement	(4,168.3)	(8.7)
Other borrowings	(1.5)	(1.8)
Payment of transaction costs	(55.8)	(11.8)
Payment for acquisition of businesses under common control*	-	(4.7)
Dividends paid to non-controlling interests	(1.0)	(1.8)
<b>Net cash from (used in) financing activities</b>	<b>449.8</b>	<b>(28.2)</b>
<b>Net increase in cash and cash equivalents</b>	<b>519.4</b>	<b>25.6</b>
Cash and cash equivalents at the beginning of the period	652.1	514.4
Effect of exchange rate fluctuations on cash held	10.5	(5.8)
<b>Cash and cash equivalents at March 31</b>	<b>1,182.0</b>	<b>534.2</b>
<b>Cash and cash equivalents comprise</b>		
Cash and cash equivalents	1,185.5	535.9
Bank overdrafts	(3.5)	(1.7)
<b>Cash and cash equivalents at March 31</b>	<b>1,182.0</b>	<b>534.2</b>

\* Relates to the net payment of the working capital adjustments on the acquisition of the Closures and Reynolds Consumer businesses on November 5, 2009.

The interim unaudited condensed statements of cash flows should be read in conjunction with the notes to the interim unaudited condensed financial statements.

## Reynolds Group Holdings Limited

### Interim unaudited condensed statements of cash flows

#### Reconciliation of the profit for the period with the net cash from operating activities

(In \$ million)	2011	2010
Profit (loss) for the period	(46.7)	(37.3)
Adjustments for:		
Depreciation of property, plant and equipment	124.2	76.2
Depreciation of investment properties	0.6	0.5
Amortization of intangible assets	66.2	43.5
Net foreign currency exchange loss	0.6	0.8
Change in fair value of derivatives	(4.1)	0.5
Gain (loss) on sale of property, plant and equipment	(0.1)	1.1
Gains on disposal of businesses	-	(9.1)
CSI Americas gain on acquisition	-	(9.8)
Net financial (income) expenses	279.9	131.0
Share of profit of equity accounted investees	(6.3)	(4.5)
Income tax (benefit) expense	(40.2)	36.1
Interest paid	(58.3)	(27.8)
Income tax (paid) refund	27.6	(34.3)
Change in trade and other receivables	41.8	(37.0)
Change in inventories	(220.2)	(42.3)
Change in trade and other payables	43.4	42.9
Change in provisions and employee benefits	(41.1)	(53.0)
Change in other assets and liabilities	1.2	13.9
<b>Net cash from operating activities</b>	<b>168.5</b>	<b>91.4</b>

#### Significant non-cash financing and investing activities

During the three month period ended March 31, 2011, related party interest income of \$3.9 million (2010: \$3.3 million) was capitalized as part of the non-current related party receivable balance included in other non-current receivables. Refer to note 17.

The interim unaudited condensed statements of cash flows should be read in conjunction with the notes to the interim unaudited condensed financial statements.

# Reynolds Group Holdings Limited

## Interim unaudited condensed statements of cash flows

### Acquisitions and disposals of businesses

(In \$ million)	For the three months ended March 31,			
	2011		2010	
	Acquisitions	Disposals	Acquisitions	Disposals
<b>Inflow (outflow) of cash:</b>				
Cash receipts (payments)	-	-	(35.1)	32.4
Net cash acquired (disposed of)	-	-	10.8	-
Consideration received, satisfied in notes receivable	-	-	-	14.4
Consideration subject to post-closing adjustments	-	-	(1.1)	1.1
	-	-	<b>(25.4)</b>	<b>47.9</b>
Cash and cash equivalents	-	-	(10.8)	-
Net gain on sale before reclassification from foreign currency translation reserve	-	-	-	(9.9)
<b>Net assets (acquired) disposed of</b>	<b>-</b>	<b>-</b>	<b>(36.2)</b>	<b>38.0</b>
<b>Details of net assets acquired/disposed of:</b>				
Cash and cash equivalents	-	-	(10.8)	-
Trade and other receivables	-	-	(3.0)	11.7
Inventories	-	-	(10.7)	7.7
Deferred tax assets	-	-	(10.8)	-
Property, plant and equipment	-	-	(14.6)	22.2
Intangible assets (excluding goodwill)	-	-	(3.6)	0.4
Other current and non-current assets	-	-	(0.1)	0.4
Investment in associates and joint venture	-	-	-	3.4
Trade and other payables	-	-	7.0	(7.8)
Provisions and employee benefits	-	-	0.6	-
<b>Net assets (acquired) / disposed of</b>	<b>-</b>	<b>-</b>	<b>(46.0)</b>	<b>38.0</b>
Gain on acquisition	-	-	9.8	-
Amounts reclassified from foreign currency translation reserve	-	-	-	0.8
	-	-	<b>(36.2)</b>	<b>38.8</b>

The acquisition in 2010 relates to the purchase of Obrist Americas, Inc. in February 2010. The disposal in 2010 relates to the sale of the Group's envelope window film business and related operations in Avenal, New Jersey and Hazelton, Pennsylvania, together with the Group's interest in Multiplastics (Europe) Limited.

The interim unaudited condensed statements of cash flows should be read in conjunction with the notes to the interim unaudited condensed financial statements.



**Reynolds Group Holdings Limited**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**1. Reporting entity**

Reynolds Group Holdings Limited (the "Company") is a company domiciled in New Zealand and registered under the Companies Act 1993.

The interim unaudited condensed financial statements of the Company as at and for the three month period ended March 31, 2011 comprise the Company and its subsidiaries and their interests in associates and jointly controlled entities. Collectively, these entities are referred to as the "Group".

The Group is principally engaged in the manufacture and supply of consumer food and beverage packaging and storage products, primarily in North America, Europe, Asia and South America.

The address of the registered office of the Company is c/o: Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland, New Zealand.

**2. Basis of preparation**

**2.1 Statement of compliance**

The interim unaudited condensed financial statements have been prepared in accordance with IAS 34: "Interim Financial Reporting". The disclosures required in these interim unaudited condensed financial statements are less extensive than the disclosure requirements for annual financial statements. The December 31, 2010 interim unaudited condensed statement of financial position was derived from audited financial statements, but does not include the disclosures required by IFRS as issued by the IASB.

The interim unaudited condensed financial statements comprise the statements of comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited condensed financial statements.

The interim unaudited condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Group for the period ended December 31, 2010.

The interim unaudited condensed financial statements were approved by the Board of Directors (the "Directors") on May 24, 2011.

**2.2 Going concern**

The interim unaudited condensed financial statements have been prepared using the going concern assumption.

**2.3 Basis of measurement**

The interim unaudited condensed financial statements have been prepared under the historical cost convention except for:

- certain components of inventory which are measured at net realizable value;
- defined benefit pension plan liabilities and post-employment medical plan liabilities which are measured under the projected unit credit method; and
- certain assets and liabilities, such as derivatives, which are measured at fair value.

The accounting policies applied by the Group in these interim unaudited condensed financial statements are the same as those applied by the Group in the annual financial statements for the period ended December 31, 2010.

**2.4 Presentation currency**

These interim unaudited condensed financial statements are presented in US dollars ("\$"), which is the Group's presentation currency. The Group changed its presentation currency from the Euro to \$ in the period ended June 30, 2010.

**2.5 Comparative information resulting from the combination of businesses under common control**

As disclosed in note 33 of the annual financial statements of the Group for the year ended December 31, 2010, on May 4, 2010 the Group acquired the business operations of Evergreen from subsidiaries of Rank Group Limited and on September 1, 2010 the Group acquired the business operations of the Reynolds foodservice packaging business from subsidiaries of Reynolds (NZ) Limited.

Prior to these transactions, these businesses were under the common ownership of the ultimate sole shareholder, Mr. Graeme Hart. This type of transaction is defined as a business combination under common control, which falls outside of the scope of IFRS 3 "Business Combinations (revised)". In accordance with the Group's accounting policy for business combinations under common control, as outlined in note 3.1(d) of the annual financial statements of the Group for the year ended December 31, 2010, the Group has compiled the comparative information as if the acquisition transactions had occurred from the earliest point that common control commenced.

**2.6 Comparative information**

As disclosed in the December 31, 2010 annual financial statements, certain adjustments were recorded during the year ended December 31, 2010 to correct the classifications of sales allowances by reducing revenue and cost of sales within the statement of comprehensive income to align with the method of presentation adopted by the Group. The corrected three months ended March 31, 2010 revenue and cost of sales amounts differ by \$23.4 million from the amounts previously reported in the Group's financial statements for the three months ended March 31, 2010. These adjustments had no impact on gross profit, profit from operating activities, EBITDA, Adjusted EBITDA, loss after income tax, the statements of financial position or the statements of cash flows.

**Reynolds Group Holdings Limited**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**2.7 Accounting policies and recently issued accounting pronouncements**

The accounting policies applied by the Group in the interim unaudited condensed financial statements are the same as those applied by the Group in its annual financial statements for the year ended December 31, 2010.

**Recently Issued Accounting Pronouncements**

IFRS 9 "Financial Instruments" is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. We are currently evaluating the impact of IFRS 9 on our financial statements.

On May 12, 2011, the IASB released IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IFRS 13 "Fair Value Measurement" as part of its new suite of consolidation and related standards, replacing and amending a number of existing standards and pronouncements. Each of these standards is effective for annual reporting periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 10 introduces a new approach to determining which investments should be consolidated and supersedes the requirements of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". Under the requirements of this new standard, the IASB has provided a series of indicators to determine control (replacing the existing hierarchy approach) which requires judgment to be exercised in making the assessment of control. The new standard also introduces the concept of de facto control, provides greater guidance on the assessment of potential voting rights, while also requiring control to be assessed on a continuous basis where changes arise that do not merely result from a change in market conditions. IFRS 11 overhauls the accounting for joint arrangements (previously known as joint ventures) and directly supersedes IAS 31 "Interests in Joint Ventures" while amending IAS 28 (2011) "Investments in Associates and Joint Ventures". Under the requirements of the new standard, jointly controlled entities can be accounted for using either the equity or proportional consolidation method, whereas joint ventures (previously referred to as jointly controlled operations and jointly controlled assets) must be accounted for using the proportional consolidation method. IFRS 12 combines into a single standard the disclosure requirements for subsidiaries, associated and joint arrangements and unconsolidated structure entities. Under the expanded and new disclosure requirements, information is required to be provided to enable users to evaluate the nature of the risks associated with a reporting entity's interest in other entities and the effect those interests can have on the reporting entity's financial position, performance and cash flow. In addition, the standard introduces new disclosures about unconsolidated structure entities. IFRS 13 defines the concept of fair value and establishes a framework for measuring fair value, while setting the disclosure requirement for fair value measurement. The new standard focuses on explaining how to measure fair value when required by other IFRS's. Prior to the introduction of IFRS 13 there was no single source of guidance on fair value measurement. The Group is currently evaluating the effects of IFRS 10, IFRS 11, IFRS 12 and IFRS 13 on its financial statements.

**Interpretations and amendments to existing standards effective in 2011**

The following interpretations and standards which have not previously been early adopted were mandatory for the Group during the current period:

- IFRIC 19 "Extinguishment of financial liabilities with equity instruments" (effective for reporting periods beginning on or after February 1, 2010).
- IAS 24 Amendment "Related Party Disclosures" (effective for financial reporting periods commencing on or after January 1, 2011).
- IAS 32 "Financial Instruments: Presentation - Classification of Rights Issues" (effective for financial reporting periods commencing on or after February 1, 2010).
- Improvements to various IFRSs 2010 – various standards (effective for financial reporting periods commencing on or after July 1, 2010 and January 1, 2011).

The adoption of these interpretations and standards did not have any material impact on the financial statements of the Group for the three months ended March 31, 2011.

**3. Use of estimates and judgments**

In the preparation of the interim unaudited condensed financial statements, the Directors and management have made certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are:

**3.1 Impairment of assets**

**(a) Goodwill and indefinite life intangible assets**

Determining whether goodwill and indefinite life intangible assets are impaired requires estimation of the recoverable values of the segments to which these assets have been allocated. Recoverable values have been based on the higher of fair value less costs to sell or on value in use (as appropriate for the cash generating unit ("CGU") being reviewed). Significant judgement is involved with estimating the fair

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value of a CGU. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

**(b) Other assets**

Other assets, including property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A change in the Group's intention to use certain assets, such as a decision to rationalize manufacturing locations, may trigger a future impairment.

**3.2 Income taxes**

The Group is subject to income taxes in multiple jurisdictions which require significant judgement to be exercised in determining the Group's provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current tax liabilities and assets are recognized at the amount expected to be paid to or recovered from the taxation authorities. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**3.3 Finalization of provisional acquisition accounting**

Following a business combination, the Group has a period of not more than 12 months from the date of acquisition to finalize the acquisition date fair values of acquired assets and liabilities, including the valuations of identifiable intangible assets and property, plant and equipment.

The determination of fair value of acquired identifiable intangible assets and property, plant and equipment involves a variety of assumptions, including estimates associated with useful lives. As at March 31, 2011, the amounts presented for the acquisition of Pactiv Corporation ("Pactiv") have only been determined on a provisional basis. The finalization of these valuations may result in the refinement of assumptions that impact not only the recognized value of such assets, but also amortization and depreciation expense. In accordance with the accounting policy described in note 3.1(a) of the annual financial statements of the Group for the year ended December 31, 2010, any adjustments on finalization of the preliminary purchase accounting are recognized retrospectively from the date of acquisition.

The Group is in the process of combining Pactiv's operations into Reynolds Consumer Products and Pactiv Foodservice. As a result, as at the date of these financial statements, the CGUs within Reynolds Consumer Products and Pactiv Foodservice have not been identified.

**4. Seasonality and Working Capital Fluctuations**

The Group's segments are impacted by seasonal fluctuations.

The SIG segment's customers are principally engaged in providing products such as beverages and food that are generally less sensitive to seasonal effects, although the SIG segment experiences some seasonality as a result of increased consumption of juices and tea during the summer months in Europe. The SIG segment therefore typically experiences a greater level of carton sleeve sales in the second and third quarters. Sales in the fourth quarter can increase due to additional purchases by customers prior to the end of the year to achieve annual volume rebates that the SIG segment offers.

The Evergreen segment is impacted by moderate seasonal fluctuations. The Evergreen segment's customers are principally engaged in providing products, such as beverage packaging, that are generally less sensitive to seasonal effects, although the Evergreen segment does experience some seasonality as a result of increased consumption of milk by school children during the North American academic year. The Evergreen segment therefore typically experiences a greater level of carton product sales in the first and fourth quarters when North American schools are in session.

The Closures segment's operations are impacted by moderate seasonal fluctuations. The Closures segment experiences some seasonality as a result of increased consumption of bottled beverages during the summer months. In order to avoid capacity shortfalls in the summer months, the Closures segment's customers typically begin building inventories in advance of the summer season. Therefore, the Closures segment typically experiences a greater level of closure sales in the second and third quarters in the Northern Hemisphere, which represented 82% of total revenue in 2010, and in the fourth and first quarters in the Southern Hemisphere, which represented 18% of total revenue in 2010.

The Reynolds Consumer Products segment's operations are subject to seasonal patterns of key product lines. Sales in cooking products are typically higher in the fourth quarter of the year, primarily due to the holiday use of Reynolds Wrap foil, Reynolds Oven Bags and Reynolds Parchment Paper. Sales in waste and storage products are typically higher in the second half of the year in North America, coinciding with the harvest season and outdoor fall cleanup.

The Pactiv Foodservice segment's operations are moderately seasonal, peaking during the summer and fall months in the Northern Hemisphere when the favorable weather, harvest, and the upcoming holiday season lead to increased consumption. The Pactiv Foodservice segment therefore typically experiences a greater level of sales in the second and third quarters.

**5. Financial risk management**

**5.1 Financial risk factors**

Exposure to market risk (including currency risk, interest rate risk and commodity prices), credit risk and liquidity risk arises in the normal course of the Group's business. During the three months ended March 31, 2011, the Group continued to apply the risk

**Reynolds Group Holdings Limited**  
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management objectives and policies which were disclosed in the annual financial statements of the Group for the year ended December 31, 2010.

The interim unaudited condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2010.

**5.2 Liquidity risk**

As described in note 14, during the three month period ended March 31, 2011, the Group issued the 2011 Notes and refinanced the 2009 Credit Agreement. As a result of these changes in borrowings, the Group's contractual cash flows related to total borrowings are as follows:

(In \$ million)	Total debt and interest	Less than one year	One to five years	Greater than five years
<b>March 31, 2011 *</b>	20,091.2	962.4	4,014.4	15,114.4
<b>December 31, 2010 *</b>	18,340.5	1,025.4	5,200.3	12,114.8

\* The interest rate on the floating rate debt balances has been assumed to be the same as the rate as at March 31, 2011 and December 31, 2010, respectively.

There have been no other significant changes in the contractual cash flows of the Group's other financial liabilities.

**5.3 Fair value measurements recognized in the statement of comprehensive income**

The following table sets out an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value and are grouped into levels based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(In \$ million)	Level 1	Level 2	Level 3	Total
<b>March 31, 2011</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial assets				
Commodity derivatives, net	-	15.1	-	15.1
Embedded derivatives	-	95.9	-	95.9
<b>Total</b>	<b>-</b>	<b>111.0</b>	<b>-</b>	<b>111.0</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2010</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial assets				
Commodity derivatives, net	-	10.7	-	10.7
Embedded derivatives	-	86.9	-	86.9
<b>Total</b>	<b>-</b>	<b>97.6</b>	<b>-</b>	<b>97.6</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were no transfers between any levels during the three month period ended March 31, 2011. There have been no changes in the classifications of financial assets as a result of a change in the purpose or use of these assets.

**6. Segment reporting**

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segment and to assess its performance.

The Group's CODM are the officers and Directors of the Company. Information reported to the Group's CODM for the purposes of resource allocation and assessment of segment performance is focused on five business segments that exist within the Group. The Group's

**Reynolds Group Holdings Limited**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

reportable business segments under IFRS 8 are as follows:

- SIG Combibloc - SIG Combibloc is a manufacturer and supplier of a broad range of aseptic carton packaging solutions. They 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. Its business is the supply of aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons, spouts and closures.
- Evergreen – Evergreen is a manufacturer of fresh carton packaging for beverage products, primarily serving the juice and milk markets. Evergreen supplies integrated fresh carton packaging systems, which include fresh cartons, spouts, caps and closures, filling machines and related services. In addition, Evergreen manufactures liquid packaging board for beverage carton manufacturers and paper products for commercial printing.
- Closures – Closures is principally engaged in the design, manufacture and distribution of plastic and aluminum closures as well as capping systems primarily for the beverage industry globally. It also provides its customers with capping equipment and machinery as well as associated technical support and training.
- Reynolds Consumer Products – Reynolds Consumer Products is principally engaged in the manufacture and distribution of household products which are marketed under well recognized brands including Reynolds® and Hefty®. The segment also manufactures private label products under the Presto® product line, which is a leading supplier of store brand plastic storage and waste management products. Prior to the Pactiv acquisition (refer to note 18), the Reynolds Consumer Products segment consisted solely of the Reynolds consumer products business. The Group is in the process of combining its Reynolds consumer products business with its Hefty consumer products business.
- Pactiv Foodservice – Pactiv Foodservice is a manufacturer of foodservice and food packaging products. Pactiv Foodservice offers a range of products including tableware items, takeout service containers, clear rigid-display packaging, microwaveable containers, foam trays, dual-ovenable paperboard containers, molded fiber egg cartons, meat and poultry trays, plastic film and aluminum containers. Prior to the Pactiv Acquisition (refer to note 18), the Pactiv Foodservice segment consisted solely of the Group's Reynolds foodservice packaging business. The Group is in the process of combining its Reynolds foodservice packaging business with its Pactiv foodservice packaging business.

The CODM does not review the business activities of the Group based on geography.

The accounting policies applied by each segment are the same as the Group's accounting policies. Results from operating activities represent the profit earned by each segment without allocation of central administrative revenue and expenses, financial income and expenses and income tax benefit (expense).

The CODM assesses the performance of the operating segments based on adjusted EBITDA. Adjusted EBITDA is defined as net profit before income tax expense, net financial expenses, depreciation and amortization, adjusted to exclude certain significant items of a non-recurring or unusual nature, including but not limited to such items as non-cash pension income, restructuring costs, unrealized gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs and equity method profit not distributed in cash.

Inter-segment pricing is determined with reference to prevailing market prices on an arm's length basis.

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**Business segment reporting**

For the three month period ended March 31, 2011

(In \$ million)	Reynolds						Total
	SIG Combibloc	Evergreen	Closures	Consumer Products	Pactiv Foodservice	Corporate / unallocated *	
Total external revenue	461.4	382.4	292.2	528.7	702.8	-	2,367.5
Total inter-segment revenue	-	6.8	2.5	12.4	9.4	(31.1)	-
<b>Total segment revenue</b>	<b>461.4</b>	<b>389.2</b>	<b>294.7</b>	<b>541.1</b>	<b>712.2</b>	<b>(31.1)</b>	<b>2,367.5</b>
Gross profit	102.2	62.3	42.4	130.3	112.8	-	450.0
Expenses and other income	(59.8)	(13.6)	(24.8)	(62.5)	(97.9)	(4.7)	(263.3)
Share of profit of associates and joint ventures (equity method)	5.9	0.4	-	-	-	-	6.3
<b>Earnings before interest and tax ("EBIT")</b>	<b>48.3</b>	<b>49.1</b>	<b>17.6</b>	<b>67.8</b>	<b>14.9</b>	<b>(4.7)</b>	<b>193.0</b>
Financial income							101.0
Financial expenses							(380.9)
<b>Loss before income tax</b>							<b>(86.9)</b>
Income tax benefit							40.2
<b>Loss after income tax</b>							<b>(46.7)</b>
<b>Earnings before interest and tax ("EBIT")</b>	<b>48.3</b>	<b>49.1</b>	<b>17.6</b>	<b>67.8</b>	<b>14.9</b>	<b>(4.7)</b>	<b>193.0</b>
Depreciation and amortization	62.4	14.6	19.5	31.3	63.2	-	191.0
<b>Earnings before interest, tax, depreciation and amortization ("EBITDA")</b>	<b>110.7</b>	<b>63.7</b>	<b>37.1</b>	<b>99.1</b>	<b>78.1</b>	<b>(4.7)</b>	<b>384.0</b>
Included in EBITDA:							
Business acquisition costs	-	-	-	-	0.2	0.4	0.6
Business integration costs	-	-	-	-	1.5	-	1.5
Equity method profit not distributed in cash	(4.1)	(0.4)	-	-	-	-	(4.5)
Impact of purchase price accounting on leases	-	-	-	-	(0.4)	-	(0.4)
Impact of purchase price accounting on inventories	-	-	-	-	0.8	-	0.8
Non-cash pension (income)/expense	-	-	-	1.2	1.8	(14.4)	(11.4)
Operational process engineering-related consultancy costs	-	-	-	1.6	3.0	0.6	5.2
Restructuring costs	0.7	-	0.4	9.6	22.9	11.6	45.2
Unrealized loss (gain) on derivatives	(0.2)	(0.6)	0.2	(1.2)	(2.3)	-	(4.1)
<b>Adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA")</b>	<b>107.1</b>	<b>62.7</b>	<b>37.7</b>	<b>110.3</b>	<b>105.6</b>	<b>(6.5)</b>	<b>416.9</b>
<b>Segment assets as at March 31, 2011</b>	<b>3,349.4</b>	<b>1,229.2</b>	<b>1,784.3</b>	<b>1,829.0</b>	<b>412.0</b>	<b>8,296.7</b>	<b>16,900.6</b>

\* Corporate / unallocated includes holding companies and certain debt issuer companies which support the entire Group and which are not part of a specific segment. It also includes eliminations of transactions and balances between segments. In addition, as at March 31, 2011, it includes \$8,865.2 million of assets related to the businesses acquired in the Pactiv acquisition that have not yet been allocated between the Reynolds Consumer Products and Pactiv Foodservice segments. The Group is currently working on the allocation of assets and expects to be completed no later than November 16, 2011. While the statement of financial position data has not been allocated, the Reynolds Consumer Products and Pactiv Foodservice segment results include the contribution from the relative Pactiv businesses for the three month period ended March 31, 2011.

**Reynolds Group Holdings Limited**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**Business segment reporting**

For the three month period ended March 31, 2010

(In \$ million)	Reynolds						Total
	SIG Combibloc	Evergreen	Closures	Consumer Products	Pactiv Foodservice	Corporate / unallocated *	
Total external revenue	410.6	363.4	254.8	248.4	130.4	-	1,407.6
Total inter-segment revenue	-	-	1.0	10.5	14.5	(26.0)	-
<b>Total segment revenue</b>	<b>410.6</b>	<b>363.4</b>	<b>255.8</b>	<b>258.9</b>	<b>144.9</b>	<b>(26.0)</b>	<b>1,407.6</b>
Gross profit	104.6	32.0	35.0	63.1	12.1	-	246.8
Expenses and other income	(55.6)	(18.6)	(14.5)	(28.9)	(3.4)	(0.5)	(121.5)
Share of profit of associates and joint ventures (equity method)	4.2	0.3	-	-	-	-	4.5
<b>Earnings before interest and tax ("EBIT")</b>	<b>53.2</b>	<b>13.7</b>	<b>20.5</b>	<b>34.2</b>	<b>8.7</b>	<b>(0.5)</b>	<b>129.8</b>
Financial income							21.9
Financial expenses							(152.9)
<b>Loss before income tax</b>							<b>(1.2)</b>
Income tax expense							(36.1)
<b>Loss after income tax</b>							<b>(37.3)</b>
<b>Earnings before interest and tax ("EBIT")</b>	<b>53.2</b>	<b>13.7</b>	<b>20.5</b>	<b>34.2</b>	<b>8.7</b>	<b>(0.5)</b>	<b>129.8</b>
Depreciation and amortization	60.0	15.3	21.4	14.4	9.1	-	120.2
<b>Earnings before interest, tax, depreciation and amortization ("EBITDA")</b>	<b>113.2</b>	<b>29.0</b>	<b>41.9</b>	<b>48.6</b>	<b>17.8</b>	<b>(0.5)</b>	<b>250.0</b>
Included in EBITDA:							-
Business acquisition costs	-	0.5	-	-	-	-	0.5
Business interruption costs	-	-	0.8	-	-	-	0.8
CSI Americas gain on acquisition	-	-	(9.8)	-	-	-	(9.8)
Equity method profit not distributed in cash	(3.1)	(0.3)	-	-	-	-	(3.4)
Gain on sale of businesses	-	-	-	-	(9.1)	-	(9.1)
Operational process engineering-related consultancy costs	-	0.8	-	5.3	-	-	6.1
Related party management fees	-	0.6	-	-	-	-	0.6
Restructuring costs (recoveries)	2.9	-	-	(1.2)	(0.7)	-	1.0
Unrealized (gains) losses on derivatives	-	1.1	(0.9)	-	0.3	-	0.5
<b>Adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA")</b>	<b>113.0</b>	<b>31.7</b>	<b>32.0</b>	<b>52.7</b>	<b>8.3</b>	<b>(0.5)</b>	<b>237.2</b>
<b>Segment assets as at December 31, 2010</b>	<b>3,439.3</b>	<b>1,256.6</b>	<b>1,739.1</b>	<b>1,763.0</b>	<b>404.6</b>	<b>7,583.3</b>	<b>16,185.9</b>

\* Corporate / unallocated includes holding companies and certain debt issuer companies which support the entire Group and which are not part of a specific segment. It also includes eliminations of transactions and balances between segments. In addition, as at December 31, 2010 it includes \$8,360.1 million of assets related to the businesses acquired in the Pactiv Acquisition that have not yet been allocated between the Reynolds Consumer Products and Pactiv Foodservice segments.

**Reynolds Group Holdings Limited**  
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**7. Other income**

<b>(In \$ million)</b>	<b>For the three month period ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
CSI Americas gain on acquisition	-	9.8
Gain on sale of businesses	-	9.1
Income from facility management	2.8	1.9
Rental income from investment properties	1.7	1.7
Royalty income	0.6	0.5
Sale of by-products	7.3	5.8
Unrealized gains on derivatives	4.1	-
Other	6.1	5.7
<b>Total other income</b>	<b>22.6</b>	<b>34.5</b>

**8. Other expenses**

<b>(In \$ million)</b>	<b>Note</b>	<b>For the three month period ended</b>	
		<b>March 31,</b>	
		<b>2011</b>	<b>2010</b>
Business acquisition costs		(0.6)	(0.5)
Business integration costs		(1.5)	-
Business interruption costs		-	(0.8)
Loss on disposal of property, plant and equipment		-	(1.1)
Net foreign currency exchange loss		(4.0)	(0.8)
Operational process engineering-related consultancy costs		(5.2)	(6.1)
Related party management fees	17	-	(0.6)
Restructuring costs		(45.2)	(1.0)
Unrealized losses on derivatives		-	(0.5)
Other		(0.8)	(0.8)
<b>Total other expenses</b>		<b>(57.3)</b>	<b>(12.2)</b>



**Reynolds Group Holdings Limited**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**9. Financial income and expenses**

(In \$ million)	Note	For the three month period ended	
		March 31,	
		2011	2010
Interest income		1.2	1.0
Interest income on related party loans	17	3.9	4.5
Net change in fair values of derivatives		-	16.4
Net foreign currency exchange gain		95.9	-
<b>Financial income</b>		<b>101.0</b>	<b>21.9</b>
Interest expense			
2011 Credit Agreement		(15.6)	-
2009 Credit Agreement		(29.0)	(21.6)
2011 Notes		(25.2)	-
October 2010 Notes		(60.5)	-
May 2010 Notes		(21.3)	-
2009 Notes		(35.0)	(33.9)
2007 Notes		(26.7)	(27.2)
Pactiv 2012 Notes		(3.7)	-
Pactiv 2017 Notes		(6.1)	-
Pactiv 2018 Notes		(0.3)	-
Pactiv 2025 Notes		(5.5)	-
Pactiv 2027 Notes		(4.2)	-
CHH Facility		-	(5.7)
Amortization of:			
Debt issue costs			
2011 Credit Agreement		(0.4)	-
2009 Credit Agreement		(86.0)	(1.5)
2011 Notes		(0.4)	-
October 2010 Notes		(2.5)	-
May 2010 Notes		(0.7)	-
2009 Notes		(2.1)	(2.1)
2007 Notes		(1.0)	(1.0)
CHH Facility		-	(0.3)
Fair value adjustment of Pactiv Notes		2.3	-
Original issue discounts		(38.3)	(1.2)
Embedded derivatives		1.5	0.4
Net change in fair values of derivatives		(18.1)	-
Net foreign currency exchange loss		-	(55.4)
Other		(2.1)	(3.4)
<b>Financial expenses</b>		<b>(380.9)</b>	<b>(152.9)</b>
<b>Net financial expenses</b>		<b>(279.9)</b>	<b>(131.0)</b>

In February 2011, the 2009 Credit Agreement was repaid in full with the proceeds from the 2011 Notes as well as proceeds from the 2011 Credit Agreement. As a result of such repayments, the unamortized debt issuance cost of \$86.0 million and unamortized original issuance discount of \$37.6 million related to the 2009 Credit Agreement were expensed during the three month period ended March 31, 2011. Refer to note 14 for details of the Group's borrowings.

**Reynolds Group Holdings Limited**  
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**10. Income tax**

(In \$ million)	For the three month period ended	
	March 31,	
	2011	2010
<b>Reconciliation of effective tax rate</b>		
<b>Loss before income tax</b>	<b>(86.9)</b>	<b>(1.2)</b>
Income tax benefit using the New Zealand tax rate of 28% (2010: 30%)	24.3	0.4
Effect of differences of tax rates in foreign jurisdictions	13.5	(10.1)
Effect of state and local tax rates	2.9	(2.2)
Recognition of previously unrecognized tax losses and temporary differences	11.8	0.3
Other taxable and non-deductible items	(7.7)	(1.7)
Domestic manufacturers deduction	2.4	-
Withholding tax	(2.1)	(0.7)
Current period losses for which no deferred tax asset was recognized	(1.3)	(19.9)
Tax rate modifications	(1.3)	(2.4)
Tax audits and contingencies	(1.0)	-
Other	(1.3)	0.2
<b>Total income tax benefit (expense)</b>	<b>40.2</b>	<b>(36.1)</b>

**11. Inventories**

(In \$ million)	As at March 31, 2011	As at December 31, 2010
Raw materials and consumables	400.4	378.8
Work in progress	187.0	167.0
Finished goods	847.2	646.0
Engineering and maintenance materials	148.5	145.7
Provision against inventories	(69.0)	(56.9)
<b>Total inventories</b>	<b>1,514.1</b>	<b>1,280.6</b>

During the three month period ended March 31, 2011, the write-down of inventories to net realizable value amounted to \$0.9 million (March 31, 2010: \$1.3 million).

**12. Property, plant and equipment**

(In \$ million)	Land	Buildings, plant and equipment	Capital work in progress	Leased assets lessor	Finance leased assets	Total
<b>Cost</b>	212.9	3,490.7	243.6	275.2	28.0	4,250.4
Accumulated depreciation	-	(842.2)	-	(116.9)	(2.3)	(961.4)
Accumulated impairment losses	-	(7.6)	-	-	-	(7.6)
<b>Carrying amount at March 31, 2011</b>	<b>212.9</b>	<b>2,640.9</b>	<b>243.6</b>	<b>158.3</b>	<b>25.7</b>	<b>3,281.4</b>
<b>Cost</b>	219.3	3,447.3	200.8	267.9	28.2	4,163.5
Accumulated depreciation	-	(765.1)	-	(114.2)	(2.0)	(881.3)
Accumulated impairment losses	-	(7.6)	-	-	-	(7.6)
<b>Carrying amount at December 31, 2010</b>	<b>219.3</b>	<b>2,674.6</b>	<b>200.8</b>	<b>153.7</b>	<b>26.2</b>	<b>3,274.6</b>

The total depreciation charge of \$124.2 million for the three month period ended March 31, 2011 (March 31, 2010: \$76.2 million) is recognized in the statements of comprehensive income as a component of cost of sales (March 31, 2011: \$118.6 million, March 31, 2010: \$72.5 million), selling, marketing and distribution expenses (March 31, 2011: \$0.9 million, March 31, 2010: \$1.0 million) and general and administration expenses (March 31, 2011: \$4.7 million, March 31, 2010: \$2.7 million). Property, plant and equipment of \$3,281.4 million at March 31, 2011 include an amount of \$1,434.0 million in respect of the Pactiv acquisition that has been determined on a provisional basis. See note 18 regarding the status of the Pactiv purchase price allocation.

During the three month period ended March 31, 2011, no impairment charges or reversals of previously recognized impairment charges were recognized (March 31, 2010: nil).

The Group leases plant and equipment under finance leases. The leased plant and equipment secures the lease obligations.

Refer to note 14 for details of security granted over property, plant and equipment and other assets.

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**13. Intangible assets**

(In \$ million)	Goodwill	Trademarks	Customer relationships	Technology & software	Other	Total
Cost	4,381.9	2,434.9	2,024.9	547.0	292.9	9,681.6
Accumulated amortization	-	(11.5)	(322.5)	(248.4)	(138.5)	(720.9)
<b>Carrying amount at March 31, 2011</b>	<b>4,381.9</b>	<b>2,423.4</b>	<b>1,702.4</b>	<b>298.6</b>	<b>154.4</b>	<b>8,960.7</b>
Cost	4,329.4	2,428.1	2,004.9	536.7	288.3	9,587.4
Accumulated amortization	-	(10.5)	(278.1)	(219.1)	(129.9)	(637.6)
<b>Carrying amount at December 31, 2010</b>	<b>4,329.4</b>	<b>2,417.6</b>	<b>1,726.8</b>	<b>317.6</b>	<b>158.4</b>	<b>8,949.8</b>

The total amortization charge of \$66.2 million for the three month period ended March 31, 2011 (March 31, 2010: \$43.5 million) is recognized in the statements of comprehensive income as a component of cost of sales (March 31, 2011: \$21.7 million, March 31, 2010: \$20.4 million) and general and administration expenses (March 31, 2011: \$44.5 million, March 31, 2010: \$23.1 million). Intangible assets of \$8,960.7 million at March 31, 2011 include an amount of \$5,830.0 million in respect of the Pactiv acquisition that has been determined on a provisional basis. See note 18 regarding the status of the Pactiv purchase price allocation.

**13.1 Impairment testing for CGUs containing indefinite life intangible assets**

Goodwill and certain trademarks are the only intangible assets with indefinite useful lives and are therefore not subject to amortization. Instead, recoverable amounts are calculated annually as well as whenever there is an indication that they may be impaired. As at March 31, 2011, provisional goodwill and indefinite life intangible assets of \$4,374.6 million arising from the Pactiv acquisition (refer to note 18) have not yet been allocated to the Group's segments. There were no indicators of impairment as at March 31, 2011.

**14. Borrowings**

(In \$ million)	Note	As at March 31, 2011	As at December 31, 2010
2011 Credit Agreement <sup>(a)(p)</sup>		26.8	-
2009 Credit Agreement <sup>(b)(q)</sup>		-	135.7
Non-interest bearing related party borrowings	17	0.7	0.7
Other borrowings <sup>(x)</sup>		4.0	4.9
<b>Current borrowings</b>		<b>31.5</b>	<b>141.3</b>
2011 Credit Agreement <sup>(a)(p)</sup>		2,635.0	-
2009 Credit Agreement <sup>(b)(q)</sup>		-	3,890.5
2011 Senior Secured Notes <sup>(c)(r)</sup>		999.0	-
2011 Senior Notes <sup>(d)(r)</sup>		992.9	-
October 2010 Senior Secured Notes <sup>(e)(s)</sup>		1,471.1	1,470.2
October 2010 Senior Notes <sup>(f)(s)</sup>		1,464.8	1,463.8
May 2010 Notes <sup>(g)(t)</sup>		978.0	977.6
2009 Notes <sup>(h)(u)</sup>		1,686.7	1,647.6
2007 Senior Notes <sup>(i)(v)</sup>		660.3	620.7
2007 Senior Subordinated Notes <sup>(j)(v)</sup>		577.1	542.3
Pactiv 2012 Notes <sup>(k)(w)</sup>		259.0	260.9
Pactiv 2017 Notes <sup>(l)(w)</sup>		315.4	315.9
Pactiv 2018 Notes <sup>(m)(w)</sup>		16.4	16.4
Pactiv 2025 Notes <sup>(n)(w)</sup>		269.6	269.5
Pactiv 2027 Notes <sup>(o)(w)</sup>		197.0	197.0
Other borrowings <sup>(x)</sup>		25.3	26.6
<b>Non-current borrowings</b>		<b>12,547.6</b>	<b>11,699.0</b>
<b>Total borrowings</b>		<b>12,579.1</b>	<b>11,840.3</b>

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(In \$ million)	As at March 31, 2011	As at December 31, 2010
(a) 2011 Credit Agreement (current and non-current)	2,678.3	-
Transaction costs	(16.5)	-
<b>Carrying amount</b>	<b>2,661.8</b>	<b>-</b>
(b) 2009 Credit Agreement (current and non-current)	-	4,149.8
Transaction costs	-	(86.0)
Original issue discount	-	(37.6)
<b>Carrying amount</b>	<b>-</b>	<b>4,026.2</b>
(c) 2011 Senior Secured Notes	1,000.0	-
Transaction costs	(15.8)	-
Embedded derivative	14.8	-
<b>Carrying amount</b>	<b>999.0</b>	<b>-</b>
(d) 2011 Senior Notes	1,000.0	-
Transaction costs	(18.2)	-
Embedded derivative	11.1	-
<b>Carrying amount</b>	<b>992.9</b>	<b>-</b>
(e) October 2010 Senior Secured Notes	1,500.0	1,500.0
Transaction costs	(37.3)	(38.5)
Embedded derivative	8.4	8.7
<b>Carrying amount</b>	<b>1,471.1</b>	<b>1,470.2</b>
(f) October 2010 Senior Notes	1,500.0	1,500.0
Transaction costs	(44.5)	(45.8)
Embedded derivative	9.3	9.6
<b>Carrying amount</b>	<b>1,464.8</b>	<b>1,463.8</b>
(g) May 2010 Notes	1,000.0	1,000.0
Transaction costs	(30.7)	(31.4)
Embedded derivative	8.7	9.0
<b>Carrying amount</b>	<b>978.0</b>	<b>977.6</b>
(h) 2009 Notes	1,761.0	1,723.3
Transaction costs	(67.6)	(69.3)
Original issue discount	(19.0)	(19.0)
Embedded derivative	12.3	12.6
<b>Carrying amount</b>	<b>1,686.7</b>	<b>1,647.6</b>
(i) 2007 Senior Notes	678.3	638.2
Transaction costs	(18.0)	(17.5)
<b>Carrying amount</b>	<b>660.3</b>	<b>620.7</b>
(j) 2007 Senior Subordinated Notes	593.6	558.4
Transaction costs	(16.5)	(16.1)
<b>Carrying amount</b>	<b>577.1</b>	<b>542.3</b>
(k) Pactiv 2012 Notes	249.3	249.3
Fair value adjustment at acquisition	9.7	11.6
<b>Carrying amount</b>	<b>259.0</b>	<b>260.9</b>
(l) Pactiv 2017 Notes	299.7	299.7
Fair value adjustment at acquisition	15.7	16.2
<b>Carrying amount</b>	<b>315.4</b>	<b>315.9</b>
(m) Pactiv 2018 Notes	15.7	15.7
Fair value adjustment at acquisition	0.7	0.7
<b>Carrying amount</b>	<b>16.4</b>	<b>16.4</b>
(n) Pactiv 2025 Notes	276.4	276.4
Fair value adjustment at acquisition	(6.8)	(6.9)
<b>Carrying amount</b>	<b>269.6</b>	<b>269.5</b>
(o) Pactiv 2027 Notes	200.0	200.0
Fair value adjustment at acquisition	(3.0)	(3.0)
<b>Carrying amount</b>	<b>197.0</b>	<b>197.0</b>

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**(p) 2011 Credit Agreement**

The Company and certain members of the Group are parties to an amended and restated senior secured credit agreement dated February 9, 2011 (the "2011 Credit Agreement"), which amended and restated the 2009 Credit Agreement and comprises the following term and revolving tranches:

<b>(In million)</b>	<b>Maturity Date</b>	<b>Original Facility Value</b>	<b>Value Drawn or Utilized at March 31, 2011</b>	<b>Applicable interest rate for the three month period ended March 31, 2011</b>
<i>Term Tranches</i>				
US Term Loan (\$)	February 9, 2018	\$2,325.0	\$2,325.0	4.25%
European Term Loan (€)	February 9, 2018	€250.0	€250.0	5.00%
<i>Revolving Tranches <sup>(1)</sup></i>				
\$ Revolving Tranche	November 5, 2014	\$120.0	\$48.5	-
€ Revolving Tranche	November 5, 2014	€80.0	€24.0	-

(1) The Revolving Tranches were utilized in the form of bank guarantees and letters of credit.

The proceeds of the US Term Loan and the European Term Loan under the 2011 Credit Agreement were used to fully repay the Tranche A Term Loan, the Tranche B Term Loan, the Tranche C Term Loan and the European Term Loan under the 2009 Credit Agreement (as defined below).

The Company and certain members of the Group have guaranteed on a senior basis the obligations under the 2011 Credit Agreement and related documents to the extent permitted by law. Certain guarantors have granted security over certain of their assets to support the obligations under the 2011 Credit Agreement. This security is expected to be shared on a first priority basis with the note holders under the 2009 Notes, the October 2010 Senior Secured Notes and the 2011 Senior Secured Notes.

Indebtedness under the 2011 Credit Agreement may be voluntarily repaid in whole or in part and must be mandatorily repaid in certain circumstances. The borrowers also make quarterly amortization payments of 0.25% of the initial outstanding principal in respect of the term loans.

The 2011 Credit Agreement contains customary covenants which restrict the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling or acquiring assets and making restricted payments, in each case except as permitted under the 2011 Credit Agreement. The Group also has interest coverage ratio and maximum senior secured leverage ratio covenants as well as limitations on capital expenditures. At March 31, 2011 the Group was in compliance with all of its covenants. The total assets of the non-guarantor companies (excluding intra-group items but including investments in subsidiaries) are required to be 20% or less of the consolidated total assets of the Group and the aggregate EBITDA of the non-guarantor companies is required to be 20% or less of the consolidated EBITDA of the Group, in each case calculated in accordance with the 2011 Credit Agreement which may differ from the measure of Adjusted EBITDA disclosed in note 6.

**(q) 2009 Credit Agreement**

The Company and certain members of the Group were parties to a senior secured credit agreement dated November 5, 2009, as amended from time to time (the "2009 Credit Agreement"). On February 1, 2011, the Tranche D Term Loan under the 2009 Credit Agreement was repaid with the proceeds of the 2011 Notes and on February 9, 2011 the Tranche A Term Loan, the Tranche B Term Loan, the Tranche C Term Loan and the European Term Loan under the 2009 Credit Agreement were repaid with the proceeds of the US Term Loan and European Term Loan under the 2011 Credit Agreement.

**(r) 2011 Notes**

On February 1, 2011, Reynolds Group Issuer LLC, Reynolds Group Issuer Inc. and Reynolds Group Issuer (Luxembourg) S.A., (together, the "Reynolds Issuers") issued \$1,000.0 million principal amount of 6.875% senior secured notes due 2021 (the "2011 Senior Secured Notes") and \$1,000.0 million principal amount of 8.250% senior notes due 2021 (the "2011 Senior Notes" and together with the 2011 Senior Secured Notes the "2011 Notes"). Interest on the 2011 Notes is paid semi-annually on February 15 and August 15 each year, commencing August 15, 2011.

**(s) October 2010 Notes**

On October 15, 2010, the Reynolds Issuers issued \$1,500.0 million principal amount of 7.125% senior secured notes due 2019 (the "October 2010 Senior Secured Notes") and \$1,500.0 million principal amount of 9.000% senior notes due 2019 (the "October 2010 Senior Notes" and, together with the October 2010 Senior Secured Notes, the "October 2010 Notes"). Interest on the October 2010 Notes is paid semi-annually on April 15 and October 15.

**(t) May 2010 Notes**

On May 4, 2010, the Reynolds Issuers issued \$1,000.0 million principal amount of 8.500% senior notes due 2018 (the "May 2010 Notes"). Interest on the May 2010 Notes is paid semi-annually on May 15 and November 15.

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**(u) 2009 Notes**

On November 5, 2009, the Reynolds Issuers issued \$1,125.0 million principal amount of 7.750% senior secured notes due 2016 and €450.0 million principal amount of 7.750% senior secured notes due 2016 (collectively, the "2009 Notes"). Interest on the 2009 Notes is paid semi-annually on April 15 and October 15.

**Assets Pledged as Security for Loans and Borrowings**

As a result of the pledge of the shares in Beverage Packaging Holdings (Luxembourg) I S.A. ("BP I") (a wholly owned subsidiary of the Company), the carrying values of the assets pledged as collateral under the 2011 Credit Agreement, the 2009 Notes, the October 2010 Senior Secured Notes and the 2011 Senior Secured Notes equates to the assets of the Group.

**Terms Governing the Notes**

As used herein "Notes" refers to the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes.

**Certain Guarantee Arrangements**

All of the guarantors of the 2011 Credit Agreement have guaranteed or will guarantee the obligations under the Notes to the extent permitted by law.

The guarantors (other than the entities organized in Australia, Costa Rica and Japan) have granted or will grant security over certain of their assets to support the obligations under the 2011 Senior Secured Notes, the October 2010 Senior Secured Notes and the 2009 Notes. This security is shared on a first priority basis with the creditors under the 2011 Credit Agreement.

**Notes Indentures Restrictions**

The respective indentures governing the Notes all contain customary covenants which restrict the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the respective indentures governing the Notes.

**Early Redemption Option and Change in Control Provisions**

Under the respective indentures governing the Notes, the Reynolds Issuers, at their option, can elect to redeem the Notes under terms and conditions specified in the respective indenture. The terms of the early redemption constitute an embedded derivative. In accordance with the Group's accounting policy for embedded derivatives, the Group has recognized an embedded derivative in relation to the redemption provisions of the respective Notes.

Under the respective indentures governing the Notes, in certain circumstances which would constitute a change in control, the holders of the Notes have the right to require the Reynolds Issuers to repurchase the Notes at a premium.

**U.S. Securities and Exchange Commission Registration Rights**

Pursuant to separate registration rights agreements entered into with the initial purchasers of the Notes, the Reynolds Issuers have agreed (i) to file with the U.S. Securities and Exchange Commission ("SEC") an exchange offer registration statement pursuant to which the Reynolds Issuers will separately exchange the Notes for a like aggregate principal amount of new registered notes that are identical in all material respects to the respective Notes, except for certain provisions, among others, relating to additional interest and transfer restrictions or (ii) under certain circumstances, to file a shelf registration statement with the SEC.

The respective registration rights agreements for the Notes require the relevant filing to be effective within 12 months from the issuance of the Notes. If this does not occur, the Reynolds Issuers are required to pay additional interest of up to a maximum of 1.00% per annum. Additional interest on the 2009 Notes commenced on November 5, 2010. Additional interest on the May 2010 Notes commenced on May 4, 2011.

**(v) 2007 Notes**

On June 29, 2007, Beverage Packaging Holdings (Luxembourg) II S.A ("BP II") issued €480.0 million principal amount of 8% senior notes due 2016 (the "2007 Senior Notes") and €420.0 million principal amount of 9.5% senior subordinated notes due 2017 (the "2007 Senior Subordinated Notes" and together with the 2007 Senior Notes, the "2007 Notes"). Interest on the 2007 Notes is paid semi-annually on June 15 and December 15.

The 2007 Senior Notes are secured on a second-priority basis and the 2007 Senior Subordinated Notes are secured on a third-priority basis, by all of the equity interests of BP I held by the Company and the receivables under loan of the proceeds of the 2007 Notes made by BP II to BP I. All of the guarantors of the 2011 Credit Agreement have guaranteed the obligations under the 2007 Notes to the extent permitted by law.

The indentures governing the 2007 Notes contain customary covenants which restrict the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the indentures for the 2007 Notes.

In certain circumstances which would constitute a change in control, the holders of the 2007 Notes have the right to require BP II to repurchase the 2007 Notes at a premium.

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**(w) Pactiv Notes**

As of March 31, 2011 and December 31, 2010, the Group had outstanding:

- \$249.3 million in principal amount of 5.875% Notes due 2012 (the "Pactiv 2012 Notes");
- \$299.7 million in principal amount of 8.125% Debentures due 2017 (the "Pactiv 2017 Notes");
- \$15.7 million in principal amount of 6.400% Notes due 2018 (the "Pactiv 2018 Notes");
- \$276.4 million in principal amount of 7.950% Debentures due 2025 (the "Pactiv 2025 Notes"); and
- \$200.0 million in principal amount of 8.375% Debentures due 2027 (the "Pactiv 2027 Notes"),

(together, the "Pactiv Notes").

For each of the Pactiv Notes, interest is paid semi-annually:

- on the Pactiv 2012 Notes and the Pactiv 2018 Notes, January 15 and July 15;
- on the Pactiv 2017 Notes and the Pactiv 2025 Notes, June 15 and December 15; and
- on the Pactiv 2027 Notes, April 15 and October 15.

The indentures governing the Pactiv Notes contain a negative pledge clause limiting the ability of certain entities within the Group, subject to certain exceptions, to (i) incur or guarantee debt that is secured by liens on "principal manufacturing properties" (as such term is defined in the indentures governing the Pactiv Notes) or on the capital stock or debt of certain subsidiaries that own or lease any such principal manufacturing property and (ii) sell and then take an immediate lease back of such principal manufacturing property.

The Pactiv 2012 Notes, the Pactiv 2017 Notes, the Pactiv 2018 Notes and the Pactiv 2027 Notes may be redeemed at any time at the Group's option, in whole or in part at a redemption price equal to 100% of the principal amount thereof plus any accrued and unpaid interest to the date of the redemption.

**(x) Other borrowings**

At March 31, 2011, in addition to the 2011 Credit Agreement, the Notes, the 2007 Notes and the Pactiv Notes, the Group had a number of unsecured working capital facilities extended to certain operating companies of the Group. These facilities bear interest at floating or fixed rates.

At March 31, 2011, the Group had local working capital facilities in a number of jurisdictions which are secured by the collateral under the 2011 Credit Agreement, the 2009 Notes, the October 2010 Senior Secured Notes, the 2011 Senior Secured Notes and certain other assets. The local working capital facilities which are secured by the collateral under the 2011 Credit Agreement, the 2009 Notes, the October 2010 Senior Secured Notes and the 2011 Senior Secured Notes rank pari passu with the obligations under the 2011 Credit Agreement, the 2009 Notes, the October 2010 Senior Secured Notes and the 2011 Senior Secured Notes. At March 31, 2011, the secured facilities were utilized in the amount of \$2.1 million (December 31, 2010: \$3.3 million) in the form of short-term bank overdrafts, letters of credit and bank guarantees.

Other borrowings at March 31, 2011 also included finance lease obligations of \$27.2 million (December 31, 2010: \$28.2 million).

**15. Provisions**

(In \$ million)	Legal & warranty	Restructuring	Workers' compensation	Other	Total
Current	26.4	39.2	16.8	9.5	91.9
Non-current	25.7	0.1	17.2	57.4	100.4
<b>Total provisions at March 31, 2011</b>	<b>52.1</b>	<b>39.3</b>	<b>34.0</b>	<b>66.9</b>	<b>192.3</b>
Current	26.1	17.2	17.2	12.1	72.6
Non-current	23.5	-	17.6	50.3	91.4
<b>Total provisions at December 31, 2010</b>	<b>49.6</b>	<b>17.2</b>	<b>34.8</b>	<b>62.4</b>	<b>164.0</b>

The Group continued to integrate the operations of Pactiv with the Reynolds Consumer Products and Pactiv Foodservice segments. The initiatives, as well as other restructuring actions across the Group, have resulted in the recognition of \$45.2 million of restructuring expenses for the period ended March 31, 2011. These restructuring expenses primarily related to employee severance and will be settled in cash.

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**16. Equity and other comprehensive income**

**16.1 Share capital**

<b>Number of shares</b>	<b>For the</b>	
	<b>Three month period ended March 31, 2011</b>	<b>Twelve month period ended December 31, 2010</b>
Balance at the beginning of the period	111,000,004	111,000,003
Issue of shares	-	1
<b>Balance</b>	<b>111,000,004</b>	<b>111,000,004</b>

All issued ordinary shares are fully paid and have no par value.

The holder of the shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share. All shares rank equally with regard to the Company's residual assets in the event of a wind-up.

**16.2 Dividends**

There were no dividends declared or paid during the three month period ended March 31, 2011 (2010: nil) by the Company.

**16.3 Other comprehensive income**

During the period ended March 31, 2011, the Group transferred nil (2010: \$48.5 million) of foreign currency translation reserves which had been previously recognized in other comprehensive income to the profit or loss primarily as a result of the internal restructuring of legal entities within the SIG segment.

**17. Related parties**

**Parent and ultimate controlling party**

The immediate parent of the Group is Packaging Finance Limited, the ultimate parent of the Group is Packaging Holdings Limited and the ultimate shareholder is Mr. Graeme Hart.

**Related party transactions**

The entities, the nature of the relationship and the types of transactions with which the Group entered into related party transactions during the three month periods ended March 31, 2011 and 2010 are detailed below:

<b>Entity name</b>	<b>Nature of relationship</b>	<b>Nature of transactions</b>
Packaging Holdings Limited	Ultimate parent	Financing (loan) <sup>(c)</sup>
BPC Finance (N.Z.) Limited	Common ultimate shareholder	Transfer of tax losses
BPC United States Inc.	Common ultimate shareholder	Management fees, sale of services, trade receivables
Carter Holt Harvey Limited	Common ultimate shareholder	Trade receivables, trade payables, transfer of tax losses, sale of goods, purchase of goods
Carter Holt Harvey Packaging Pty Limited	Common ultimate shareholder	Trade payables, Trade receivables, sale of goods
Carter Holt Harvey Pulp & Paper Limited	Common ultimate shareholder	Trade receivables, trade payables, sale of goods, purchase of goods
Rank Group Investments Limited	Common ultimate shareholder	Transfer of tax losses
Rank Group Limited	Common ultimate shareholder	Trade payables, loan to related party <sup>(b)</sup> , interest income, recharges
Reynolds Consumer Products (NZ) Limited	Common ultimate shareholder	Interest income
Reynolds Packaging (NZ) Limited	Common ultimate shareholder	Trade payables
Reynolds Packaging Group (NZ) Limited	Common ultimate shareholder	Trade payables
Reynolds Treasury (NZ) Limited	Common ultimate shareholder	Interest income
SIG Combibloc Obeikan FZCO	Joint venture	Sale of goods <sup>(a)</sup>
SIG Combibloc Obeikan Company Limited	Joint venture	Distribution <sup>(a)</sup>



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(In \$ million)	Transaction values for the period ended March 31,		Balances outstanding as at	
	2011	2010	March 31, 2011	December 31, 2010
<b>Transactions with the immediate and ultimate parent companies</b>				
Due to ultimate parent <sup>(c)</sup>	-	-	(0.7)	(0.7)
<b>Transactions with joint ventures</b>				
Sale of goods and services <sup>(a)</sup>	24.6	33.6	30.4	29.3
Purchase of goods <sup>(a)</sup>	(3.6)	-	(6.8)	(3.2)
<b>Transactions with other related parties</b>				
<b>Trade receivables</b>				
BPC United States Inc.	-	-	1.8	1.2
Sale of services	0.6	-	-	-
Carter Holt Harvey Limited	-	-	0.1	1.1
Sale of goods	2.1	-	-	-
Carter Holt Harvey Packaging Pty Limited	-	-	-	4.1
Sale of goods	3.8	-	-	-
Carter Holt Harvey Pulp & Paper Limited	-	-	0.9	0.4
Sale of goods	0.9	-	-	-
Reynolds Treasury (NZ) Limited	-	-	-	-
Interest charged	-	0.3	-	-
<b>Trade payables</b>				
BPC United States Inc.	-	-	-	-
Management fees	-	(0.6)	-	-
Carter Holt Harvey Limited	-	-	(0.3)	(1.1)
Purchase of goods	(0.2)	(1.4)	-	-
Carter Holt Harvey Packaging Pty Limited	-	-	-	(0.2)
Carter Holt Harvey Pulp and Paper Limited	-	-	(4.4)	(3.4)
Purchase of goods	(9.4)	(0.6)	-	-
Rank Group Limited	-	-	(11.6)	(9.7)
Recharges	(9.0)	(5.2)	-	-
Reynolds Packaging (NZ) Limited	-	-	-	(0.6)
Reynolds Packaging Group (NZ) Limited	-	-	-	(0.4)
<b>Loans receivable</b>				
Rank Group Limited <sup>(b)</sup>	-	-	255.4	255.5
Interest charged	3.9	3.3	-	-
Reynolds Consumer Products (NZ) Limited	-	-	-	-
Interest charged	-	0.9	-	-
<b>Receivable related to transfer of tax losses to:</b>				
Carter Holt Harvey Limited	-	4.7	4.8	4.9
<b>CFC Tax Liability</b>				
BPC Finance (N.Z.) Limited	-	-	(3.2)	(3.3)
Rank Group Investments Limited	-	-	(1.8)	(1.8)

(a) All transactions with joint ventures are conducted on an arm's length basis and are settled in cash. Sales of goods and services are negotiated on a cost-plus basis allowing a margin ranging from 3% to 6%. All amounts are unsecured, non-interest bearing and repayable on demand.

(b) The advance due from Rank Group Limited accrues interest at a rate based on the average three month New Zealand bank bill rate, set quarterly, plus a margin of 3.25%. Interest is only charged or accrued if demanded by the lender. During the three month period ended March 31, 2011, interest was charged at 6.25% (2010: 5.98%). The advance is unsecured and repayable on demand. This loan is subordinated on terms such that no payments can be made to the Group until the obligations under a senior secured credit facility are repaid in full.

(c) The advance due to Packaging Holdings Limited is non-interest bearing, unsecured and repayable on demand.

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**18. Business combinations**

**Pactiv Corporation**

On November 16, 2010, the Group acquired 100% of the outstanding common stock of Pactiv for a purchase price of \$4,452.0 million. The consideration was paid in cash. There is no contingent consideration payable.

Pactiv is a leading manufacturer of consumer and foodservice packaging products in the United States. The acquisition of Pactiv brings together two consumer and foodservice packaging platforms. The combination increases the Group's product, geographic and customer diversification and creates an extensive and diverse distribution network. The Group's and Pactiv's products are complementary, providing the combined Group with opportunities to generate incremental revenue through cross-selling and category expansion. The Group also expects to realize significant cost savings by consolidating facilities, eliminating duplicate operations, improving supply chain management and achieving other efficiencies. As the Group's businesses are being combined with the acquired business, the Group is unable to quantify the results of the acquired business separately for the first quarter of 2011. For the first quarter of 2010, Pactiv's revenue, profit from operating activities, EBITDA and Adjusted EBITDA were \$783.8 million, \$103.1 million, \$149.5 million and \$137.4 million, respectively. These amounts include IFRS adjustments and will not agree to historically reported Pactiv results as Pactiv reported results under U.S.GAAP.

Funding for the purchase consideration and the refinancing of certain borrowings that were acquired was provided through a combination of additional borrowings, additional equity and existing cash.

The preliminary values of assets, liabilities and contingent liabilities recognized on the acquisition date as listed below were based on their estimated fair values. There have been no changes to these provisional amounts at March 31, 2011. The Group expects to finalize the purchase accounting no later than November 16, 2011.

<b>(In \$ million)</b>	<b>Preliminary values on acquisition</b>
Cash and cash equivalents, net of bank overdrafts	91.3
Trade and other receivables	472.3
Current tax assets	54.7
Deferred tax assets	26.7
Inventories	547.4
Property, plant and equipment	1,434.0
Intangible assets (excluding goodwill)	3,199.9
Other current and non-current assets	59.5
Trade and other payables	(419.0)
Borrowings	(1,482.3)
Deferred tax liabilities	(1,068.6)
Employee benefits	(998.8)
Provisions	(77.1)
<b>Net assets acquired</b>	<b>1,840.0</b>
Non-controlling interests	(18.1)
Goodwill on acquisition	2,630.1
<b>Net assets acquired</b>	<b>4,452.0</b>
Consideration paid in cash	4,452.0
Net cash acquired	(91.3)
<b>Net cash outflow</b>	<b>4,360.7</b>

**Closure Systems International Americas, Inc.**

On February 1, 2010, the Group purchased 100% of the issued capital of Obrist Americas, Inc., a U.S. manufacturer of plastic non-dispensing screw closures for carbonated soft drinks and water containers. Total consideration for the acquisition was \$36.2 million and was paid in cash. The acquired company was subsequently renamed Closure Systems International Americas, Inc. ("CSI Americas"). Refer to the "Acquisitions and disposals of businesses" section included within the interim unaudited condensed statements of cash flows for the period ended March 31, 2010 for details of the net assets acquired.

The finalization of purchase price accounting in December 2010 resulted in a gain on acquisition of \$9.8 million. In accordance with accounting standards, the gain was reflected retroactively as of the date of acquisition.

**19. Contingencies**

**Litigation and legal proceedings**

The Group is subject to litigation in the ordinary course of operations, for which a provision has been recognized in the statement of financial position as at March 31, 2011. The Group does not believe that it is engaged in any other legal proceedings for which a provision has not been made which would be likely to have a material effect on its business, financial position or results of operations.

**Security and guarantee arrangements**

Certain members of the Group have entered into guarantee and security arrangements in respect of the Group's indebtedness described in note 14.

**Reynolds Group Holdings Limited**  
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**20. Condensed consolidating guarantor financial information**

Certain of the Group's subsidiaries have guaranteed the Group's obligations under the 2011 Notes, the October 2010 Notes, the May 2010 Notes, and the 2009 Notes.

In accordance with SEC Regulation S-X Rule 3-10 disclosure requirements, the following condensed consolidating financial information presents:

- (1) The condensed consolidating statements of financial position as at March 31, 2011 and December 31, 2010 and the related statements of financial performance and cash flows for the three months periods ended March 31, 2011 and March 31, 2010 of:
  - a. the Company (the "Parent");
  - b. the Reynolds Issuers;
  - c. the other guarantor subsidiaries;
  - d. SIG Combibloc Ltd. (Thailand);
  - e. SIG Austria Holding GmbH, SIG Combibloc GmbH & Co. KG and SIG Combibloc GmbH (together the "Austrian Companies");
  - f. the non-guarantor subsidiaries; and
  - g. the Group on a consolidated basis.
- (2) Adjustments and elimination entries necessary to consolidate the Company with the Reynolds Issuers, the other guarantor subsidiaries, SIG Combibloc Ltd. (Thailand), the Austrian Companies and the non-guarantor subsidiaries.

Certain regulatory approvals are still pending in respect of the guarantees of SIG Combibloc Ltd. (Thailand) for the 2011 Notes, the October 2010 Notes and the May 2010 Notes. SIG Combibloc Ltd. (Thailand) is a guarantor of the 2009 Notes. As a result, SIG Combibloc Ltd. (Thailand) has been presented in a separate column between the columns for the guarantor subsidiaries and the non-guarantor subsidiaries.

The Group is currently in the process of completing the necessary procedures in respect of the guarantees of the Austrian Companies for the 2011 Notes. The Austrian Companies are guarantors of the October 2010 Notes, the May 2010 Notes and the 2009 Notes. As a result, the Austrian Companies have been presented in a separate column between the columns for the guarantor subsidiaries and the non-guarantor subsidiaries.

The condensed consolidating statement of financial performance and consolidating statement of cash flows for the three months ended March 31, 2010 and the condensed consolidating statement of financial position at December 31, 2010 have been updated to reflect the current guarantor structure of the Group.

Each guarantor subsidiary is 100% owned by the Company. The notes are fully and unconditionally guaranteed to the extent permitted by law on a joint and several basis by each guarantor subsidiary. Provided below are condensed statements of financial performance, financial position and cash flows of each of the legal entity groups listed above, together with the condensed statements of financial performance, financial position and cash flows of guarantor and non-guarantor subsidiaries. These have been prepared under the Group's accounting policies which comply with IFRS with the exception of investments in subsidiaries which have been accounted for using the equity method. The guarantor subsidiaries and non-guarantor subsidiaries are each presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. This presentation is consistent with SEC Regulation S-X Rule 3-10 disclosure requirements.

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For the period ended March 31, 2011

Condensed consolidating statement of financial performance

For the three month period ended March 31, 2011

(In \$ million)	Parent	Reynolds Issuers	SIG			Non-guarantor entities	Adjustments and eliminations	Consolidated
			Other guarantor entities	Combibloc Ltd. (Thailand)	Austrian Companies			
Revenue	-	-	2,145.7	56.9	92.4	225.5	(153.0)	2,367.5
Cost of sales	-	-	(1,765.3)	(46.6)	(74.5)	(184.1)	153.0	(1,917.5)
<b>Gross profit</b>	-	-	<b>380.4</b>	<b>10.3</b>	<b>17.9</b>	<b>41.4</b>	-	<b>450.0</b>
Other income, other expenses, and share of equity method earnings, net of income tax	(49.8)	-	(19.3)	(5.4)	17.9	2.0	26.2	(28.4)
Selling, marketing and distribution expenses	-	-	(71.5)	(0.7)	(1.3)	(8.5)	-	(82.0)
General and administration expenses	(1.0)	-	(131.0)	(1.6)	(6.3)	(6.7)	-	(146.6)
<b>Profit (loss) from operating activities ("EBIT")</b>	<b>(50.8)</b>	-	<b>158.6</b>	<b>2.6</b>	<b>28.2</b>	<b>28.2</b>	<b>26.2</b>	<b>193.0</b>
Financial income	5.3	137.4	107.7	-	2.2	29.0	(180.6)	101.0
Financial expenses	-	(161.8)	(352.8)	-	(16.2)	(30.7)	180.6	(380.9)
<b>Net financial expenses</b>	<b>5.3</b>	<b>(24.4)</b>	<b>(245.1)</b>	-	<b>(14.0)</b>	<b>(1.7)</b>	-	<b>(279.9)</b>
<b>Profit (loss) before income tax</b>	<b>(45.5)</b>	<b>(24.4)</b>	<b>(86.5)</b>	<b>2.6</b>	<b>14.2</b>	<b>26.5</b>	<b>26.2</b>	<b>(86.9)</b>
Income tax benefit (expense)	(1.2)	8.2	39.1	(0.6)	(1.8)	(3.5)	-	40.2
<b>Profit (loss) for the period</b>	<b>(46.7)</b>	<b>(16.2)</b>	<b>(47.4)</b>	<b>2.0</b>	<b>12.4</b>	<b>23.0</b>	<b>26.2</b>	<b>(46.7)</b>

Reynolds Group Holdings Limited

Notes to interim unaudited condensed financial statements

For the period ended March 31, 2011

Condensed consolidating statement of financial position

As at March 31, 2011

(In \$ million)	Parent	Reynolds Issuers	Other guarantor entities	SIG Combibloc Ltd. (Thailand)	Austrian Companies	Non-guarantor entities	Adjustments and eliminations	Consolidated
<b>Assets</b>								
Cash and cash equivalents	0.7	23.8	978.5	10.0	29.3	143.2	-	1,185.5
Trade and other receivables	4.8	-	903.3	40.4	15.2	156.7	-	1,120.4
Inventories	-	-	1,314.0	44.9	12.3	142.9	-	1,514.1
Intra-group receivables	-	236.8	-	-	-	32.3	(269.1)	-
Other assets	-	-	119.1	0.6	0.4	17.0	-	137.1
<b>Total current assets</b>	<b>5.5</b>	<b>260.6</b>	<b>3,314.9</b>	<b>95.9</b>	<b>57.2</b>	<b>492.1</b>	<b>(269.1)</b>	<b>3,957.1</b>
Investments in subsidiaries, associates and joint ventures (equity method)	-	-	858.2	2.8	1,725.0	115.4	(2,583.4)	118.0
Property, plant and equipment	-	-	2,785.6	111.0	40.6	344.2	-	3,281.4
Investment properties	-	-	67.0	-	-	-	-	67.0
Intangible assets	-	-	8,312.4	183.8	319.1	145.4	-	8,960.7
Intra-group receivables	16.6	7,629.3	855.7	-	47.1	1,391.7	(9,940.4)	-
Other assets	255.4	94.4	134.2	0.5	11.2	20.7	-	516.4
<b>Total non-current assets</b>	<b>272.0</b>	<b>7,723.7</b>	<b>13,013.1</b>	<b>298.1</b>	<b>2,143.0</b>	<b>2,017.4</b>	<b>(12,523.8)</b>	<b>12,943.5</b>
<b>Total assets</b>	<b>277.5</b>	<b>7,984.3</b>	<b>16,328.0</b>	<b>394.0</b>	<b>2,200.2</b>	<b>2,509.5</b>	<b>(12,792.9)</b>	<b>16,900.6</b>
<b>Liabilities</b>								
Trade and other payables	10.0	236.8	973.1	39.2	13.7	222.9	-	1,495.7
Borrowings	-	-	27.9	-	1.9	1.7	-	31.5
Intra-group payables	-	-	269.1	-	-	-	(269.1)	-
Other liabilities	1.6	-	337.8	9.7	10.5	24.7	-	384.3
<b>Total current liabilities</b>	<b>11.6</b>	<b>236.8</b>	<b>1,607.9</b>	<b>48.9</b>	<b>26.1</b>	<b>249.3</b>	<b>(269.1)</b>	<b>1,911.5</b>
Borrowings	-	7,592.5	3,533.8	-	183.7	1,237.6	-	12,547.6
Intra-group liabilities	180.9	2.5	9,104.5	-	701.5	131.2	(10,120.6)	-
Other liabilities	-	3.5	2,268.3	10.5	23.9	28.1	-	2,334.3
<b>Total non-current liabilities</b>	<b>180.9</b>	<b>7,598.5</b>	<b>14,906.6</b>	<b>10.5</b>	<b>909.1</b>	<b>1,396.9</b>	<b>(10,120.6)</b>	<b>14,881.9</b>
<b>Total liabilities</b>	<b>192.5</b>	<b>7,835.3</b>	<b>16,514.5</b>	<b>59.4</b>	<b>935.2</b>	<b>1,646.2</b>	<b>(10,389.7)</b>	<b>16,793.4</b>
<b>Net assets</b>	<b>85.0</b>	<b>149.0</b>	<b>(186.5)</b>	<b>334.6</b>	<b>1,265.0</b>	<b>863.3</b>	<b>(2,403.2)</b>	<b>107.2</b>
<b>Equity</b>								
Equity attributable to equity holder of the Group	85.0	149.0	(186.5)	334.6	1,265.0	863.3	(2,425.4)	85.0
Minority interests	-	-	-	-	-	-	22.2	22.2
<b>Total equity</b>	<b>85.0</b>	<b>149.0</b>	<b>(186.5)</b>	<b>334.6</b>	<b>1,265.0</b>	<b>863.3</b>	<b>(2,403.2)</b>	<b>107.2</b>

Reynolds Group Holdings Limited

Notes to interim unaudited condensed financial statements

For the period ended March 31, 2011

Condensed consolidating statement of cash flows

For the period ended March 31, 2011

(In \$ million)	For the period ended March 31, 2011							Consolidated
	Parent	Reynolds Issuers	Other guarantor entities	SIG Combibloc Ltd. (Thailand)	Austrian Companies	Non-guarantor entities	Adjustments and eliminations	
<b>Net cash from operating activities</b>	-	-	131.9	5.0	(2.4)	34.0	-	<b>168.5</b>
<b>Net cash from investing activities</b>	-	(1,970.5)	(84.4)	(3.1)	(1.0)	1.4	1,958.7	<b>(98.9)</b>
Included in investing activities:								
Acquisition of property, plant and equipment and investment properties	-	-	(88.6)	(2.9)	(0.2)	(9.4)	-	(101.1)
Proceeds from sale of property, plant and equipment, investment properties, intangible assets and other assets	-	-	2.1	0.1	-	0.2	-	2.4
Net related party advances (repayments)	-	(1,970.5)	3.3	-	-	8.5	1,958.7	-
<b>Net cash from financing activities</b>	-	<b>1,970.5</b>	<b>439.8</b>	-	<b>3.6</b>	<b>(5.4)</b>	<b>(1,958.7)</b>	<b>449.8</b>
Included in financing activities:								
Acquisition of businesses under common control	-	-	-	-	-	-	-	-
Draw down of loans and borrowings	-	2,000.0	2,496.2	-	180.0	0.2	-	4,676.4
Repayment of loans and borrowings	-	-	(3,993.0)	-	(175.5)	(1.3)	-	(4,169.8)
Net related party borrowings (repayments)	-	-	1,962.0	-	-	(3.3)	(1,958.7)	-
Payment of transaction costs	-	(29.5)	(25.4)	-	(0.9)	-	-	(55.8)

Reynolds Group Holdings Limited

Notes to interim unaudited condensed financial statements

For the period ended March 31, 2011

Condensed consolidating statement of financial performance

For the three month period ended March 31, 2010

(In \$ million)	For the three month period ended March 31, 2010							Consolidated
	Parent	Reynolds Issuers	Other guarantor entities	SIG Combibloc Ltd. (Thailand)	Austrian Companies	Non-guarantor entities	Adjustments and eliminations	
Revenue	-	-	1,217.6	45.8	99.9	181.6	(137.3)	1,407.6
Cost of sales	-	-	(1,037.6)	(39.6)	(76.2)	(144.7)	137.3	(1,160.8)
<b>Gross profit</b>	-	-	<b>180.0</b>	<b>6.2</b>	<b>23.7</b>	<b>36.9</b>	-	<b>246.8</b>
Other income, other expenses, and share of equity method earnings, net of income tax	(39.2)	-	49.9	(2.7)	11.1	0.5	7.2	26.8
Selling, marketing and distribution expenses	-	-	(38.8)	(0.6)	(1.5)	(7.5)	-	(48.4)
General and administration expenses	-	-	(81.4)	(2.8)	(4.2)	(7.0)	-	(95.4)
<b>Profit (loss) from operating activities</b>	<b>(39.2)</b>	-	<b>109.7</b>	<b>0.1</b>	<b>29.1</b>	<b>22.9</b>	<b>7.2</b>	<b>129.8</b>
Financial income	3.4	34.9	17.5	2.4	-	42.8	(79.1)	21.9
Financial expenses	(0.7)	(36.1)	(149.4)	(0.3)	(15.2)	(30.3)	79.1	(152.9)
<b>Net financial expenses</b>	<b>2.7</b>	<b>(1.2)</b>	<b>(131.9)</b>	<b>2.1</b>	<b>(15.2)</b>	<b>12.5</b>	-	<b>(131.0)</b>
<b>Profit (loss) before income tax</b>	<b>(36.5)</b>	<b>(1.2)</b>	<b>(22.2)</b>	<b>2.2</b>	<b>13.9</b>	<b>35.4</b>	<b>7.2</b>	<b>(1.2)</b>
Income tax benefit (expense)	(0.8)	0.1	(27.4)	(0.6)	-	(7.4)	-	(36.1)
<b>Profit (loss) for the period</b>	<b>(37.3)</b>	<b>(1.1)</b>	<b>(49.6)</b>	<b>1.6</b>	<b>13.9</b>	<b>28.0</b>	<b>7.2</b>	<b>(37.3)</b>

**Reynolds Group Holdings Limited**
**Notes to interim unaudited condensed financial statements**
**For the period ended March 31, 2011**
**Condensed consolidating statement of financial position**
**As at December 31, 2010**

(In \$ million)	Parent	Reynolds Issuers	Other guarantor entities	SIG Combibloc Ltd. (Thailand)	Austrian Companies	Non-guarantor entities	Adjustments and eliminations	Consolidated
<b>Assets</b>								
Cash and cash equivalents	0.7	24.8	493.2	8.2	27.4	109.5	-	663.8
Trade and other receivables	4.9	-	929.6	43.1	12.1	160.5	-	1,150.2
Inventories	-	-	1,097.3	52.5	9.0	121.8	-	1,280.6
Intra-group receivables	-	90.4	-	-	-	4.4	(94.8)	-
Other assets	-	-	184.6	0.8	0.5	15.4	-	201.3
<b>Total current assets</b>	<b>5.6</b>	<b>115.2</b>	<b>2,704.7</b>	<b>104.6</b>	<b>49.0</b>	<b>411.6</b>	<b>(94.8)</b>	<b>3,295.9</b>
Investments in subsidiaries, associates and joint ventures (equity method)	-	-	849.7	2.7	1,781.2	106.7	(2,630.7)	109.6
Property, plant and equipment	-	-	2,783.6	115.5	39.4	336.1	-	3,274.6
Investment properties	-	-	67.6	-	-	-	-	67.6
Intangible assets	-	-	8,308.3	187.6	304.1	149.8	-	8,949.8
Intra-group receivables	15.5	5,595.1	786.6	-	36.3	1,321.6	(7,755.1)	-
Other assets	255.5	76.9	117.6	0.5	10.0	27.9	-	488.4
<b>Total non-current assets</b>	<b>271.0</b>	<b>5,672.0</b>	<b>12,913.4</b>	<b>306.3</b>	<b>2,171.0</b>	<b>1,942.1</b>	<b>(10,385.8)</b>	<b>12,890.0</b>
<b>Total assets</b>	<b>276.6</b>	<b>5,787.2</b>	<b>15,618.1</b>	<b>410.9</b>	<b>2,220.0</b>	<b>2,353.7</b>	<b>(10,480.6)</b>	<b>16,185.9</b>
<b>Liabilities</b>								
Trade and other payables	9.7	90.4	953.4	49.6	15.5	128.9	-	1,247.5
Borrowings	-	-	130.0	-	8.8	2.5	-	141.3
Intra-group payables	-	-	94.8	-	-	-	(94.8)	-
Other liabilities	0.6	-	373.3	9.0	5.9	31.4	-	420.2
<b>Total current liabilities</b>	<b>10.3</b>	<b>90.4</b>	<b>1,551.5</b>	<b>58.6</b>	<b>30.2</b>	<b>162.8</b>	<b>(94.8)</b>	<b>1,809.0</b>
Borrowings	-	5,559.2	4,815.4	-	160.8	1,163.6	-	11,699.0
Intra-group liabilities	12.4	2.4	6,976.1	-	647.6	129.0	(7,767.5)	-
Other liabilities	-	4.6	2,294.4	10.7	24.9	66.5	-	2,401.1
<b>Total non-current liabilities</b>	<b>12.4</b>	<b>5,566.2</b>	<b>14,085.9</b>	<b>10.7</b>	<b>833.3</b>	<b>1,359.1</b>	<b>(7,767.5)</b>	<b>14,100.1</b>
<b>Total liabilities</b>	<b>22.7</b>	<b>5,656.6</b>	<b>15,637.4</b>	<b>69.3</b>	<b>863.5</b>	<b>1,521.9</b>	<b>(7,862.3)</b>	<b>15,909.1</b>
<b>Net assets</b>	<b>253.9</b>	<b>130.6</b>	<b>(19.3)</b>	<b>341.6</b>	<b>1,356.5</b>	<b>831.8</b>	<b>(2,618.3)</b>	<b>276.8</b>
<b>Equity</b>								
Equity attributable to equity holder of the Group	253.9	130.6	(19.3)	341.6	1,356.5	831.8	(2,641.2)	253.9
Minority interests	-	-	-	-	-	-	22.9	22.9
<b>Total equity</b>	<b>253.9</b>	<b>130.6</b>	<b>(19.3)</b>	<b>341.6</b>	<b>1,356.5</b>	<b>831.8</b>	<b>(2,618.3)</b>	<b>276.8</b>

Certain items within the comparative information of the condensed consolidating statement of financial position have been reclassified between Other guarantor entities and Adjustments and eliminations.



Reynolds Group Holdings Limited

Notes to interim unaudited condensed financial statements

For the period ended March 31, 2011

Condensed consolidating statement of cash flows

(In \$ million)	For the period ended March 31, 2010							Consolidated
	Parent	Reynolds Issuers	Other guarantor entities	SIG Combibloc Ltd. (Thailand)	Austrian Companies	Non-guarantor entities	Adjustments and eliminations	
<b>Net cash from operating activities</b>	-	-	43.6	7.5	45.9	(5.6)	-	91.4
<b>Net cash from investing activities</b>	-	-	47.4	(4.5)	(0.2)	0.3	(80.6)	(37.6)
Included in investing activities:								
Acquisition of property, plant and equipment and investment properties	-	-	(39.9)	(5.4)	(0.2)	(7.7)	-	(53.2)
Proceeds from sale of property, plant and equipment, investment properties, intangible assets and other assets	-	-	7.1	1.0	-	1.4	-	9.5
Acquisition of businesses, net of cash acquired	-	-	(24.3)	-	-	-	-	(24.3)
Disposal of businesses, net of cash disposed	-	-	32.4	-	-	-	-	32.4
Net related party advances (repayments)	-	-	75.8	-	-	4.1	(80.6)	(0.7)
<b>Net cash from financing activities</b>	-	(11.8)	(16.4)	-	(65.7)	(14.9)	80.6	(28.2)
Included in financing activities:								
Acquisition of businesses under common control	-	-	(4.7)	-	-	-	-	(4.7)
Draw down of loans and borrowings	-	-	-	-	-	0.6	-	0.6
Repayment of loans and borrowings	-	-	(7.6)	-	(1.1)	(1.8)	-	(10.5)
Net related party borrowings (repayments)	-	-	(4.1)	-	(64.6)	(11.9)	80.6	-
Payment of transaction costs	-	(11.8)	-	-	-	-	-	(11.8)

## **Reynolds Group Holdings Limited**

### **Notes to the interim unaudited condensed financial statements**

#### **21. Subsequent events**

##### **Dopaco Acquisition**

On May 2, 2011, the Group acquired Dopaco Inc. and Dopaco Canada Inc. (collectively "Dopaco") from Cascades Inc. Dopaco is a leading manufacturer of paper cups and folding cartons for the quick-service restaurant and food service industries. The consideration for the acquisition paid at closing was \$398.1 million in cash, subject to certain customary post-closing adjustments for net debt and working capital, which are not yet finalized. The consideration was financed from the existing cash of the Group. The combination of the Group's existing distribution network with Dopaco's business will improve its product range to a wider customer base. The acquired business is in the process of being integrated with the Pactiv Foodservice segment.

Due to the proximity of closing the acquisition of Dopaco and the release of these financial statements, it is impractical to provide a preliminary fair value balance sheet of the acquired business. Dopaco is currently finalizing the opening balance sheet. The Group is also undertaking fair value appraisals and the conversion of Dopaco's accounts from U.S. GAAP to IFRS.

##### **Restructuring initiatives**

In the period since March 31, 2011, the Group has continued to integrate the operations of Pactiv with the Reynolds Consumer Products and Pactiv Foodservice segments. Certain restructuring initiatives have recently been announced. These initiatives have resulted in the recognition of \$1.2 million of restructuring expenses subsequent to March 31, 2011. Further restructuring expenses may be incurred.

Other than the items disclosed above, there have been no events subsequent to March 31, 2011 which would require accrual or disclosure in these financial statements.

**Beverage Packaging Holdings Group**

**Interim unaudited condensed financial statements  
for the three month periods ended March 31, 2011 and March 31, 2010**

## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of comprehensive income

(In \$ million)	Note	For the three months ended March 31,	
		2011	2010
Revenue		2,367.5	1,407.6
Cost of sales		(1,917.5)	(1,160.8)
<b>Gross profit</b>		<b>450.0</b>	<b>246.8</b>
Other income	7	22.6	34.5
Selling, marketing and distribution expenses		(82.0)	(48.4)
General and administration expenses		(145.6)	(95.4)
Other expenses	8	(57.3)	(12.2)
Share of profit of associates and joint ventures, net of income tax (equity method)		6.3	4.5
<b>Profit from operating activities</b>		<b>194.0</b>	<b>129.8</b>
Financial income	9	95.8	18.6
Financial expenses	9	(381.0)	(152.3)
<b>Net financial expenses</b>		<b>(285.2)</b>	<b>(133.7)</b>
<b>Loss before income tax</b>		<b>(91.2)</b>	<b>(3.9)</b>
Income tax benefit (expense)	10	41.4	(35.3)
<b>Loss after income tax</b>		<b>(49.8)</b>	<b>(39.2)</b>
<b>Other comprehensive income (loss) for the period, net of income tax</b>			
Exchange differences on translating foreign operations		(117.3)	83.3
Transfers from foreign currency translation reserve to profit and loss	16	-	48.5
<b>Total other comprehensive income (loss) for the period, net of income tax</b>		<b>(117.3)</b>	<b>131.8</b>
<b>Total comprehensive income (loss) for the period</b>		<b>(167.1)</b>	<b>92.6</b>
<b>Profit (loss) attributable to:</b>			
Equity holder of the Group		(50.1)	(38.3)
Non-controlling interests		0.3	(0.9)
		<b>(49.8)</b>	<b>(39.2)</b>
<b>Total other comprehensive income (loss) attributable to:</b>			
Equity holder of the Group		(117.3)	131.6
Non-controlling interests		-	0.2
		<b>(117.3)</b>	<b>131.8</b>

The interim unaudited condensed statements of comprehensive income should be read in conjunction with the notes to the interim unaudited condensed financial statements.

**Beverage Packaging Holdings Group**  
**Interim unaudited condensed statements of financial position**

(In \$ million)	Note	As at March 31, 2011	As at December 31, 2010
<b>Assets</b>			
Cash and cash equivalents		1,184.8	663.1
Trade and other receivables		1,115.6	1,145.3
Inventories	11	1,514.1	1,280.6
Current tax assets		53.2	108.6
Assets held for sale		20.2	17.8
Derivatives		15.3	11.8
Other assets		48.4	63.1
<b>Total current assets</b>		<b>3,951.6</b>	<b>3,290.3</b>
Non-current receivables		51.6	47.6
Investments in associates and joint ventures (equity method)		118.0	109.6
Deferred tax assets		25.8	23.3
Property, plant and equipment	12	3,281.4	3,274.6
Investment properties		67.0	67.6
Intangible assets	13	8,960.7	8,949.8
Derivatives		95.9	87.0
Other assets		87.7	75.0
<b>Total non-current assets</b>		<b>12,688.1</b>	<b>12,634.5</b>
<b>Total assets</b>		<b>16,639.7</b>	<b>15,924.8</b>
<b>Liabilities</b>			
Bank overdrafts		3.5	11.7
Trade and other payables		1,485.5	1,238.5
Borrowings	14	30.8	140.6
Current tax liabilities		148.3	139.4
Derivatives		0.2	1.2
Employee benefits		138.6	194.7
Provisions	15	91.9	72.6
<b>Total current liabilities</b>		<b>1,898.8</b>	<b>1,798.7</b>
Non-current payables		8.0	8.3
Borrowings	14	12,564.2	11,714.5
Deferred tax liabilities		1,263.3	1,329.9
Employee benefits		962.6	971.5
Provisions	15	100.4	91.4
<b>Total non-current liabilities</b>		<b>14,898.5</b>	<b>14,115.6</b>
<b>Total liabilities</b>		<b>16,797.3</b>	<b>15,914.3</b>
<b>Net assets (liabilities)</b>		<b>(157.6)</b>	<b>10.5</b>
<b>Equity</b>			
Share capital		1,416.9	1,416.9
Reserves		(1,348.1)	(1,230.8)
Retained earnings (accumulated losses)		(248.6)	(198.5)
<b>Equity (deficit) attributable to equity holder of the Group</b>		<b>(179.8)</b>	<b>(12.4)</b>
Non-controlling interest		22.2	22.9
<b>Total equity (deficit)</b>		<b>(157.6)</b>	<b>10.5</b>

The interim unaudited condensed statements of financial position should be read in conjunction with the notes to the interim unaudited condensed financial statements.

## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of changes in equity

(In \$ million)	Share capital	Translation of foreign operations	Other reserves	Retained earnings (accumulated losses)	Equity (deficit) attributable to equity holder of the Group	Non- controlling interests	Total
Balance at the beginning of the period (January 1, 2010)	1,375.8	53.1	(513.3)	(73.2)	842.4	16.3	858.7
Total comprehensive income for the period:							
Profit (loss) after tax	-	-	-	(38.3)	(38.3)	(0.9)	(39.2)
Foreign exchange translation reserve	-	131.6	-	-	131.6	0.2	131.8
Dividends paid to non-controlling interests	-	-	-	-	-	(1.8)	(1.8)
<b>Balance at March 31, 2010</b>	<b>1,375.8</b>	<b>184.7</b>	<b>(513.3)</b>	<b>(111.5)</b>	<b>935.7</b>	<b>13.8</b>	<b>949.5</b>
Balance at the beginning of the period (January 1, 2011)	1,416.9	330.1	(1,560.9)	(198.5)	(12.4)	22.9	10.5
Total comprehensive income for the period:							
Profit (loss) after tax	-	-	-	(50.1)	(50.1)	0.3	(49.8)
Foreign exchange translation reserve	-	(117.3)	-	-	(117.3)	-	(117.3)
Dividends paid to non-controlling interests	-	-	-	-	-	(1.0)	(1.0)
<b>Balance at March 31, 2011</b>	<b>1,416.9</b>	<b>212.8</b>	<b>(1,560.9)</b>	<b>(248.6)</b>	<b>(179.8)</b>	<b>22.2</b>	<b>(157.6)</b>

The interim unaudited condensed statements of changes in equity should be read in conjunction with the notes to the interim unaudited condensed financial statements.

## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of cash flows

(In \$ million)	For the three months ended	
	2011	2010
<b>Cash flows from operating activities</b>		
Cash received from customers	2,427.6	1,386.1
Cash paid to suppliers and employees	(2,228.4)	(1,232.6)
Interest paid	(58.3)	(27.8)
Income taxes (paid) refunds	27.6	(34.3)
<b>Net cash from operating activities</b>	<b>168.5</b>	<b>91.4</b>
<b>Cash flows used in investing activities</b>		
Acquisition of property, plant and equipment and investment properties	(101.1)	(53.2)
Proceeds from sale of property, plant and equipment, investment properties and other assets	2.4	9.3
Acquisition of intangible assets	(4.0)	(4.4)
Acquisition of businesses, net of cash acquired	-	(24.3)
Disposal of business, net of cash disposed	-	32.4
Disposal of other investments	0.8	1.2
Related party advances	-	(0.7)
Interest received	1.2	1.0
Dividends received from joint ventures	1.8	1.1
<b>Net cash used in investing activities</b>	<b>(98.9)</b>	<b>(37.6)</b>
<b>Cash flows from (used in) financing activities</b>		
Draw down of loans and borrowings:		
2011 Credit Agreement	2,666.2	-
2011 Notes	2,000.0	-
2009 Credit Agreement	10.0	-
Other borrowings	0.2	0.6
Repayment of loans and borrowings:		
2009 Credit Agreement	(4,168.3)	(8.7)
Other borrowings	(1.5)	(1.8)
Payment of transaction costs	(55.8)	(11.8)
Payment for acquisition of businesses under common control*	-	(4.7)
Dividends paid to non-controlling interests	(1.0)	(1.8)
<b>Net cash from (used in) financing activities</b>	<b>449.8</b>	<b>(28.2)</b>
<b>Net increase in cash and cash equivalents</b>	<b>519.4</b>	<b>25.6</b>
Cash and cash equivalents at the beginning of the period	651.4	513.7
Effect of exchange rate fluctuations on cash held	10.5	(5.8)
<b>Cash and cash equivalents at March 31</b>	<b>1,181.3</b>	<b>533.5</b>
<b>Cash and cash equivalents comprise</b>		
Cash and cash equivalents	1,184.8	535.2
Bank overdrafts	(3.5)	(1.7)
<b>Cash and cash equivalents at March 31</b>	<b>1,181.3</b>	<b>533.5</b>

\* Relates to the net payment of the working capital adjustments on the acquisition of the Closures and Reynolds Consumer businesses on November 5, 2009.

The interim unaudited condensed statements of cash flows should be read in conjunction with the notes to the interim unaudited condensed financial statements.

## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of cash flows

#### Reconciliation of the profit for the period with the net cash from operating activities

(In \$ million)	For the three months ended March 31,	
	2011	2010
Profit (loss) for the period	(49.8)	(39.2)
Adjustments for:		
Depreciation of property, plant and equipment	124.2	76.2
Depreciation of investment properties	0.6	0.5
Amortization of intangible assets	66.2	43.5
Net foreign currency exchange loss	0.6	0.8
Change in fair value of derivatives	(4.1)	0.5
Gain (loss) on sale of property, plant and equipment	(0.1)	1.1
Gains on disposal of businesses	-	(9.1)
CSI Americas gain on acquisition	-	(9.8)
Net financial (income) expenses	285.2	133.7
Share of profit of equity accounted investees	(6.3)	(4.5)
Income tax (benefit) expense	(41.4)	35.3
Interest paid	(58.3)	(27.8)
Income tax (paid) refund	27.6	(34.3)
Change in trade and other receivables	41.8	(37.0)
Change in inventories	(220.2)	(42.3)
Change in trade and other payables	42.4	42.9
Change in provisions and employee benefits	(41.1)	(53.0)
Change in other assets and liabilities	1.2	13.9
<b>Net cash from operating activities</b>	<b>168.5</b>	<b>91.4</b>

The interim unaudited condensed statements of cash flows should be read in conjunction with the notes to the interim unaudited condensed financial statements.



## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of cash flows

#### Acquisitions and disposals of businesses

(In \$ million)	For the three months ended March 31,			
	2011		2010	
	Acquisitions	Disposals	Acquisitions	Disposals
<b>Inflow (outflow) of cash:</b>				
Cash receipts (payments)	-	-	(35.1)	32.4
Net cash acquired (disposed of)	-	-	10.8	-
Consideration received, satisfied in notes receivable	-	-	-	14.4
Consideration subject to post-closing adjustments	-	-	(1.1)	1.1
	-	-	<b>(25.4)</b>	<b>47.9</b>
Cash and cash equivalents	-	-	(10.8)	-
Net gain on sale before reclassification from foreign currency translation reserve	-	-	-	(9.9)
<b>Net assets (acquired) disposed of</b>	<b>-</b>	<b>-</b>	<b>(36.2)</b>	<b>38.0</b>
<b>Details of net assets acquired/disposed of:</b>				
Cash and cash equivalents	-	-	(10.8)	-
Trade and other receivables	-	-	(3.0)	11.7
Inventories	-	-	(10.7)	7.7
Deferred tax assets	-	-	(10.8)	-
Property, plant and equipment	-	-	(14.6)	22.2
Intangible assets (excluding goodwill)	-	-	(3.6)	0.4
Other current and non-current assets	-	-	(0.1)	0.4
Investment in associates and joint venture	-	-	-	3.4
Trade and other payables	-	-	7.0	(7.8)
Provisions and employee benefits	-	-	0.6	-
<b>Net assets (acquired) / disposed of</b>	<b>-</b>	<b>-</b>	<b>(46.0)</b>	<b>38.0</b>
Gain on acquisition	-	-	9.8	-
Amounts reclassified from foreign currency translation reserve	-	-	-	0.8
	-	-	<b>(36.2)</b>	<b>38.8</b>

The acquisition in 2010 relates to the purchase of Obrist Americas, Inc. in February 2010. The disposal in 2010 relates to the sale of the Group's envelope window film business and related operations in Avenal, New Jersey and Hazelton, Pennsylvania, together with the Group's interest in Multiplastics (Europe) Limited.

The interim unaudited condensed statements of cash flows should be read in conjunction with the notes to the interim unaudited condensed financial statements.

**Beverage Packaging Holdings Group**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**1. Reporting entity**

Beverage Packaging Holdings (Luxembourg) I S.A. ("BP I") and Beverage Packaging Holdings (Luxembourg) II S.A. ("BP II") are domiciled in Luxembourg and registered in the Luxembourg "Registre de Commerce et des Sociétés."

The interim unaudited condensed financial statements of Beverage Packaging Holdings Group (the "Group") as at and for the three month period ended March 31, 2011 comprise the combination of:

- BP I and its subsidiaries and their interests in associates and jointly controlled entities (the "BP I Group"); and
- BP II.

The Group is principally engaged in the manufacture and supply of consumer food and beverage packaging and storage products, primarily in North America, Europe, Asia and South America.

The address of the registered office of BP I and BP II is: 6C, rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg.

**2. Basis of preparation**

**2.1 Statement of compliance**

The interim unaudited condensed financial statements have been prepared in accordance with IAS 34: "Interim Financial Reporting". The disclosures required in these interim unaudited condensed financial statements are less extensive than the disclosure requirements for annual financial statements. The December 31, 2010 interim unaudited condensed statement of financial position was derived from audited financial statements, but does not include the disclosures required by IFRS as issued by the IASB.

The interim unaudited condensed financial statements comprise the statements of comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited condensed financial statements.

The interim unaudited condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Group for the period ended December 31, 2010.

The interim unaudited condensed financial statements were approved by the Board of Directors (the "Directors") on May 24, 2011.

**2.2 Going concern**

The interim unaudited condensed financial statements have been prepared using the going concern assumption.

The interim unaudited condensed statement of financial position as at March 31, 2011 presents negative equity of \$157.6 million compared to positive equity of \$10.5 million as at December 31, 2010. The movement to negative equity is attributable to the current period loss and exchange differences on translation of foreign operations. However, the relatively small opening total equity is primarily the result of accounting for the common control acquisitions of the Closures segment and the Reynolds consumer products business in 2009, and the Evergreen segment and the operations of the Reynolds foodservice packaging business in 2010. The Group accounts for acquisitions under common control of its ultimate shareholder, Graeme Hart, using the carry-over or book value method. Under the carry-over or book value method, the business combinations do not change the historical carrying values of the assets and liabilities of the businesses acquired. Therefore, the excess of the purchase price, which is determined based on the fair value, over the consolidated carrying values of the share capital acquired, is recognized as a reduction to equity. As at December 31, 2010, the common control transactions had generated a reduction in equity of \$1,560.9 million.

**2.3 Basis of measurement**

The interim unaudited condensed financial statements have been prepared under the historical cost convention except for:

- certain components of inventory which are measured at net realizable value;
- defined benefit pension plan liabilities and post-employment medical plan liabilities which are measured under the projected unit credit method; and
- certain assets and liabilities, such as derivatives, which are measured at fair value.

The accounting policies applied by the Group in these interim unaudited condensed financial statements are the same as those applied by the Group in the annual financial statements for the period ended December 31, 2010.

**2.4 Presentation currency**

These interim unaudited condensed financial statements are presented in US dollars ("\$"), which is the Group's presentation currency. The Group changed its presentation currency from the Euro to \$ in the period ended June 30, 2010.

**2.5 Comparative information resulting from the combination of businesses under common control**

As disclosed in note 33 of the annual financial statements of the Group for the year ended December 31, 2010, on May 4, 2010 the Group acquired the business operations of Evergreen from subsidiaries of Rank Group Limited and on September 1, 2010 the Group acquired the business operations of the Reynolds foodservice packaging business from subsidiaries of Reynolds (NZ) Limited.

Prior to these transactions, these businesses were under the common ownership of the ultimate sole shareholder, Mr. Graeme Hart. This type of transaction is defined as a business combination under common control, which falls outside of the scope of IFRS 3 "Business Combinations (revised)". In accordance with the Group's accounting policy for business combinations under common control, as outlined in note 3.1(d) of the annual financial statements of the Group for the year ended December 31, 2010, the Group has compiled the comparative information as if the acquisition transactions had occurred from the earliest point that common control commenced.

**Beverage Packaging Holdings Group**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**2.6 Comparative information**

As disclosed in the December 31, 2010 annual financial statements certain adjustments were recorded during the year ended December 31, 2010 to correct the classifications of sales allowances by reducing revenue and cost of sales within the statement of comprehensive income to align with the method of presentation adopted by the Group. The corrected three months ended March 31, 2010 revenue and cost of sales amounts differ by \$23.4 million from the amounts previously reported in the Group's financial statements for the three months ended March 31, 2010. These adjustments had no impact on gross profit, profit from operating activities, EBITDA, Adjusted EBITDA, loss after income tax, the statements of financial position or the statements of cash flows.

**2.7 Accounting policies and recently issued accounting pronouncements**

The accounting policies applied by the Group in the interim unaudited condensed financial statements are the same as those applied by the Group in its annual financial statements for the year ended December 31, 2010.

**Recently Issued Accounting Pronouncements**

IFRS 9 "Financial Instruments" is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. We are currently evaluating the impact of IFRS 9 on our financial statements.

On May 12, 2011, the IASB released IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IFRS 13 "Fair Value Measurement" as part of its new suite of consolidation and related standards, replacing and amending a number of existing standards and pronouncements. Each of these standards is effective for annual reporting periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 10 introduces a new approach to determining which investments should be consolidated and supersedes the requirements of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". Under the requirements of this new standard, the IASB has provided a series of indicators to determine control (replacing the existing hierarchy approach) which requires judgment to be exercised in making the assessment of control. The new standard also introduces the concept of de facto control, provides greater guidance on the assessment of potential voting rights, while also requiring control to be assessed on a continuous basis where changes arise that do not merely result from a change in market conditions. IFRS 11 overhauls the accounting for joint arrangements (previously known as joint ventures) and directly supersedes IAS 31 "Interests in Joint Ventures" while amending IAS 28 (2011) "Investments in Associates and Joint Ventures". Under the requirements of the new standard, jointly controlled entities can be accounted for using either the equity or proportional consolidation method, whereas joint ventures (previously referred to as jointly controlled operations and jointly controlled assets) must be accounted for using the proportional consolidation method. IFRS 12 combines into a single standard the disclosure requirements for subsidiaries, associated and joint arrangements and unconsolidated structure entities. Under the expanded and new disclosure requirements, information is required to be provided to enable users to evaluate the nature of the risks associated with a reporting entity's interest in other entities and the effect those interests can have on the reporting entity's financial position, performance and cash flow. In addition, the standard introduces new disclosures about unconsolidated structure entities. IFRS 13 defines the concept of fair value and establishes a framework for measuring fair value, while setting the disclosure requirement for fair value measurement. The new standard focuses on explaining how to measure fair value when required by other IFRS's. Prior to the introduction of IFRS 13 there was no single source of guidance on fair value measurement. The Group is currently evaluating the effects of IFRS 10, IFRS 11, IFRS 12 and IFRS 13 on its financial statements.

**Interpretations and amendments to existing standards effective in 2011**

The following interpretations and standards which have not previously been early adopted were mandatory for the Group during the current period:

- IFRIC 19 "Extinguishment of financial liabilities with equity instruments" (effective for reporting periods beginning on or after February 1, 2010).
- IAS 24 Amendment "Related Party Disclosures" (effective for financial reporting periods commencing on or after January 1, 2011).
- IAS 32 "Financial Instruments: Presentation - Classification of Rights Issues" (effective for financial reporting periods commencing on or after February 1, 2010).
- Improvements to various IFRSs 2010 – various standards (effective for financial reporting periods commencing on or after July 1, 2010 and January 1, 2011).

The adoption of these interpretations and standards did not have any material impact on the financial statements of the Group for the three months ended March 31, 2011.

**3. Use of estimates and judgments**

In the preparation of the interim unaudited condensed financial statements, the Directors and management have made certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are:

**Beverage Packaging Holdings Group**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**3.1 Impairment of assets**

(a) **Goodwill and indefinite life intangible assets**

Determining whether goodwill and indefinite life intangible assets are impaired requires estimation of the recoverable values of the segments to which these assets have been allocated. Recoverable values have been based on the higher of fair value less costs to sell or on value in use (as appropriate for the cash generating unit ("CGU") being reviewed). Significant judgement is involved with estimating the fair value of a CGU. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

(b) **Other assets**

Other assets, including property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A change in the Group's intention to use certain assets, such as a decision to rationalize manufacturing locations, may trigger a future impairment.

**3.2 Income taxes**

The Group is subject to income taxes in multiple jurisdictions which require significant judgement to be exercised in determining the Group's provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current tax liabilities and assets are recognized at the amount expected to be paid to or recovered from the taxation authorities. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**3.3 Finalization of provisional acquisition accounting**

Following a business combination, the Group has a period of not more than 12 months from the date of acquisition to finalize the acquisition date fair values of acquired assets and liabilities, including the valuations of identifiable intangible assets and property, plant and equipment.

The determination of fair value of acquired identifiable intangible assets and property, plant and equipment involves a variety of assumptions, including estimates associated with useful lives. As at March 31, 2011, the amounts presented for the acquisition of Pactiv Corporation ("Pactiv") have only been determined on a provisional basis. The finalization of these valuations may result in the refinement of assumptions that impact not only the recognized value of such assets, but also amortization and depreciation expense. In accordance with the accounting policy described in note 3.1(a) of the annual financial statements of the Group for the year ended December 31, 2010, any adjustments on finalization of the preliminary purchase accounting are recognized retrospectively from the date of acquisition.

The Group is in the process of combining Pactiv's operations into Reynolds Consumer Products and Pactiv Foodservice. As a result, as at the date of these financial statements, the CGUs within Reynolds Consumer Products and Pactiv Foodservice have not been identified.

**4. Seasonality and Working Capital Fluctuations**

The Group's segments are impacted by seasonal fluctuations.

The SIG segment's customers are principally engaged in providing products such as beverages and food that are generally less sensitive to seasonal effects, although the SIG segment experiences some seasonality as a result of increased consumption of juices and tea during the summer months in Europe. The SIG segment therefore typically experiences a greater level of carton sleeve sales in the second and third quarters. Sales in the fourth quarter can increase due to additional purchases by customers prior to the end of the year to achieve annual volume rebates that the SIG segment offers.

The Evergreen segment is impacted by moderate seasonal fluctuations. The Evergreen segment's customers are principally engaged in providing products, such as beverage packaging, that are generally less sensitive to seasonal effects, although the Evergreen segment does experience some seasonality as a result of increased consumption of milk by school children during the North American academic year. The Evergreen segment therefore typically experiences a greater level of carton product sales in the first and fourth quarters when North American schools are in session.

The Closures segment's operations are impacted by moderate seasonal fluctuations. The Closures segment experiences some seasonality as a result of increased consumption of bottled beverages during the summer months. In order to avoid capacity shortfalls in the summer months, the Closures segment's customers typically begin building inventories in advance of the summer season. Therefore, the Closures segment typically experiences a greater level of closure sales in the second and third quarters in the Northern Hemisphere, which represented 82% of total revenue in 2010, and in the fourth and first quarters in the Southern Hemisphere, which represented 18% of total revenue in 2010.

The Reynolds Consumer Products segment's operations are subject to seasonal patterns of key product lines. Sales in cooking products are typically higher in the fourth quarter of the year, primarily due to the holiday use of Reynolds Wrap foil, Reynolds Oven Bags and Reynolds Parchment Paper. Sales in waste and storage products are typically higher in the second half of the year in North America, coinciding with the harvest season and outdoor fall cleanup.

The Pactiv Foodservice segment's operations are moderately seasonal, peaking during the summer and fall months in the Northern Hemisphere when the favorable weather, harvest, and the upcoming holiday season lead to increased consumption. The Pactiv Foodservice segment therefore typically experiences a greater level of sales in the second and third quarters.

**Beverage Packaging Holdings Group**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**5. Financial risk management**

**5.1 Financial risk factors**

Exposure to market risk (including currency risk, interest rate risk and commodity prices), credit risk and liquidity risk arises in the normal course of the Group's business. During the three months ended March 31, 2011, the Group continued to apply the risk management objectives and policies which were disclosed in the annual financial statements of the Group for the year ended December 31, 2010.

The interim unaudited condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2010.

**5.2 Liquidity risk**

As described in note 14, during the three month period ended March 31, 2011, the Group issued the 2011 Notes and refinanced the 2009 Credit Agreement. As a result of these changes in borrowings, the Group's contractual cash flows related to total borrowings are as follows:

(In \$ million)	Total debt and interest	Less than one year	One to five years	Greater than five years
<b>March 31, 2011 *</b>	20,109.9	961.7	4,014.4	15,133.8
<b>December 31, 2010 *</b>	18,358.3	1,024.7	5,200.3	12,133.3

\* The interest rate on the floating rate debt balances has been assumed to be the same as the rate as at March 31, 2011 and December 31, 2010, respectively.

There have been no other significant changes in the contractual cash flows of the Group's other financial liabilities.

**5.3 Fair value measurements recognized in the statement of comprehensive income**

The following table sets out an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value and are grouped into levels based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(In \$ million)	Level 1	Level 2	Level 3	Total
<b>March 31, 2011</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial assets				
Commodity derivatives, net	-	15.1	-	15.1
Embedded derivatives	-	95.9	-	95.9
<b>Total</b>	<b>-</b>	<b>111.0</b>	<b>-</b>	<b>111.0</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2010</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial assets				
Commodity derivatives, net	-	10.7	-	10.7
Embedded derivatives	-	86.9	-	86.9
<b>Total</b>	<b>-</b>	<b>97.6</b>	<b>-</b>	<b>97.6</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were no transfers between any levels during the three month period ended March 31, 2011. There have been no changes in the classifications of financial assets as a result of a change in the purpose or use of these assets.

**Beverage Packaging Holdings Group**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**6. Segment reporting**

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segment and to assess its performance.

The Group's CODM resides within the immediate parent company of the Group, Reynolds Group Holdings Limited ("RGHL"). Information reported to the Group's CODM for the purposes of resource allocation and assessment of segment performance is focused on five business segments that exist within the Group. The Group's reportable business segments under IFRS 8 are as follows:

- SIG Combibloc - SIG Combibloc is a manufacturer and supplier of a broad range of aseptic carton packaging solutions. They 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. Its business is the supply of aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons, spouts and closures.
- Evergreen – Evergreen is a manufacturer of fresh carton packaging for beverage products, primarily serving the juice and milk markets. Evergreen supplies integrated fresh carton packaging systems, which include fresh cartons, spouts, caps and closures, filling machines and related services. In addition, Evergreen manufactures liquid packaging board for beverage carton manufacturers and paper products for commercial printing.
- Closures – Closures is principally engaged in the design, manufacture and distribution of plastic and aluminum closures as well as capping systems primarily for the beverage industry globally. It also provides its customers with capping equipment and machinery as well as associated technical support and training.
- Reynolds Consumer Products – Reynolds Consumer Products is principally engaged in the manufacture and distribution of household products which are marketed under well recognized brands including Reynolds® and Hefty®. The segment also manufactures private label products under the Presto® product line, which is a leading supplier of store brand plastic storage and waste management products. Prior to the Pactiv acquisition (refer to note 18), the Reynolds Consumer Products segment consisted solely of the Reynolds consumer products business. The Group is in the process of combining its Reynolds consumer products business with its Hefty consumer products business.
- Pactiv Foodservice – Pactiv Foodservice is a manufacturer of foodservice and food packaging products. Pactiv Foodservice offers a range of products including tableware items, takeout service containers, clear rigid-display packaging, microwaveable containers, foam trays, dual-ovenable paperboard containers, molded fiber egg cartons, meat and poultry trays, plastic film and aluminum containers. Prior to the Pactiv Acquisition (refer to note 18), the Pactiv Foodservice segment consisted solely of the Group's Reynolds foodservice packaging business. The Group is in the process of combining its Reynolds foodservice packaging business with its Pactiv foodservice packaging business.

The CODM does not review the business activities of the Group based on geography.

The accounting policies applied by each segment are the same as the Group's accounting policies. Results from operating activities represent the profit earned by each segment without allocation of central administrative revenue and expenses, financial income and expenses and income tax benefit (expense).

The CODM assesses the performance of the operating segments based on adjusted EBITDA. Adjusted EBITDA is defined as net profit before income tax expense, net financial expenses, depreciation and amortization, adjusted to exclude certain significant items of a non-recurring or unusual nature, including but not limited to such items as non-cash pension income, restructuring costs, unrealized gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs and equity method profit not distributed in cash.

Inter-segment pricing is determined with reference to prevailing market prices on an arm's length basis.

## Beverage Packaging Holdings Group

### Notes to interim unaudited condensed financial statements

For the period ended March 31, 2011

#### Business segment reporting

For the three month period ended March 31, 2011

(In \$ million)	For the three month period ended March 31, 2011						Total
	SIG Combibloc	Evergreen	Closures	Reynolds Consumer Products	Pactiv Foodservice	Corporate / unallocated *	
Total external revenue	461.4	382.4	292.2	528.7	702.8	-	2,367.5
Total inter-segment revenue	-	6.8	2.5	12.4	9.4	(31.1)	-
<b>Total segment revenue</b>	<b>461.4</b>	<b>389.2</b>	<b>294.7</b>	<b>541.1</b>	<b>712.2</b>	<b>(31.1)</b>	<b>2,367.5</b>
Gross profit	102.2	62.3	42.4	130.3	112.8	-	450.0
Expenses and other income	(59.8)	(13.6)	(24.8)	(62.5)	(97.9)	(3.7)	(262.3)
Share of profit of associates and joint ventures (equity method)	5.9	0.4	-	-	-	-	6.3
<b>Earnings before interest and tax ("EBIT")</b>	<b>48.3</b>	<b>49.1</b>	<b>17.6</b>	<b>67.8</b>	<b>14.9</b>	<b>(3.7)</b>	<b>194.0</b>
Financial income							95.8
Financial expenses							(381.0)
<b>Loss before income tax</b>							<b>(91.2)</b>
Income tax benefit							41.4
<b>Loss after income tax</b>							<b>(49.8)</b>
<b>Earnings before interest and tax ("EBIT")</b>	<b>48.3</b>	<b>49.1</b>	<b>17.6</b>	<b>67.8</b>	<b>14.9</b>	<b>(3.7)</b>	<b>194.0</b>
Depreciation and amortization	62.4	14.6	19.5	31.3	63.2	-	191.0
<b>Earnings before interest, tax, depreciation and amortization ("EBITDA")</b>	<b>110.7</b>	<b>63.7</b>	<b>37.1</b>	<b>99.1</b>	<b>78.1</b>	<b>(3.7)</b>	<b>385.0</b>
Included in EBITDA:							
Business acquisition costs	-	-	-	-	0.2	0.4	0.6
Business integration costs	-	-	-	-	1.5	-	1.5
Equity method profit not distributed in cash	(4.1)	(0.4)	-	-	-	-	(4.5)
Impact of purchase price accounting on leases	-	-	-	-	(0.4)	-	(0.4)
Impact of purchase price accounting on inventories	-	-	-	-	0.8	-	0.8
Non-cash pension (income)/expense	-	-	-	1.2	1.8	(14.4)	(11.4)
Operational process engineering-related consultancy costs	-	-	-	1.6	3.0	0.6	5.2
Restructuring costs	0.7	-	0.4	9.6	22.9	11.6	45.2
Unrealized loss (gain) on derivatives	(0.2)	(0.6)	0.2	(1.2)	(2.3)	-	(4.1)
<b>Adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA")</b>	<b>107.1</b>	<b>62.7</b>	<b>37.7</b>	<b>110.3</b>	<b>105.6</b>	<b>(5.5)</b>	<b>417.9</b>
<b>Segment assets as at March 31, 2011</b>	<b>3,349.4</b>	<b>1,229.2</b>	<b>1,784.3</b>	<b>1,829.0</b>	<b>412.0</b>	<b>8,035.8</b>	<b>16,639.7</b>

\* Corporate / unallocated includes holding companies and certain debt issuer companies which support the entire Group and which are not part of a specific segment. It also includes eliminations of transactions and balances between segments. In addition, as at March 31, 2011, it includes \$8,865.2 million of assets related to the businesses acquired in the Pactiv acquisition that have not yet been allocated between the Reynolds Consumer Products and Pactiv Foodservice segments. The Group is currently working on the allocation of assets and expects to be completed no later than November 16, 2011. While the statement of financial position data has not been allocated, the Reynolds Consumer Products and Pactiv Foodservice segment results include the contribution from the relative Pactiv businesses for the three month period ended March 31, 2011.

**Beverage Packaging Holdings Group**  
**Notes to interim unaudited condensed financial statements**  
**For the period ended March 31, 2011**

**Business segment reporting**

For the three month period ended March 31, 2010

(In \$ million)	Reynolds						Total
	SIG Combibloc	Evergreen	Closures	Consumer Products	Pactiv Foodservice	Corporate / unallocated *	
Total external revenue	410.6	363.4	254.8	248.4	130.4	-	1,407.6
Total inter-segment revenue	-	-	1.0	10.5	14.5	(26.0)	-
<b>Total segment revenue</b>	<b>410.6</b>	<b>363.4</b>	<b>255.8</b>	<b>258.9</b>	<b>144.9</b>	<b>(26.0)</b>	<b>1,407.6</b>
Gross profit	104.6	32.0	35.0	63.1	12.1	-	246.8
Expenses and other income	(55.6)	(18.6)	(14.5)	(28.9)	(3.4)	(0.5)	(121.5)
Share of profit of associates and joint ventures (equity method)	4.2	0.3	-	-	-	-	4.5
<b>Earnings before interest and tax ("EBIT")</b>	<b>53.2</b>	<b>13.7</b>	<b>20.5</b>	<b>34.2</b>	<b>8.7</b>	<b>(0.5)</b>	<b>129.8</b>
Financial income							18.6
Financial expenses							(152.3)
<b>Loss before income tax</b>							<b>(3.9)</b>
Income tax expense							(35.3)
<b>Loss after income tax</b>							<b>(39.2)</b>
<b>Earnings before interest and tax ("EBIT")</b>	<b>53.2</b>	<b>13.7</b>	<b>20.5</b>	<b>34.2</b>	<b>8.7</b>	<b>(0.5)</b>	<b>129.8</b>
Depreciation and amortization	60.0	15.3	21.4	14.4	9.1	-	120.2
<b>Earnings before interest, tax, depreciation and amortization ("EBITDA")</b>	<b>113.2</b>	<b>29.0</b>	<b>41.9</b>	<b>48.6</b>	<b>17.8</b>	<b>(0.5)</b>	<b>250.0</b>
Included in EBITDA:							-
Business acquisition costs	-	0.5	-	-	-	-	0.5
Business interruption costs	-	-	0.8	-	-	-	0.8
CSI Americas gain on acquisition	-	-	(9.8)	-	-	-	(9.8)
Equity method profit not distributed in cash	(3.1)	(0.3)	-	-	-	-	(3.4)
Gain on sale of businesses	-	-	-	-	(9.1)	-	(9.1)
Operational process engineering-related consultancy costs	-	0.8	-	5.3	-	-	6.1
Related party management fees	-	0.6	-	-	-	-	0.6
Restructuring costs (recoveries)	2.9	-	-	(1.2)	(0.7)	-	1.0
Unrealized (gains) losses on derivatives	-	1.1	(0.9)	-	0.3	-	0.5
<b>Adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA")</b>	<b>113.0</b>	<b>31.7</b>	<b>32.0</b>	<b>52.7</b>	<b>8.3</b>	<b>(0.5)</b>	<b>237.2</b>
<b>Segment assets as at December 31, 2010</b>	<b>3,439.3</b>	<b>1,256.6</b>	<b>1,739.1</b>	<b>1,763.0</b>	<b>404.6</b>	<b>7,322.2</b>	<b>15,924.8</b>

\* Corporate / unallocated includes holding companies and certain debt issuer companies which support the entire Group and which are not part of a specific segment. It also includes eliminations of transactions and balances between segments. In addition, as at December 31, 2010 it includes \$8,360.1 million of assets related to the businesses acquired in the Pactiv Acquisition that have not yet been allocated between the Reynolds Consumer Products and Pactiv Foodservice segments.



**Beverage Packaging Holdings Group**  
**Notes to the interim unaudited condensed financial statements**

**7. Other income**

(In \$ million)	For the three month period ended	
	March 31,	
	2011	2010
CSI Americas gain on acquisition	-	9.8
Gain on sale of businesses	-	9.1
Income from facility management	2.8	1.9
Rental income from investment properties	1.7	1.7
Royalty income	0.6	0.5
Sale of by-products	7.3	5.8
Unrealized gains on derivatives	4.1	-
Other	6.1	5.7
<b>Total other income</b>	<b>22.6</b>	<b>34.5</b>

**8. Other expenses**

(In \$ million)	Note	For the three month period ended	
		March 31,	
		2011	2010
Business acquisition costs		(0.6)	(0.5)
Business integration costs		(1.5)	-
Business interruption costs		-	(0.8)
Loss on disposal of property, plant and equipment		-	(1.1)
Net foreign currency exchange loss		(4.0)	(0.8)
Operational process engineering-related consultancy costs		(5.2)	(6.1)
Related party management fees	17	-	(0.6)
Restructuring costs		(45.2)	(1.0)
Unrealized losses on derivatives		-	(0.5)
Other		(0.8)	(0.8)
<b>Total other expenses</b>		<b>(57.3)</b>	<b>(12.2)</b>

**Beverage Packaging Holdings Group**  
**Notes to the interim unaudited condensed financial statements**

**9. Financial income and expenses**

(In \$ million)	Note	For the three month period ended	
		March 31,	
		2011	2010
Interest income		1.2	1.0
Interest income on related party loans	17	-	1.2
Net change in fair values of derivatives		-	16.4
Net foreign currency exchange gain		94.6	-
<b>Financial income</b>		<b>95.8</b>	<b>18.6</b>
Interest expense			
2011 Credit Agreement		(15.6)	-
2009 Credit Agreement		(29.0)	(21.6)
2011 Notes		(25.2)	-
October 2010 Notes		(60.5)	-
May 2010 Notes		(21.3)	-
2009 Notes		(35.0)	(33.9)
2007 Notes		(26.7)	(27.2)
Pactiv 2012 Notes		(3.7)	-
Pactiv 2017 Notes		(6.1)	-
Pactiv 2018 Notes		(0.3)	-
Pactiv 2025 Notes		(5.5)	-
Pactiv 2027 Notes		(4.2)	-
CHH Facility		-	(5.7)
Related party borrowings		(0.1)	(0.1)
Amortization of:			
Debt issue costs			
2011 Credit Agreement		(0.4)	-
2009 Credit Agreement		(86.0)	(1.5)
2011 Notes		(0.4)	-
October 2010 Notes		(2.5)	-
May 2010 Notes		(0.7)	-
2009 Notes		(2.1)	(2.1)
2007 Notes		(1.0)	(1.0)
CHH Facility		-	(0.3)
Fair value adjustment of Pactiv Notes		2.3	-
Original issue discounts		(38.3)	(1.2)
Embedded derivatives		1.5	0.4
Net change in fair values of derivatives		(18.1)	-
Net foreign currency exchange loss		-	(54.7)
Other		(2.1)	(3.4)
<b>Financial expenses</b>		<b>(381.0)</b>	<b>(152.3)</b>
<b>Net financial expenses</b>		<b>(285.2)</b>	<b>(133.7)</b>

In February 2011, the 2009 Credit Agreement was repaid in full with the proceeds from the 2011 Notes as well as proceeds from the 2011 Credit Agreement. As a result of such repayments, the unamortized debt issuance cost of \$86.0 million and unamortized original issuance discount of \$37.6 million related to the 2009 Credit Agreement were expensed during the three month period ended March 31, 2011. Refer to note 14 for details of the Group's borrowings.

**Beverage Packaging Holdings Group**  
**Notes to the interim unaudited condensed financial statements**

**10. Income tax**

(In \$ million)	For the three month period ended	
	March 31,	
	2011	2010
<b>Reconciliation of effective tax rate</b>		
<b>Loss before income tax</b>	<b>(91.2)</b>	<b>(3.9)</b>
Income tax benefit using the New Zealand tax rate of 28% (2010: 30%)	25.6	1.2
Effect of differences of tax rates in foreign jurisdictions	13.5	(10.1)
Effect of state and local tax rates	2.9	(2.2)
Recognition of previously unrecognized tax losses and temporary differences	11.8	0.3
Other taxable and non-deductible items	(7.7)	(1.7)
Domestic manufacturers deduction	2.4	-
Withholding tax	(2.1)	(0.7)
Current period losses for which no deferred tax asset was recognized	(1.3)	(19.9)
Tax rate modifications	(1.3)	(2.4)
Tax audits and contingencies	(1.0)	-
Other	(1.4)	0.2
<b>Total income tax benefit (expense)</b>	<b>41.4</b>	<b>(35.3)</b>

**11. Inventories**

(In \$ million)	As at March 31, 2011	As at December 31, 2010
Raw materials and consumables	400.4	378.8
Work in progress	187.0	167.0
Finished goods	847.2	646.0
Engineering and maintenance materials	148.5	145.7
Provision against inventories	(69.0)	(56.9)
<b>Total inventories</b>	<b>1,514.1</b>	<b>1,280.6</b>

During the three month period ended March 31, 2011, the write-down of inventories to net realizable value amounted to \$0.9 million (March 31, 2010: \$1.3 million).

**12. Property, plant and equipment**

(In \$ million)	Land	Buildings, plant and equipment	Capital work in progress	Leased assets lessor	Finance leased assets	Total
<b>Cost</b>	212.9	3,490.7	243.6	275.2	28.0	4,250.4
Accumulated depreciation	-	(842.2)	-	(116.9)	(2.3)	(961.4)
Accumulated impairment losses	-	(7.6)	-	-	-	(7.6)
<b>Carrying amount at March 31, 2011</b>	<b>212.9</b>	<b>2,640.9</b>	<b>243.6</b>	<b>158.3</b>	<b>25.7</b>	<b>3,281.4</b>
<b>Cost</b>	219.3	3,447.3	200.8	267.9	28.2	4,163.5
Accumulated depreciation	-	(765.1)	-	(114.2)	(2.0)	(881.3)
Accumulated impairment losses	-	(7.6)	-	-	-	(7.6)
<b>Carrying amount at December 31, 2010</b>	<b>219.3</b>	<b>2,674.6</b>	<b>200.8</b>	<b>153.7</b>	<b>26.2</b>	<b>3,274.6</b>

The total depreciation charge of \$124.2 million for the three month period ended March 31, 2011 (March 31, 2010: \$76.2 million) is recognized in the statements of comprehensive income as a component of cost of sales (March 31, 2011: \$118.6 million, March 31, 2010: \$72.5 million), selling, marketing and distribution expenses (March 31, 2011: \$0.9 million, March 31, 2010: \$1.0 million) and general and administration expenses (March 31, 2011: \$4.7 million, March 31, 2010: \$2.7 million). Property, plant and equipment of \$3,281.4 million at March 31, 2011 include an amount of \$1,434.0 million in respect of the Pactiv acquisition that has been determined on a provisional basis. See note 18 regarding the status of the Pactiv purchase price allocation.

During the three month period ended March 31, 2011, no impairment charges or reversals of previously recognized impairment charges were recognized (March 31, 2010: nil).

The Group leases plant and equipment under finance leases. The leased plant and equipment secures the lease obligations.

Refer to note 14 for details of security granted over property, plant and equipment and other assets.

**Beverage Packaging Holdings Group**  
**Notes to the interim unaudited condensed financial statements**

**13. Intangible assets**

(In \$ million)			Customer	Technology	Other	Total
	Goodwill	Trademarks	relationships	& software		
Cost	4,381.9	2,434.9	2,024.9	547.0	292.9	9,681.6
Accumulated amortization	-	(11.5)	(322.5)	(248.4)	(138.5)	(720.9)
<b>Carrying amount at March 31, 2011</b>	<b>4,381.9</b>	<b>2,423.4</b>	<b>1,702.4</b>	<b>298.6</b>	<b>154.4</b>	<b>8,960.7</b>
Cost	4,329.4	2,428.1	2,004.9	536.7	288.3	9,587.4
Accumulated amortization	-	(10.5)	(278.1)	(219.1)	(129.9)	(637.6)
<b>Carrying amount at December 31, 2010</b>	<b>4,329.4</b>	<b>2,417.6</b>	<b>1,726.8</b>	<b>317.6</b>	<b>158.4</b>	<b>8,949.8</b>

The total amortization charge of \$66.2 million for the three month period ended March 31, 2011 (March 31, 2010: \$43.5 million) is recognized in the statements of comprehensive income as a component of cost of sales (March 31, 2011: \$21.7 million, March 31, 2010: \$20.4 million) and general and administration expenses (March 31, 2011: \$44.5 million, March 31, 2010: \$23.1 million). Intangible assets of \$8,960.7 million at March 31, 2011 include an amount of \$5,830.0 million in respect of the Pactiv acquisition that has been determined on a provisional basis. See note 18 regarding the status of the Pactiv purchase price allocation.

**13.1 Impairment testing for CGUs containing indefinite life intangible assets**

Goodwill and certain trademarks are the only intangible assets with indefinite useful lives and are therefore not subject to amortization. Instead, recoverable amounts are calculated annually as well as whenever there is an indication that they may be impaired. As at March 31, 2011, provisional goodwill and indefinite life intangible assets of \$4,374.6 million arising from the Pactiv acquisition (refer to note 18) have not yet been allocated to the Group's segments. There were no indicators of impairment as at March 31, 2011.

**14. Borrowings**

(In \$ million)	Note	As at March 31, 2011	As at December 31, 2010
2011 Credit Agreement <sup>(a)(p)</sup>		26.8	-
2009 Credit Agreement <sup>(b)(q)</sup>		-	135.7
Other borrowings <sup>(x)</sup>		4.0	4.9
<b>Current borrowings</b>		<b>30.8</b>	<b>140.6</b>
2011 Credit Agreement <sup>(a)(p)</sup>		2,635.0	-
2009 Credit Agreement <sup>(b)(q)</sup>		-	3,890.5
2011 Senior Secured Notes <sup>(c)(r)</sup>		999.0	-
2011 Senior Notes <sup>(d)(r)</sup>		992.9	-
October 2010 Senior Secured Notes <sup>(e)(s)</sup>		1,471.1	1,470.2
October 2010 Senior Notes <sup>(f)(s)</sup>		1,464.8	1,463.8
May 2010 Notes <sup>(g)(t)</sup>		978.0	977.6
2009 Notes <sup>(h)(u)</sup>		1,686.7	1,647.6
2007 Senior Notes <sup>(i)(v)</sup>		660.3	620.7
2007 Senior Subordinated Notes <sup>(j)(v)</sup>		577.1	542.3
Pactiv 2012 Notes <sup>(k)(w)</sup>		259.0	260.9
Pactiv 2017 Notes <sup>(l)(w)</sup>		315.4	315.9
Pactiv 2018 Notes <sup>(m)(w)</sup>		16.4	16.4
Pactiv 2025 Notes <sup>(n)(w)</sup>		269.6	269.5
Pactiv 2027 Notes <sup>(o)(w)</sup>		197.0	197.0
Related party borrowings	17	16.6	15.5
Other borrowings <sup>(x)</sup>		25.3	26.6
<b>Non-current borrowings</b>		<b>12,564.2</b>	<b>11,714.5</b>
<b>Total borrowings</b>		<b>12,595.0</b>	<b>11,855.1</b>

**Beverage Packaging Holdings Group**

**Notes to the interim unaudited condensed financial statements**

(In \$ million)	As at March 31, 2011	As at December 31, 2010
(a) 2011 Credit Agreement (current and non-current)	2,678.3	-
Transaction costs	(16.5)	-
<b>Carrying amount</b>	<b>2,661.8</b>	<b>-</b>
(b) 2009 Credit Agreement (current and non-current)	-	4,149.8
Transaction costs	-	(86.0)
Original issue discount	-	(37.6)
<b>Carrying amount</b>	<b>-</b>	<b>4,026.2</b>
(c) 2011 Senior Secured Notes	1,000.0	-
Transaction costs	(15.8)	-
Embedded derivative	14.8	-
<b>Carrying amount</b>	<b>999.0</b>	<b>-</b>
(d) 2011 Senior Notes	1,000.0	-
Transaction costs	(18.2)	-
Embedded derivative	11.1	-
<b>Carrying amount</b>	<b>992.9</b>	<b>-</b>
(e) October 2010 Senior Secured Notes	1,500.0	1,500.0
Transaction costs	(37.3)	(38.5)
Embedded derivative	8.4	8.7
<b>Carrying amount</b>	<b>1,471.1</b>	<b>1,470.2</b>
(f) October 2010 Senior Notes	1,500.0	1,500.0
Transaction costs	(44.5)	(45.8)
Embedded derivative	9.3	9.6
<b>Carrying amount</b>	<b>1,464.8</b>	<b>1,463.8</b>
(g) May 2010 Notes	1,000.0	1,000.0
Transaction costs	(30.7)	(31.4)
Embedded derivative	8.7	9.0
<b>Carrying amount</b>	<b>978.0</b>	<b>977.6</b>
(h) 2009 Notes	1,761.0	1,723.3
Transaction costs	(67.6)	(69.3)
Original issue discount	(19.0)	(19.0)
Embedded derivative	12.3	12.6
<b>Carrying amount</b>	<b>1,686.7</b>	<b>1,647.6</b>
(i) 2007 Senior Notes	678.3	638.2
Transaction costs	(18.0)	(17.5)
<b>Carrying amount</b>	<b>660.3</b>	<b>620.7</b>
(j) 2007 Senior Subordinated Notes	593.6	558.4
Transaction costs	(16.5)	(16.1)
<b>Carrying amount</b>	<b>577.1</b>	<b>542.3</b>
(k) Pactiv 2012 Notes	249.3	249.3
Fair value adjustment at acquisition	9.7	11.6
<b>Carrying amount</b>	<b>259.0</b>	<b>260.9</b>
(l) Pactiv 2017 Notes	299.7	299.7
Fair value adjustment at acquisition	15.7	16.2
<b>Carrying amount</b>	<b>315.4</b>	<b>315.9</b>
(m) Pactiv 2018 Notes	15.7	15.7
Fair value adjustment at acquisition	0.7	0.7
<b>Carrying amount</b>	<b>16.4</b>	<b>16.4</b>
(n) Pactiv 2025 Notes	276.4	276.4
Fair value adjustment at acquisition	(6.8)	(6.9)
<b>Carrying amount</b>	<b>269.6</b>	<b>269.5</b>
(o) Pactiv 2027 Notes	200.0	200.0
Fair value adjustment at acquisition	(3.0)	(3.0)
<b>Carrying amount</b>	<b>197.0</b>	<b>197.0</b>

## Beverage Packaging Holdings Group

### Notes to the interim unaudited condensed financial statements

#### (p) 2011 Credit Agreement

RGHL and certain members of the Group are parties to an amended and restated senior secured credit agreement dated February 9, 2011 (the "2011 Credit Agreement"), which amended and restated the 2009 Credit Agreement and comprises the following term and revolving tranches:

(In million)	Maturity Date	Original Facility Value	Value Drawn or Utilized at March 31, 2011	Applicable interest rate for the three month period ended March 31, 2011
<i>Term Tranches</i>				
US Term Loan (\$)	February 9, 2018	\$2,325.0	\$2,325.0	4.25%
European Term Loan (€)	February 9, 2018	€250.0	€250.0	5.00%
<i>Revolving Tranches <sup>(1)</sup></i>				
\$ Revolving Tranche	November 5, 2014	\$120.0	\$48.5	-
€ Revolving Tranche	November 5, 2014	€80.0	€24.0	-

(1) The Revolving Tranches were utilized in the form of bank guarantees and letters of credit.

The proceeds of the US Term Loan and the European Term Loan under the 2011 Credit Agreement were used to fully repay the Tranche A Term Loan, the Tranche B Term Loan, the Tranche C Term Loan and the European Term Loan under the 2009 Credit Agreement (as defined below).

RGHL and certain members of the Group have guaranteed on a senior basis the obligations under the 2011 Credit Agreement and related documents to the extent permitted by law. Certain guarantors have granted security over certain of their assets to support the obligations under the 2011 Credit Agreement. This security is expected to be shared on a first priority basis with the note holders under the 2009 Notes, the October 2010 Senior Secured Notes and the 2011 Senior Secured Notes.

Indebtedness under the 2011 Credit Agreement may be voluntarily repaid in whole or in part and must be mandatorily repaid in certain circumstances. The borrowers also make quarterly amortization payments of 0.25% of the initial outstanding principal in respect of the term loans.

The 2011 Credit Agreement contains customary covenants which restrict RGHL and the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling or acquiring assets and making restricted payments, in each case except as permitted under the 2011 Credit Agreement. RGHL and the Group also have interest coverage ratio and maximum senior secured leverage ratio covenants as well as limitations on capital expenditures. At March 31, 2011 RGHL and the Group were in compliance with all of their covenants. The total assets of the non-guarantor companies (excluding intra-group items but including investments in subsidiaries) are required to be 20% or less of the consolidated total assets of RGHL and its subsidiaries and the aggregate EBITDA of the non-guarantor companies is required to be 20% or less of the consolidated EBITDA of RGHL and its subsidiaries, in each case calculated in accordance with the 2011 Credit Agreement which may differ from the measure of Adjusted EBITDA disclosed in note 6.

#### (q) 2009 Credit Agreement

RGHL and certain members of the Group were parties to a senior secured credit agreement dated November 5, 2009, as amended from time to time (the "2009 Credit Agreement"). On February 1, 2011, the Tranche D Term Loan under the 2009 Credit Agreement was repaid with the proceeds of the 2011 Notes and on February 9, 2011 the Tranche A Term Loan, the Tranche B Term Loan, the Tranche C Term Loan and the European Term Loan under the 2009 Credit Agreement were repaid with the proceeds of the US Term Loan and European Term Loan under the 2011 Credit Agreement.

#### (r) 2011 Notes

On February 1, 2011, Reynolds Group Issuer LLC, Reynolds Group Issuer Inc. and Reynolds Group Issuer (Luxembourg) S.A., (together, the "Reynolds Issuers") issued \$1,000.0 million principal amount of 6.875% senior secured notes due 2021 (the "2011 Senior Secured Notes") and \$1,000.0 million principal amount of 8.250% senior notes due 2021 (the "2011 Senior Notes" and together with the 2011 Senior Secured Notes the "2011 Notes"). Interest on the 2011 Notes is paid semi-annually on February 15 and August 15 each year, commencing August 15, 2011.

#### (s) October 2010 Notes

On October 15, 2010, the Reynolds Issuers issued \$1,500.0 million principal amount of 7.125% senior secured notes due 2019 (the "October 2010 Senior Secured Notes") and \$1,500.0 million principal amount of 9.000% senior notes due 2019 (the "October 2010 Senior Notes" and, together with the October 2010 Senior Secured Notes, the "October 2010 Notes"). Interest on the October 2010 Notes is paid semi-annually on April 15 and October 15.

#### (t) May 2010 Notes

On May 4, 2010, the Reynolds Issuers issued \$1,000.0 million principal amount of 8.500% senior notes due 2018 (the "May 2010 Notes"). Interest on the May 2010 Notes is paid semi-annually on May 15 and November 15.

## **Beverage Packaging Holdings Group**

### **Notes to the interim unaudited condensed financial statements**

#### **(u) 2009 Notes**

On November 5, 2009, the Reynolds Issuers issued \$1,125.0 million principal amount of 7.750% senior secured notes due 2016 and €450.0 million principal amount of 7.750% senior secured notes due 2016 (collectively, the "2009 Notes"). Interest on the 2009 Notes is paid semi-annually on April 15 and October 15.

#### **Assets Pledged as Security for Loans and Borrowings**

As a result of the pledge of the shares in BP I by RGHL, the carrying values of the assets pledged as collateral under the 2011 Credit Agreement, the 2009 Notes, the October 2010 Senior Secured Notes and the 2011 Senior Secured Notes equates to the assets of the Group.

#### **Terms Governing the Notes**

As used herein "Notes" refers to the 2011 Notes, the October 2010 Notes, the May 2010 Notes and the 2009 Notes.

#### **Certain Guarantee Arrangements**

All of the guarantors of the 2011 Credit Agreement have guaranteed or will guarantee the obligations under the Notes to the extent permitted by law.

The guarantors (other than the entities organized in Australia, Costa Rica and Japan) have granted or will grant security over certain of their assets to support the obligations under the 2011 Senior Secured Notes, the October 2010 Senior Secured Notes and the 2009 Notes. This security is shared on a first priority basis with the creditors under the 2011 Credit Agreement.

#### **Notes Indentures Restrictions**

The respective indentures governing the Notes all contain customary covenants which restrict the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the respective indentures governing the Notes.

#### **Early Redemption Option and Change in Control Provisions**

Under the respective indentures governing the Notes, the Reynolds Issuers, at their option, can elect to redeem the Notes under terms and conditions specified in the respective indenture. The terms of the early redemption constitute an embedded derivative. In accordance with the Group's accounting policy for embedded derivatives, the Group has recognized an embedded derivative in relation to the redemption provisions of the respective Notes.

Under the respective indentures governing the Notes, in certain circumstances which would constitute a change in control, the holders of the Notes have the right to require the Reynolds Issuers to repurchase the Notes at a premium.

#### **U.S. Securities and Exchange Commission Registration Rights**

Pursuant to separate registration rights agreements entered into with the initial purchasers of the Notes, the Reynolds Issuers have agreed (i) to file with the U.S. Securities and Exchange Commission ("SEC") an exchange offer registration statement pursuant to which the Reynolds Issuers will separately exchange the Notes for a like aggregate principal amount of new registered notes that are identical in all material respects to the respective Notes, except for certain provisions, among others, relating to additional interest and transfer restrictions or (ii) under certain circumstances, to file a shelf registration statement with the SEC.

The respective registration rights agreements for the Notes require the relevant filing to be effective within 12 months from the issuance of the Notes. If this does not occur, the Reynolds Issuers are required to pay additional interest of up to a maximum of 1.00% per annum. Additional interest on the 2009 Notes commenced on November 5, 2010. Additional interest on the May 2010 Notes commenced on May 4, 2011.

#### **(v) 2007 Notes**

On June 29, 2007, BP II issued €480.0 million principal amount of 8% senior notes due 2016 (the "2007 Senior Notes") and €420.0 million principal amount of 9.5% senior subordinated notes due 2017 (the "2007 Senior Subordinated Notes" and together with the 2007 Senior Notes, the "2007 Notes"). Interest on the 2007 Notes is paid semi-annually on June 15 and December 15.

The 2007 Senior Notes are secured on a second-priority basis and the 2007 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 loan of the proceeds of the 2007 Notes made by BP II to BP I. All of the guarantors of the 2011 Credit Agreement have guaranteed the obligations under the 2007 Notes to the extent permitted by law.

The indentures governing the 2007 Notes contain customary covenants which restrict the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the indentures for the 2007 Notes.

In certain circumstances which would constitute a change in control, the holders of the 2007 Notes have the right to require BP II to repurchase the 2007 Notes at a premium.

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**(w) Pactiv Notes**

As of March 31, 2011 and December 31, 2010, the Group had outstanding:

- \$249.3 million in principal amount of 5.875% Notes due 2012 (the "Pactiv 2012 Notes");
- \$299.7 million in principal amount of 8.125% Debentures due 2017 (the "Pactiv 2017 Notes");
- \$15.7 million in principal amount of 6.400% Notes due 2018 (the "Pactiv 2018 Notes");
- \$276.4 million in principal amount of 7.950% Debentures due 2025 (the "Pactiv 2025 Notes"); and
- \$200.0 million in principal amount of 8.375% Debentures due 2027 (the "Pactiv 2027 Notes"),

(together, the "Pactiv Notes").

For each of the Pactiv Notes, interest is paid semi-annually:

- on the Pactiv 2012 Notes and the Pactiv 2018 Notes, January 15 and July 15;
- on the Pactiv 2017 Notes and the Pactiv 2025 Notes, June 15 and December 15; and
- on the Pactiv 2027 Notes, April 15 and October 15.

The indentures governing the Pactiv Notes contain a negative pledge clause limiting the ability of certain entities within the Group, subject to certain exceptions, to (i) incur or guarantee debt that is secured by liens on "principal manufacturing properties" (as such term is defined in the indentures governing the Pactiv Notes) or on the capital stock or debt of certain subsidiaries that own or lease any such principal manufacturing property and (ii) sell and then take an immediate lease back of such principal manufacturing property.

The Pactiv 2012 Notes, the Pactiv 2017 Notes, the Pactiv 2018 Notes and the Pactiv 2027 Notes may be redeemed at any time at the Group's option, in whole or in part at a redemption price equal to 100% of the principal amount thereof plus any accrued and unpaid interest to the date of the redemption.

**(x) Other borrowings**

At March 31, 2011, in addition to the 2011 Credit Agreement, the Notes, the 2007 Notes and the Pactiv Notes, the Group had a number of unsecured working capital facilities extended to certain operating companies of the Group. These facilities bear interest at floating or fixed rates.

At March 31, 2011, the Group had local working capital facilities in a number of jurisdictions which are secured by the collateral under the 2011 Credit Agreement, the 2009 Notes, the October 2010 Senior Secured Notes, the 2011 Senior Secured Notes and certain other assets. The local working capital facilities which are secured by the collateral under the 2011 Credit Agreement, the 2009 Notes, the October 2010 Senior Secured Notes and the 2011 Senior Secured Notes rank pari passu with the obligations under the 2011 Credit Agreement, the 2009 Notes, the October 2010 Senior Secured Notes and the 2011 Senior Secured Notes. At March 31, 2011, the secured facilities were utilized in the amount of \$2.1 million (December 31, 2010: \$3.3 million) in the form of short-term bank overdrafts, letters of credit and bank guarantees.

Other borrowings at March 31, 2011 also included finance lease obligations of \$27.2 million (December 31, 2010: \$28.2 million).

**15. Provisions**

(In \$ million)	Legal & warranty	Restructuring	Workers' compensation	Other	Total
Current	26.4	39.2	16.8	9.5	91.9
Non-current	25.7	0.1	17.2	57.4	100.4
<b>Total provisions at March 31, 2011</b>	<b>52.1</b>	<b>39.3</b>	<b>34.0</b>	<b>66.9</b>	<b>192.3</b>
Current	26.1	17.2	17.2	12.1	72.6
Non-current	23.5	-	17.6	50.3	91.4
<b>Total provisions at December 31, 2010</b>	<b>49.6</b>	<b>17.2</b>	<b>34.8</b>	<b>62.4</b>	<b>164.0</b>

The Group continued to integrate the operations of Pactiv with the Reynolds Consumer Products and Pactiv Foodservice segments. The initiatives, as well as other restructuring actions across the Group, have resulted in the recognition of \$45.2 million of restructuring expenses for the period ended March 31, 2011. These restructuring expenses primarily related to employee severance and will be settled in cash.



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**16. Equity and other comprehensive income**

**16.1 Share capital**

**Beverage Packaging Holdings (Luxembourg) I S.A.**

<b>Number of shares</b>	<b>For the</b>	
	<b>Three month period ended March 31, 2011</b>	<b>Twelve month period ended December 31, 2010</b>
Balance at the beginning of the period	13,063,527	13,063,527
Issue of shares	-	-
<b>Balance</b>	<b>13,063,527</b>	<b>13,063,527</b>

The holder of the shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share. All shares rank equally with regard to BP I's residual assets in the event of a wind-up.

**Beverage Packaging Holdings (Luxembourg) II S.A.**

<b>Number of shares</b>	<b>For the</b>	
	<b>Three month period ended March 31, 2011</b>	<b>Twelve month period ended December 31, 2010</b>
Balance at the beginning of the period	1,000	1,000
Issue of shares	-	-
<b>Balance</b>	<b>1,000</b>	<b>1,000</b>

The holder of the shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share. All shares rank equally with regard to BP II's residual assets in the event of a wind-up.

**16.2 Dividends**

There were no dividends declared or paid by BP I or BP II during the three month period ended March 31, 2011 (2010: nil).

**16.3 Other comprehensive income**

During the period ended March 31, 2011, the Group transferred nil (2010: \$48.5 million) of foreign currency translation reserves which had been previously recognized in other comprehensive income to the profit or loss primarily as a result of the internal restructuring of legal entities within the SIG segment.

**Beverage Packaging Holdings Group**  
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**17. Related parties**

**Parent and ultimate controlling party**

The immediate parent of the Group is RGHL, the ultimate parent of the Group is Packaging Holdings Limited and the ultimate shareholder is Mr. Graeme Hart.

**Related party transactions**

The entities, the nature of the relationship and the types of transactions with which the Group entered into related party transactions during the three month periods ended March 31, 2011 and 2010 are detailed below:

<b>Entity name</b>	<b>Nature of relationship</b>	<b>Nature of transactions</b>
Reynolds Group Holdings Limited	Immediate parent	Financing (loan) <sup>(b)</sup> , interest expense
BPC United States Inc.	Common ultimate shareholder	Management fees, sale of services, trade receivables
Carter Holt Harvey Limited	Common ultimate shareholder	Trade receivables, trade payables, sale of goods, purchase of goods
Carter Holt Harvey Packaging Pty Limited	Common ultimate shareholder	Trade payables, Trade receivables, sale of goods
Carter Holt Harvey Pulp & Paper Limited	Common ultimate shareholder	Trade receivables, trade payables, sale of goods, purchase of goods
Rank Group Limited	Common ultimate shareholder	Trade payables, recharges
Reynolds Consumer Products (NZ) Limited	Common ultimate shareholder	Interest income
Reynolds Packaging (NZ) Limited	Common ultimate shareholder	Trade payables
Reynolds Packaging Group (NZ) Limited	Common ultimate shareholder	Trade payables
Reynolds Treasury (NZ) Limited	Common ultimate shareholder	Interest income
SIG Combibloc Obeikan FZCO	Joint venture	Sale of goods <sup>(a)</sup>
SIG Combibloc Obeikan Company Limited	Joint venture	Distribution <sup>(a)</sup>

**Beverage Packaging Holdings Group**

**Notes to the interim unaudited condensed financial statements**

(In \$ million)	Transaction values for the period ended March 31,		Balances outstanding as at	
	2011	2010	March 31, 2011	December 31, 2010
<b>Transactions with the immediate and ultimate parent companies</b>				
Due to immediate parent <sup>(b)</sup>	-	-	(16.6)	(15.5)
Interest charged	(0.1)	(0.1)	-	-
<b>Transactions with joint ventures</b>				
Sale of goods and services <sup>(a)</sup>	24.6	33.6	30.4	29.3
Purchase of goods <sup>(a)</sup>	(3.6)	-	(6.8)	(3.2)
<b>Transactions with other related parties</b>				
<b>Trade receivables</b>				
BPC United States Inc.	-	-	1.8	1.2
Sale of services	0.6	-	-	-
Carter Holt Harvey Limited	-	-	0.1	1.1
Sale of goods	2.1	-	-	-
Carter Holt Harvey Packaging Pty Limited	-	-	-	4.1
Sale of goods	3.8	-	-	-
Carter Holt Harvey Pulp & Paper Limited	-	-	0.9	0.4
Sale of goods	0.9	-	-	-
Reynolds Treasury (NZ) Limited	-	-	-	-
Interest charged	-	0.3	-	-
<b>Trade payables</b>				
BPC United States Inc.	-	-	-	-
Management fees	-	(0.6)	-	-
Carter Holt Harvey Limited	-	-	(0.3)	(1.1)
Purchase of goods	(0.2)	(1.4)	-	-
Carter Holt Harvey Packaging Pty Limited	-	-	-	(0.2)
Carter Holt Harvey Pulp and Paper Limited	-	-	(4.4)	(3.4)
Purchase of goods	(9.4)	(0.6)	-	-
Rank Group Limited	-	-	(7.3)	(6.5)
Recharges	(9.0)	(5.2)	-	-
Reynolds Packaging (NZ) Limited	-	-	-	(0.6)
Reynolds Packaging Group (NZ) Limited	-	-	-	(0.4)
<b>Loans receivable</b>				
Reynolds Consumer Products (NZ) Limited	-	-	-	-
Interest charged	-	0.9	-	-

(a) All transactions with joint ventures are conducted on an arm's length basis and are settled in cash. Sales and purchases of goods and services are negotiated on a cost-plus basis allowing a margin ranging from 3% to 6%. All amounts are unsecured, non-interest bearing and repayable on demand.

(b) The advance due to RGHL accrues interest at a rate based on EURIBOR plus a margin of 2.38%. During the three month period ended March 31, 2011, interest accrued at a rate of 3.38% (2010: 3.08%). This loan is subordinated to the obligations under the 2011 Credit Agreement, the 2011 Senior Secured Notes, the October 2010 Senior Secured Notes and 2009 Notes and is subject to certain other payment restrictions, including in favor of the 2007 Notes under the terms of the inter-creditor arrangements.

**Beverage Packaging Holdings Group**  
**Notes to the interim unaudited condensed financial statements**

**18. Business combinations**

**Pactiv Corporation**

On November 16, 2010, the Group acquired 100% of the outstanding common stock of Pactiv for a purchase price of \$4,452.0 million. The consideration was paid in cash. There is no contingent consideration payable.

Pactiv is a leading manufacturer of consumer and foodservice packaging products in the United States. The acquisition of Pactiv brings together two consumer and foodservice packaging platforms. The combination increases the Group's product, geographic and customer diversification and creates an extensive and diverse distribution network. The Group's and Pactiv's products are complementary, providing the combined Group with opportunities to generate incremental revenue through cross-selling and category expansion. The Group also expects to realize significant cost savings by consolidating facilities, eliminating duplicate operations, improving supply chain management and achieving other efficiencies. As the Group's businesses are being combined with the acquired business, the Group is unable to quantify the results of the acquired business separately for the first quarter of 2011. For the first quarter of 2010, Pactiv's revenue, profit from operating activities, EBITDA and Adjusted EBITDA were \$783.8 million, \$103.1 million, \$149.5 million and \$137.4 million, respectively. These amounts include IFRS adjustments and will not agree to historically reported Pactiv results as Pactiv reported results under U.S.GAAP.

Funding for the purchase consideration and the refinancing of certain borrowings that were acquired was provided through a combination of additional borrowings, additional equity and existing cash.

The preliminary values of assets, liabilities and contingent liabilities recognized on the acquisition date as listed below were based on their estimated fair values. There have been no changes to these provisional amounts at March 31, 2011. The Group expects to finalize the purchase accounting no later than November 16, 2011.

<b>(In \$ million)</b>	<b>Preliminary values on acquisition</b>
Cash and cash equivalents, net of bank overdrafts	91.3
Trade and other receivables	472.3
Current tax assets	54.7
Deferred tax assets	26.7
Inventories	547.4
Property, plant and equipment	1,434.0
Intangible assets (excluding goodwill)	3,199.9
Other current and non-current assets	59.5
Trade and other payables	(419.0)
Borrowings	(1,482.3)
Deferred tax liabilities	(1,068.6)
Employee benefits	(998.8)
Provisions	(77.1)
<b>Net assets acquired</b>	<b>1,840.0</b>
Non-controlling interests	(18.1)
Goodwill on acquisition	2,630.1
<b>Net assets acquired</b>	<b>4,452.0</b>
Consideration paid in cash	4,452.0
Net cash acquired	(91.3)
<b>Net cash outflow</b>	<b>4,360.7</b>

**Closure Systems International Americas, Inc.**

On February 1, 2010, the Group purchased 100% of the issued capital of Obrist Americas, Inc., a U.S. manufacturer of plastic non-dispensing screw closures for carbonated soft drinks and water containers. Total consideration for the acquisition was \$36.2 million and was paid in cash. The acquired company was subsequently renamed Closure Systems International Americas, Inc. ("CSI Americas"). Refer to the "Acquisitions and disposals of businesses" section included within the interim unaudited condensed statements of cash flows for the period ended March 31, 2010 for details of the net assets acquired.

The finalization of purchase price accounting in December 2010 resulted in a gain on acquisition of \$9.8 million. In accordance with accounting standards, the gain was reflected retroactively as of the date of acquisition.

**19. Contingencies**

**Litigation and legal proceedings**

The Group is subject to litigation in the ordinary course of operations, for which a provision has been recognized in the statement of financial position as at March 31, 2011. The Group does not believe that it is engaged in any other legal proceedings for which a provision has not been made which would be likely to have a material effect on its business, financial position or results of operations.

**Security and guarantee arrangements**

Certain members of the Group have entered into guarantee and security arrangements in respect of the Group's indebtedness described in note 14.

**Beverage Packaging Holdings Group**  
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**20. Subsequent events**

**Dopaco Acquisition**

On May 2, 2011, the Group acquired Dopaco Inc. and Dopaco Canada Inc. (collectively "Dopaco") from Cascades Inc. Dopaco is a leading manufacturer of paper cups and folding cartons for the quick-service restaurant and food service industries. The consideration for the acquisition paid at closing was \$398.1 million in cash, subject to certain customary post-closing adjustments for net debt and working capital, which are not yet finalized. The consideration was financed from the existing cash of the Group. The combination of the Group's existing distribution network with Dopaco's business will improve its product range to a wider customer base. The acquired business is in the process of being integrated with the Pactiv Foodservice segment.

Due to the proximity of closing the acquisition of Dopaco and the release of these financial statements, it is impractical to provide a preliminary fair value balance sheet of the acquired business. Dopaco is currently finalizing the opening balance sheet. The Group is also undertaking fair value appraisals and the conversion of Dopaco's accounts from U.S. GAAP to IFRS.

**Restructuring initiatives**

In the period since March 31, 2011, the Group has continued to integrate the operations of Pactiv with the Reynolds Consumer Products and Pactiv Foodservice segments. Certain restructuring initiatives have recently been announced. These initiatives have resulted in the recognition of \$1.2 million of restructuring expenses subsequent to March 31, 2011. Further restructuring expenses may be incurred.

Other than the items disclosed above, there have been no events subsequent to March 31, 2011 which would require accrual or disclosure in these financial statements.