ArdaghGroup

Ardagh Group S.A. (formerly Ardagh Finance Holdings S.A.)

Annual Report

For the year ended December 31, 2016

www.ardaghgroup.com

TABLE OF CONTENTS

ArdaghGroup

Presentation of Financial and Other Information

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Ardagh Group S.A. (the "Company"), formerly Ardagh Finance Holdings S.A., was incorporated in Luxembourg on May 6, 2011. The extraordinary general meeting of the shareholders of the Company on February 22, 2017, resolved to change the Company's name from Ardagh Finance Holdings S.A. to Ardagh Group S.A.. The name change became effective on the same day.

As used herein, "we", "our", "us" and the "Group" refer to Ardagh Group S.A. and its consolidated subsidiaries, unless the context requires otherwise.

Ardagh Group S.A. is an indirect parent of Ardagh Packaging Holdings Limited ('APHL'). APHL is the parent guarantor of the senior secured and senior notes issued by its subsidiary companies Ardagh Packaging Finance plc. and Ardagh Holdings USA Inc. and of the Senior Secured Term Loan B Facility ('Term Loan B Facility'), issued by Ardagh Packaging Finance S.A.. We are presently in the process of Ardagh Group S.A. assuming all of the liabilities of APHL under the notes and the Term Loan B Facility and becoming the new parent guarantor of such financings and the new reporting entity. The process is subject to final documentation and completion of the Group's planned IPO (the 'IPO').

Following the completion of the IPO, there will not be any external liabilities recognised by Ardagh Group S.A. incremental to those recognised by APHL.

GROUP NON-STATUTORY CONSOLIDATED FINANCIAL STATEMENTS – BASIS OF PREPARATION

The non-statutory consolidated financial statements of the Group have been prepared in accordance with, and are in compliance with, International Financial Reporting Standards ("IFRS") as adopted by the IASB and related interpretations. IFRS is comprised of standards and interpretations approved by the IASB and IAS and interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently approved by the IASB and remain in effect. References to IFRS hereafter should be construed as references to IFRS as adopted by the IASB.

The consolidated financial statements, are presented in euro, rounded to the nearest million and have been prepared under the historical cost convention except for the following:

- derivative financial instruments are stated at fair value; and
- employee benefit obligations are measured at the present value of the future estimated cash flows related to benefits earned and pension assets valued at fair value.

The preparation of consolidated financial information in conformity with IFRS requires the use of critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the process of applying Group accounting policies. These estimates, assumptions and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation. However, actual outcomes may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in the critical accounting estimates and judgment.

The non-statutory consolidated financial statements for the Group were authorized for issue by the Board of Directors of Ardagh Group S.A. on February 23, 2017.

FORWARD LOOKING STATEMENTS

Certain of the statements contained in this Annual Report that are not statements of historical facts, including, without limitation, certain statements made in “Selected Financial Information”, “Operating and Financial Review” and “Risk Factors” are statements of future expectations and other forward looking statements. Forward looking statements can be identified by the use of forward looking terminology such as “believes”, “expects”, “may”, “is expected to”, “will”, “will continue”, “should”, “would be”, “seeks”, “intends”, “plans”, “estimates” or “anticipates”, or similar expressions or the negatives thereof, or other variations thereof, or comparable terminology, or by discussions of strategy, plans or intentions. These statements are based on management’s current views and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those anticipated by such statements. Factors that could cause such differences in actual results include:

- our ability to integrate the business and operations of any businesses acquired, or to be acquired in the future, and to achieve expected operating efficiencies and cost savings;
- our substantial debt;
- our ability to generate cash;
- failure to comply with financial covenants;
- the effects of the global economic crisis;
- fluctuations in demand for our products;
- general political, economic and competitive conditions in markets and countries where the Group has operations, including disruptions in the supply chain, supply and demand for glass or metal packaging manufacturing capacity, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws;
- fluctuations in raw material and labor costs;
- labor strikes or work stoppages;
- the availability of raw materials;
- the costs and availability of energy;
- foreign currency fluctuations;
- dependence on certain major customers and suppliers;
- changes in capital availability or cost, including interest rate fluctuations;
- risks relating to our expansion strategy;
- consolidation among competitors and customers;
- unanticipated expenditures with respect to environmental, health and safety laws;
- operating hazards at our manufacturing facilities;
- the performance by customers of their obligations under purchase agreements;
- consumer preferences for alternative forms of packaging;
- our ability to comply with existing and future regulations relating to materials used in the packaging of goods and beverages;
- the timing and occurrence of events that are beyond the control of the Group and its affiliates;
- failure to retain senior management and qualified staff; and
- control exerted by a significant shareholder.

We undertake no obligations to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events, other than as required by law.

ArdaghGroup

Selected Financial Information

SELECTED FINANCIAL INFORMATION

The following discussion should be read in conjunction with, and is qualified in its entirety by, reference to the audited condensed consolidated financial information and the related notes thereto included in this document.

On June 30, 2016, the Group completed the acquisition of certain beverage can manufacturing assets from Ball Corporation and Rexam PLC ('the Beverage Can Business'). With the exception of the pro forma ratio of net debt to Adjusted EBITDA, the consolidated results presented below include the results of the Beverage Can Business for the six months to and the balance sheet data at December 31, 2016. Pro forma ratio of net debt to Adjusted EBITDA is presented on a pro forma basis as if the acquisition of the Beverage Can Business had occurred on January 1, 2015.

The following table sets forth summary consolidated financial information for the Group.

	Reported (in € millions, except ratios and percentages)			
	Three months ended (unaudited)		Year ended (audited)	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Income statement data				
Revenue	1,826	1,228	6,345	5,199
Adjusted EBITDA (1)	306	204	1,158	934
Depreciation and amortisation	(156)	(117)	(491)	(403)
Exceptional items (2)	(33)	(40)	(218)	(94)
Finance expense (3)	(113)	(132)	(450)	(514)
Profit/(loss) before tax	4	(85)	(1)	(77)
Income tax credit/(charge)	2	(13)	(54)	(63)
Profit/(loss) for the period	6	(98)	(55)	(140)
Cash flow data				
Operating cash flow (4)	438	310	950	700
Free cash flow (5)	287	197	519	318
Other data				
Adjusted EBITDA margin (1)	16.8%	16.6%	18.3%	18.0%
Adjusted profit/(loss) for the period (6)	77	(60)	241	(5)
Interest expense (7)	109	104	449	412
Capital expenditure (8)	118	83	318	304
Ratio of Adjusted EBITDA to interest expense (1) (7)	2.8x	2.0x	2.6x	2.3x
Ratio of net debt to Adjusted EBITDA (1)(11)(12)			5.4x	5.2x

	Reported (in € millions)		
	December 31, 2016 (audited)	September 30, 2016 (unaudited)	December 31, 2015 (audited)
Balance sheet data			
Cash (9)	772	684	553
Total assets	10,261	10,102	6,742
Total borrowings (10)	8,230	8,029	6,464
Total equity	(2,056)	(2,078)	(1,980)
Net debt (11)	7,254	7,219	5,851

All footnotes are on page 14 of this document.

ArdaghGroup

Operating and Financial Review

OPERATING AND FINANCIAL REVIEW

Pro Forma Operating Results

The consolidated results for the three months and year ended December 31, 2016 and 2015 are presented below on a pro forma basis as if the acquisition of the Beverage Can Business had occurred on January 1, 2015.

	Unaudited – Pro Forma (in € millions, except percentages)			
	Three months ended		Year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue				
Metal Packaging Europe	658	694	2,915	3,082
Metal Packaging Americas	436	391	1,680	1,667
Glass Packaging Europe	339	356	1,392	1,452
Glass Packaging North America	393	405	1,659	1,707
Group	**1,826**	**1,846**	**7,646**	**7,908**
Adjusted EBITDA [(1)]				
Metal Packaging Europe	98	100	470	465
Metal Packaging Americas	57	48	210	192
Glass Packaging Europe	66	59	296	284
Glass Packaging North America	85	85	357	346
Group	**306**	**292**	**1,333**	**1,287**
Adjusted EBITDA Margin [(1)]				
Metal Packaging Europe	14.9%	14.4%	16.1%	15.1%
Metal Packaging Americas	13.1%	12.3%	12.5%	11.5%
Glass Packaging Europe	19.5%	16.6%	21.3%	19.6%
Glass Packaging North America	21.6%	21.0%	21.5%	20.3%
Group	**16.8%**	**15.8%**	**17.4%**	**16.3%**

All footnotes are on page 14 of this document.

Financial Review

Bridge of 2015 reported revenue to 2016 reported revenue

	Three months ended December 31				
	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	Group €m
Reported revenue 2015	**372**	**95**	**356**	**405**	**1,228**
Acquisition	322	296	-	-	618
Pro forma revenue 2015	**694**	**391**	**356**	**405**	**1,846**
Organic	(29)	45	4	(3)	17
Reclassification (13)	-	-	-	(9)	(9)
FX translation	(7)	-	(21)	-	(28)
Reported revenue 2016	**658**	**436**	**339**	**393**	**1,826**

Adjusted EBITDA

Bridge of 2015 reported Adjusted EBITDA to 2016 reported Adjusted EBITDA

	Three months ended December 31				
	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	Group €m
Reported Adjusted EBITDA 2015	**50**	**10**	**59**	**85**	**204**
Acquisition	50	38	-	-	88
Pro forma Adjusted EBITDA 2015	**100**	**48**	**59**	**85**	**292**
Organic	1	9	10	-	20
FX translation	(3)	-	(3)	-	(6)
Reported Adjusted EBITDA 2016	**98**	**57**	**66**	**85**	**306**
Reported Adjusted EBITDA 2016 margin	**14.9%**	**13.1%**	**19.5%**	**21.6%**	**16.8%**
Pro forma Adjusted EBITDA 2015 margin	**14.4%**	**12.3%**	**16.6%**	**21.0%**	**15.8%**

All footnotes are on page 14 of this document.

Bridge of 2015 reported revenue to 2016 pro forma revenue

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	Group €m
					Year ended December 31
Reported revenue 2015	**1,651**	**389**	**1,452**	**1,707**	**5,199**
Acquisition	1,431	1,278	-	-	2,709
Pro forma revenue 2015	**3,082**	**1,667**	**1,452**	**1,707**	**7,908**
Organic	(116)	2	(9)	(32)	(155)
Reclassification (13)	-	-	-	(27)	(27)
FX translation	(51)	11	(51)	11	(80)
Pro forma revenue 2016	**2,915**	**1,680**	**1,392**	**1,659**	**7,646**

Bridge of 2015 reported Adjusted EBITDA to 2016 pro forma Adjusted EBITDA

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	Group €m
					Year ended December 31
Reported Adjusted EBITDA 2015	**260**	**44**	**284**	**346**	**934**
Acquisition	205	148	-	-	353
Pro forma Adjusted EBITDA 2015	**465**	**192**	**284**	**346**	**1,287**
Organic	14	17	21	9	61
FX translation	(9)	1	(9)	2	(15)
Pro forma Adjusted EBITDA 2016	**470**	**210**	**296**	**357**	**1,333**
Pro forma Adjusted EBITDA 2016 margin	**16.1%**	**12.5%**	**21.3%**	**21.5%**	**17.4%**
Pro forma Adjusted EBITDA 2015 margin	**15.1%**	**11.5%**	**19.6%**	**20.3%**	**16.3%**

All footnotes are on page 14 of this document.

Operating and Free Cash Flow

	Three months ended		Year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	€m	€m	€m	€m
Reported Adjusted EBITDA	**306**	**204**	**1,158**	**934**
Movement in working capital	251	187	120	90
Capital expenditure (8)	(118)	(83)	(318)	(304)
Exceptional restructuring paid	(1)	2	(10)	(20)
Operating Cash Flow	**438**	**310**	**950**	**700**
Interest paid *	(112)	(89)	(347)	(323)
Income tax	(39)	(24)	(84)	(59)
Free Cash Flow	**287**	**197**	**519**	**318**

*Interest paid in the three and twelve months ended December 31, 2016, excludes €13 million and €15 million interest paid respectively, in respect of notes held in escrow for the period between their issuance and the completion of the acquisition of the Beverage Can Business. Interest paid in the year ended December 31, 2016, excludes a further €10 million of interest, paid in lieu of notice, relating to the 9.250% and 9.125% Senior Notes due 2020 repaid in full in May 2016. Interest paid excludes cumulative PIK interest paid.

The non-GAAP information in the above table has been extracted from the Consolidated Statement of Cash Flows and related notes.

All footnotes are on page 14 of this document.

Review of the Quarter and Year

Fourth Quarter

Revenue of €1,826 million for the quarter represented an increase of 49% compared with the same period in 2015. This increase reflected a full quarter contribution from the Beverage Can Business acquired on June 30, 2016.

Metal Packaging revenue of €1,094 million increased by 134% compared with the same period last year. Revenue increased by 1% at both actual and constant exchange rates, compared with pro forma revenue for the same period last year, as growth in Metal Packaging Americas more than offset lower revenues in Metal Packaging Europe arising from the pass through of lower input costs. Constant currency revenue in Metal Packaging Europe declined by 4% to €658 million compared with pro forma revenue for the same period in 2015, due mainly to the pass through of lower input costs. Volumes were in line with the prior year. Metal Packaging Americas constant currency revenue increased by 12% compared with pro forma revenue for the same period in 2015.

Revenue in Glass Packaging of €732 million in the quarter was 4% lower than the same period last year at actual exchange rates and 1% lower at constant exchange rates. Volume/mix was positive but was offset by the reclassification of charges for ancillary services provided to customers. Glass Packaging North America revenue of €393 million was 3% lower than the same period last year, at both actual and constant exchange rates, principally reflecting the reclassification of charges to customers for ancillary services, as well as lower beer volumes. Revenue in Glass Packaging Europe declined by 5% to €339 million at actual exchange rates but increased by 1% at constant exchange rates, as volume growth of 2% was partly offset by the pass through of lower input costs.

Reported fourth quarter Adjusted EBITDA of €306 million increased by 50% compared with the same period in 2015, principally due to the acquisition of the Beverage Can Business. Compared with pro forma Adjusted EBITDA in 2015, growth was 5% at actual exchange rates and 7% at constant exchange rates, with increases of 7% in both Metal Packaging and Glass Packaging.

Metal Packaging Europe Adjusted EBITDA increased by 1% at constant currency, compared with pro forma Adjusted EBITDA for the same period last year, as a result of continued cost efficiencies. In Metal Packaging Americas, Adjusted EBITDA increased by 19% compared with pro forma Adjusted EBITDA for the same period last year, at both actual and constant exchange rates.

Glass Packaging Adjusted EBITDA of €151 million in the quarter increased by 5% over the same period last year and was 7% higher at constant currency. In Glass Packaging Europe, Adjusted EBITDA of €66 million increased by 12% compared with the same period last year at actual exchange rates and by 18% at constant exchange rates, primarily due to cost reduction initiatives. Glass Packaging North America Adjusted EBITDA of €85 million was unchanged compared with the fourth quarter of 2015.

Operating cash flow for the quarter increased by 41% to €438 million and free cash flow increased by 46% to €287 million, compared with the same period last year. These increases reflected increased Adjusted EBITDA including from the acquisition of the Beverage Can Business in 2016, as well as a higher working capital inflow, partly offset by increased capital expenditure, interest and tax payments. Cash and available liquidity at 31 December was €1,022 million.

Full Year

Revenue of €6,345 million for the year represented an increase of 22% compared the prior year, with the increase attributable to a six-month contribution from the Beverage Can Business acquired on June 30, 2016. On a pro forma basis, Group revenue of €7,646 million decreased by 3% at actual exchange rates and by 2% on a constant currency basis. Lower revenue principally reflected the pass through of lower input costs, as well as reduced weather-related volumes in Metal Packaging Europe and beer volumes in Glass North America, compared with the prior year.

Metal Packaging revenue of €3,294 million in 2016 increased by 61% compared with the prior year. Pro forma revenue of €4,595 million declined by 3% at actual exchange rates and by 2% on a constant currency basis, compared with 2015.

Pro forma revenue in Metal Packaging Europe of €2,915 million in 2016 declined by 5% at actual currency rates and by 4% on a constant currency basis, compared with the prior year, due mainly to the pass through of lower input costs and weather-impacted food volumes. Metal Packaging Americas pro forma revenue of €1,680 million increased by 1% at actual exchange rates and was in line with the prior year at constant exchange rates.

Revenue in Glass Packaging of €3,051 million in 2016 was 3% lower than 2015 at actual exchange rates and was 2% lower at constant exchange rates.

Glass Packaging North America revenue of €1,659 million was 3% lower than 2015 at both actual and constant exchange rates. This decline primarily reflected lower beer volumes, the reclassification of charges to customers for ancillary services and the pass through of lower input costs. Revenue in Glass Packaging Europe declined by 4% to €1,392 million at actual exchange rates and by 1% at constant exchange rates, due to the pass through of lower input costs, partly offset by increased volumes compared with 2015.

Adjusted EBITDA of €1,158 million in 2016 increased by 24% compared with 2015. On a pro forma basis, Adjusted EBITDA of €1,333 million increased by 4% at actual exchange rates and by 5% at constant rates, compared with 2015, with growth of 5% at constant rates in both Metal Packaging and Glass Packaging.

Metal Packaging Europe Adjusted EBITDA of €470 million in 2016 on a pro forma basis increased by 1% at actual exchange rates and by 3% at constant exchange rates compared with 2015. A continued focus on cost reduction and efficiencies more than offset lower weather-related food volumes. In Metal Packaging Americas, pro forma Adjusted EBITDA of €210 million increased by 9% over 2015, at both actual and constant exchange rates.

Glass Packaging Adjusted EBITDA of €653 million in 2016 increased by 4% at actual exchange rates and by 5% at constant exchange rates compared with the prior year. Adjusted EBITDA of €296 million in Glass Packaging Europe increased by 4% at actual exchange rates and by 8% at constant exchange rates, compared with 2015, reflecting volume growth and continued cost reductions and efficiencies. Glass Packaging North America Adjusted EBITDA of €357 million increased by 3% compared with 2015, at both actual and constant exchange rates, reflecting reductions in operating and other costs.

Operating cash flow in 2016 increased by 36% to €950 million and free cash flow increased by 63% to €519 million, compared with 2015. Growth was principally attributable to an increase in Adjusted EBITDA, including from the acquisition of the Beverage Can Business, as well as a higher working capital inflow, partly offset by increased capital expenditure, interest and tax payments.

Footnotes to the Selected Financial Information

(1) Adjusted EBITDA is operating profit before depreciation, amortisation, non-exceptional impairment and exceptional operating items. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue. Adjusted EBITDA and Adjusted EBITDA margin are presented because we believe that they are frequently used by securities analysts, investors and other interested parties in evaluating companies in the packaging industry. However, other companies may calculate Adjusted EBITDA and Adjusted EBITDA margin in a manner different from ours. Adjusted EBITDA and Adjusted EBITDA margin are not measurements of financial performance under IFRS and should not be considered an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to profit/(loss) as indicators of operating performance or any other measures of performance derived in accordance with IFRS.

(2) Exceptional items are shown on a number of different lines in the Consolidated Income Statement presented in subsequent pages in this report.

(3) Excludes exceptional finance income and expense.

(4) Operating cash flow reflects reported Adjusted EBITDA adjusted for working capital, capital expenditure (see footnote 8 below) and exceptional restructuring costs paid. Working capital is comprised of inventories, trade and other receivables, trade and other payables, provisions and other movements.

(5) Free cash flow is defined as operating cash flow less interest and tax paid, adjusted for cumulative PIK interest paid and exceptional interest paid.

(6) Adjusted profit consists of profit/(loss) for the period before total exceptional items, intangible amortization and associated tax credits.

(7) Interest expense is as defined on page F-46.

(8) Capital expenditure is the sum of purchases of property, plant and equipment and software and other intangibles, net of proceeds from disposal of property, plant and equipment, as per the Consolidated Statement of Cash Flows on page F-8.

(9) Cash includes restricted cash.

(10) Total borrowings include the par value of the loan notes and all bank borrowings.

(11) Net debt equals total borrowings plus premium on debt issuance above par, less cash, deferred debt issue costs and discount on debt issuance below par and the fair value of associated derivative financial instruments.

(12) Net debt to Adjusted EBITDA ratio at December 31, 2016 of 5.4x, is based net debt at December 31, 2016 of €7,254 million and pro forma EBITDA for the year ended December 31, 2016 of €1,333 million. Net debt to Adjusted EBITDA at December 31, 2015 of 5.2x, is based on net debt at December 31, 2015 excluding PIK notes at December 31, 2016 of €1,024 million which were redeemed in September 2016, and reported Adjusted EBITDA of €934 million. See Note 12 to the consolidated financial statements for details of financing activity during the year ended December 31, 2016.

(13) Reflects reclassification of charges for ancillary services from revenue to cost of goods sold.

ArdaghGroup

Directors, Senior Management and Employees

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

Ardagh Group S.A. is an indirect subsidiary of ARD Holdings S.A. (formerly Ardagh Group S.A.). To give a more meaningful overview of the ownership and governance of the Group, in this section of the Annual Report, the term Group has been extended to include ARD Holdings S.A.. In particular, the sections dealing with Board of Directors, Board practices, Board Committees and share ownership deal exclusively with ARD Holdings S.A..

The following table sets forth certain information with respect to members of the Board of Directors of ARD Holdings S.A. as of February 23, 2017, the approval date of this Annual Report. In this section, "Group" refers to ARD Holdings S.A. and its predecessors.

Name	Age	Position
Paul Coulson	64	Chairman and Director
Ian Curley	54	Group Chief Executive Officer and Director
David Matthews	53	Group Chief Financial Officer and Director
David Wall	47	Chief Executive Officer, Metal and Director
John Riordan	58	President and Chief Executive Officer, Glass North America and Director
Johan Gorter	57	Chief Executive Officer, Glass Europe and Director
Brendan Dowling	69	Director, Executive Committee
Houghton Fry	71	Director, Executive Committee
Wolfgang Baertz	76	Non-Executive Director
Gerald Moloney	59	Non-Executive Director
Herman Troskie	46	Non-Executive Director

Paul Coulson graduated from Trinity College Dublin with a business degree in 1973. He spent five years with Price Waterhouse in London and Dublin, and qualified as a Chartered Accountant in 1978. He then established his own accounting firm before setting up Yeoman International in 1980 and developing it into a significant leasing and structured finance business. In 1998 he became Chairman of the Group and initiated the transformation of Ardagh from a small, single plant operation into a leading global packaging company. Over the last 30 years he has been involved in the creation and development of a number of businesses apart from Yeoman and Ardagh. These include Fanad Fisheries, a leading Irish salmon farming company, and Sterile Technologies. Prior to its sale to Stericycle, Inc. in 2006, Sterile Technologies had been developed into the leading medical waste management company in the United Kingdom and Ireland.

Ian Curley joined as Group Chief Executive Officer Designate in June 2016 and became Group Chief Executive Officer in September 2016. Prior to joining the Group, Mr. Curley was Group Chief Financial Officer of Smurfit Kappa Group plc from 2000 until March 2016, prior to which he served as Chief Financial Officer of Smurfit Europe. He is a Fellow of the Institute of Chartered Management Accountants (Ireland).

David Matthews was appointed Chief Financial Officer in March 2014. He was appointed to the Board of Directors of Ardagh Group S.A. in May 2014. Prior to joining Ardagh, Mr. Matthews held various senior finance positions at DS Smith plc and Bunzl plc. Mr. Matthews qualified as a Chartered Accountant in 1989 with Price Waterhouse in London and holds an Engineering degree from the University of Southampton.

David Wall was appointed Chief Executive Officer of Metal Packaging in April 2011. Mr. Wall joined Ardagh in November 2008 as CEO of the Engineering division. Since then he has also held the role of Group Head of Integration. Mr. Wall qualified as a Chartered Accountant with Price Waterhouse and also holds an MBS from UCD Smurfit Business School, Dublin, Ireland and a BA in Economics from University College Dublin. Mr. Wall is a board member of EMPAC, the European Metal Packaging Association.

John Riordan was appointed President of Ardagh Glass North America in March 2014 having previously been Chief Finance Officer of the Group since 1999. He holds a Bachelor of Commerce degree from University College Cork and is a Fellow of The Institute of Chartered Accountants in Ireland. He qualified as a Chartered Accountant in 1985, having completed a training contract with Price Waterhouse. He held a number of financial management roles in the engineering, pharmaceutical and medical devices industries before joining Ardagh.

Johan Gorter joined the Group in 2007. Prior to joining the Group, he joined PLM in 1998 as a Plant director for the Dongen glass plant. He was then appointed Managing Director Benelux in 2001 at (Rexam), Divisional Operations Director in 2005 (Rexam) and Group Director Continuous Improvement in 2007 (Ardagh). His previous background was in aluminum production process and assembly, where he held several management positions with three companies and his last position before joining the glass industry was as General Manager in Czech Republic. Mr. Gorter holds a Masters in Industrial Engineering from the University of Eindhoven. He joined the Board in 2016.

Brendan Dowling has been a director of the Group since 1998. He holds graduate degrees in economics from University College Dublin and Yale University. He was economic advisor to the Minister for Foreign Affairs in Dublin before joining Davy Stockbrokers in 1979 as Chief Economist and later partner. He is a former member of the Committee of the Irish Stock Exchange and the Industrial Development Authority of Ireland. Prior to joining Yeoman International Group in 1995, he was Executive Chairman of Protos Stockbrokers in Helsinki, Finland.

Houghton Fry qualified as a solicitor in 1967 with William Fry, Solicitors in Dublin, Ireland having obtained an LLB law degree from Trinity College, Dublin University, Ireland. He became a Partner in the firm in 1970 and, in 1986, Chairman and Senior Partner. He specialized in international corporate and financial law and had extensive transaction experience in many different jurisdictions. He retired from legal practice in 2004 and has been an executive director of the Group since that time.

Wolfgang Baertz was President of the Executive Committee of Dresdner Bank Luxembourg from 1997 until his retirement in 2003, having been Managing Director from 1982 to 1997. Mr. Baertz previously served with Commerzbank AG Düsseldorf and has been a director of the Group since December 2002.

Gerald Moloney joined the Board in 2016, having served for many years on the boards of Yeoman International Group Limited and Yeoman Capital S.A.. He holds a law degree from University College Cork and qualified as a solicitor in 1981. He worked for a period in European law in Brussels and has many years' experience working in the areas of commercial law and commercial litigation. He is managing partner of the commercial and litigation law firm, G.J. Moloney, with offices in Dublin and Cork, Ireland.

Herman Troskie is Managing Director, Private Clients at Maitland, a global advisory and administration firm with over $280 billion in assets under administration. He has extensive experience in the areas of international corporate structuring, cross-border financing and capital markets, with a particular interest in integrated structuring for entrepreneurs and their businesses. Mr. Troskie is a director of companies with the Yeoman group of companies, and other private and public companies. He qualified as a South African Attorney in 1997, and as a Solicitor of the Senior Courts of England and Wales in 2001. Mr. Troskie is based in Luxembourg.

Other Senior Management of the Group

Reiner Brand (58) joined the Group in 2007 as the Sales Director Glass for Europe. Prior to joining the Group, he held a number of positions in sales and marketing with Rexam PLC and PLM AB from 1995 until 2007. He is a member of the board of the German Glass industry. Before he joined the packaging industry in 1995, he held a number of marketing and sales positions in the consumer goods industry, with Eckes Granini GmbH from 1991 until 1995 and as product manager at Bahlsen KG starting in 1984. He holds a diploma of economics from the University of Hannover.

Oliver Graham (48) joined the Group with the acquisition of the Beverage Can Business and is Chief Executive Officer of Ardagh Beverage Can. Previously Mr. Graham was Group Commercial Director of Rexam PLC since 2013. Prior to joining Rexam PLC, Mr. Graham was a partner with Boston Consulting Group, focused on FMCG and Retail sectors.

John Hampson (47) joined Ardagh as Group IT Director in 2009. Prior to joining the Group, Mr. Hampson held a number of senior IT management positions in the financial services sector in Ireland, including roles as Chief Technical Architect in a major Irish bank and as Chief Technical Officer of Altamedius, a mobile payments start-up company. Previously, Mr. Hampson worked in a variety of senior application development roles for organizations such as Motorola, IBM, and Amdahl. Mr. Hampson holds a Bachelor of Engineering (Hons) degree in Electronic Systems from the University of Ulster.

Alex Jonker (59) was appointed Managing Director Operations Metal - Europe in 2011. Prior to this he was Managing Director Processed Food for Impress. Mr. Jonker has been with the company for 26 years. Starting in 1985 at Thomassen & Drijver, he was plant manager of the Deventer production site from 1998 to 2009, and before that of the plants in Hoogeveen (from 1994 until 1998), Doesburg and Oss. Mr. Jonker holds a degree in mechanical engineering from the Institute of Technology in Arnhem.

Woep Möller (59) was appointed Managing Director of the Personal and Home Care Division of Metal Packaging in 1997 and of the enlarged Specialties business in October 2000. In October 2003 he also assumed responsibility for the former Decorative and Protective Finishes Division. He was appointed Group Commercial Director in 2011. Mr. Möller started his career with Arthur Young and joined the packaging industry in 1983, working for the predecessor companies of Impress. Mr. Möller studied Finance and Economics at the IHBO "De Moere" in Enschede/NL and specialized in Marketing at the NIMA (A, B, C) Institute in Amsterdam.

Alex Robertson (56) joined Ardagh in 1989 and has held various roles in sales, customer services, production and business development. He served as Sales Director Glass UK prior to taking up his role as Chief Commercial Officer Glass Americas. Mr. Robertson has a BA (Hons) degree in economic and social history (York University).

John Sadlier (49) joined the Group as Procurement Director in 2007 from Microsoft Ireland Ltd, where he worked in a Global Procurement function. Prior to Microsoft, Mr. Sadlier worked for Dell Computer from 1999 to 2006, where he held numerous Senior Manager roles in the Procurement and Product Development Groups, based at the company headquarters in Austin, Texas. Prior to Dell Computer, Mr. Sadlier worked as Sales Manager for an Irish subsidiary of the Munekata Company, a leading Japanese supplier to the consider electronics industry. Prior to Munekata, Mr. Sadlier spent two years with the Ricoh Corporation, a Japanese manufacturer of office automation equipment. Mr. Sadlier graduated from University College Dublin with both a Bachelor's and Master's in Mechanical Engineering.

John Vissers (56) joined the Group as Regional Operations Director for the Netherlands in 2007. Prior to joining the Group, he held a number of senior management positions in the Netherlands for Rexam Glass and PLM Glass, including Regional Operations Director and Finance Director. Mr. Vissers has a qualification for higher financial management and has completed advanced management programs, across several international universities, during his career with Rexam and PLM. Mr. Vissers has been a member of the board of FEVE, the European Container Glass Federation, since 2009.

John Sheehan (51) joined the Group in 2012 as Group Investor Relations Director. He was formerly Head of Equity Sales and Head of Equity Research at NCB Stockbrokers (now part of Investec Bank) in Dublin, Ireland, where he spent thirteen years in a range of roles. He is a Fellow of the Institute of Chartered Accountants in Ireland, having qualified with PricewaterhouseCoopers.

Board Committees

The Board of Directors of ARD Holdings S.A. has established an Executive Committee, an Audit Committee and a Remuneration Committee to carry out certain functions as described below.

Executive Committee

The Executive Committee oversees the management of the business and affairs of the subsidiaries of ARD Holdings S.A.. The Executive Committee is comprised of Messrs. Coulson, Curley, Matthews, Wall, Riordan, Gorter, Dowling and Fry.

Audit Committee

The Audit Committee reviews the accounting principles, policies and practices adopted in the preparation of interim and annual financial statements, discusses with our auditors the results and scope of the audit and reviews the scope and performance of internal control functions. The Audit Committee is comprised of Messrs. Coulson and Dowling.

Remuneration Committee

The Remuneration Committee determines the basic salaries, bonus payment parameters and other terms and conditions of executive directors and advises on the remuneration of senior management. The Remuneration Committee is comprised of Messrs. Coulson, Baertz and Troskie. As with all employees, the objective is to ensure that individuals are rewarded relative to their responsibility, experience and value to the Group. In framing its remuneration policy, the Remuneration Committee is mindful of the need to ensure that, in a competitive environment, we attract, retain and motivate executives who can perform to the highest level of expectation.

Internal Control and Risk Management

The Directors of ARD Holdings S.A. are responsible for the Group's systems of internal control and for reviewing their effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve Group strategic objectives. These systems can only provide reasonable, not absolute, assurance against misstatement or loss. Risk assessment and evaluation take place as an integral part of the annual planning and budgeting process, the results of which are reviewed by senior management and the board of directors. There is also an ongoing program of operational reviews and audits and a coordinated self-assessment of financial controls. The results of these reviews are reported to the Audit Committee, which undertakes, on behalf of the Board of Directors of the Group, an annual assessment of the effectiveness of internal control and risk management.

Compensation of Directors and Senior Management

The aggregate annual compensation for the year ended December 31, 2016, payable to all our directors and senior management, was €42 million (2015: €13 million, 2014: €13 million). Please refer to note 26 of the note to the consolidated financial statements.

ArdaghGroup

Major Shareholder and Relative Party Transactions

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Ardagh Group S.A.

Ardagh Group S.A. is an indirect subsidiary of ARD Holdings S.A..

Related Party Information

As of February 23, 2017, the approval date of this Annual Report, companies which are owned by Paul Coulson, own approximately 25% of the issued share capital of ARD Holdings S.A.. Through its investment in the Yeoman group of companies, one of these companies has an interest in a further approximately 34% of the issued share capital of ARD Holdings S.A.. Directors of ARD Holdings S.A. and members of Ardagh's senior management team, other than Paul Coulson, own approximately 8% of the issued share capital of ARD Holdings S.A.. In addition, members of the senior management team of Ardagh, through their involvement in a number of intermediate investment vehicles controlled by ARD Holdings S.A., have invested to participate in up to 5% of any growth in value, after their investment, of the shares in a subsidiary of ARD Holdings S.A., which is the holder, indirectly, of 100% of the share capital of the Company. ARD Holdings S.A. retains ultimate voting control of the shares in that subsidiary.

Five of the ARD Holdings S.A. directors (Paul Coulson, Brendan Dowling, Wolfgang Baertz, Gerald Moloney and Herman Troskie) also serve as directors in the Yeoman group of companies. Four of the existing directors of Ardagh Group S.A. (Ian Curley, David Matthews, Wolfgang Baertz and Herman Troskie) are members of the Board of Directors of ARD Holdings S.A., our ultimate parent company.

ArdaghGroup

Quantitative and Qualitative Disclosures of Market Risk

QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK

The Group's activities expose it to a variety of financial risks: capital risk, interest rate risk, currency exchange risk, commodity price risk, credit risk, and liquidity risk.

Capital structure and risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide returns to the Group's stakeholders. The Group funds its operations primarily from the following sources of capital: borrowings, cash flow and shareholders' equity. The Group aims to achieve a capital structure that results in an appropriate cost of capital to accommodate material investments or acquisitions, while providing flexibility in short and medium term funding. The Group also aims to maintain a strong balance sheet and to provide continuity of financing by having a range of maturities and borrowing from a variety of sources. The Group's overall treasury objectives are to ensure sufficient funds are available for the Group to carry out its strategy and to manage certain financial risks to which the Group is exposed, details of which are provided below.

Financial risks are managed on the advice of Group Treasury and senior management. The Group does not permit the use of treasury instruments for speculative purposes, under any circumstances. Group Treasury regularly reviews the level of cash and debt facilities required to fund the Group's activities, plans for repayments and refinancing of debt, and identifies an appropriate amount of headroom to provide a reserve against unexpected funding requirements.

Additionally, financial instruments, including derivative instruments are used to hedge exposure to interest rate and currency exchange risk.

One of the Group's key metrics has been the ratio of consolidated external net debt as a multiple of Adjusted EBITDA. Adjusted EBITDA is the net profit or loss for the period before income tax expenses, net finance expense, depreciation and amortization and exceptional operating items. As at December 31, 2016 the ratio for the Group was 6.3x (2015: 6.3x; 2014: 7.1x).

Interest rate risk

The Executive Committee's policy, in the management of interest rate risk, is to strike the right balance between the Group's fixed and floating rate financial instruments. The balance struck by the Executive Committee is dependent on prevailing interest rate markets at any point in time.

At December 31, 2016, the Group's external borrowings were 73.8% (2015: 74.4%) fixed with a weighted average interest rate of 5.3% (2015: 6.2%; 2014: 6.2%). The Group has related party borrowings of €673 million as at December 31, 2016 (2015: €nil).

Holding all other variables constant, including levels of the Group's external indebtedness, at December 31, 2016 a one percentage point increase in variable interest rates would increase interest payable by approximately €20 million (2015: €12 million). When considering the Group's related party borrowings, at December 31, 2016 a one percentage point increase in variable interest rates would have no estimated material impact on the pre-tax interest expense.

Currency exchange risk

The Group operates in twenty-two countries, across five continents. The Group's main currency exposure in the year to December 31, 2016 was in relation to U.S. dollar, British pounds, Swedish krona, Polish zloty, Danish krone and Brazilian Real. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The Group has a limited level of transactional currency exposure arising from sales or purchases by operating units in currencies other than their functional currencies.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Fluctuations in the value of these currencies with respect to the euro may have a significant impact on the Group's financial condition and results of operations as reported in euro. When considering the Group's position, excluding its related party borrowings, the Group believes that a strengthening of the euro exchange rate by 1% against all other foreign currencies from the December 31, 2016 rate would increase shareholders' equity by approximately €6 million (2015: €18 million).

Commodity price risk

The Group is exposed to changes in prices of our main raw materials, primarily energy, steel and aluminum. Production costs in our Metal Packaging division are exposed to changes in prices of our main raw materials, primarily steel and aluminum. Steel is generally obtained under one-year contracts with prices that are usually fixed in advance. When such contracts are renewed in the future, our steel costs under such contracts will be subject to prevailing global steel and/or tinplate prices at the time of renewal, which may be different from historical prices. Unlike steel, where there is no functioning hedging market, aluminum is traded daily as a commodity (priced in U.S. dollars) on the London Metal Exchange. Aluminum is priced in U.S. dollars, and therefore fluctuations in the U.S. dollar/euro exchange rate also affect the euro cost of aluminum. The price and foreign currency risk on these aluminum purchases is hedged by entering into swaps under which we pay a fixed euro price. Furthermore, the relative price of oil and its by-products may materially impact our business, affecting our transport, lacquer and ink costs.

Production costs in our Glass Packaging division are sensitive to the price of energy. Our main energy exposure is to the cost of gas and electricity. These energy costs have experienced significant volatility in recent years with a corresponding effect on our production costs. In terms of gas, which represents 70% of our energy costs, there is a continuous de-coupling between the cost of gas and oil, whereby now only significant changes in the price of oil have an impact on the price of gas. The volatility in gas pricing is driven by shale gas development (United States only), and lack of liquefied natural gas in Europe as it is diverted to Asia, and storage levels. Volatility in the price of electricity is caused by the German Renewable Energy policy, the phasing out of nuclear generating capacity, fluctuations in the price of gas and the influence of carbon dioxide costs on electricity prices.

As a result of the volatility of gas and electricity prices, the Group has either included energy pass-through clauses in our sales contracts or developed an active hedging strategy to fix a significant proportion of our energy costs through contractual arrangements directly with our suppliers, where there is no energy clause in the sales contract.

Where pass through contracts do not exist the Group policy is to purchase gas and electricity by entering into forward fixed-pricing arrangements with suppliers for the bulk of our anticipated requirements for the year ahead. Such contracts are used exclusively to obtain delivery of our anticipated energy supplies. The Group does not net settle, nor do we sell within a short period of time after taking delivery. As a result, these contracts are treated as executory contracts under IAS 39 “Financial instruments: recognition and measurement.”

The Group typically builds up these contractual positions in tranches of approximately 10% of the anticipated volumes. Any gas and electricity which is not purchased under forward price-fixing arrangements is purchased under index tracking contracts or at spot prices. We have 81%, 58% and 54% of our energy risk covered for 2017, 2018 and 2019, respectively.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group’s customers, including outstanding receivables. Group policy is to place excess liquidity on deposit, only with recognized and reputable financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' from at least two credit rating agencies are accepted, where possible.

The credit ratings of banks and financial institutions are monitored to ensure compliance with Group policy. Group policy is to extend credit to customers of good credit standing. Credit risk is managed on an on-going basis, by dedicated people within the Group. The Group's policy for the management of credit risk in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. Provisions are made, where deemed necessary, and the utilization of credit limits is regularly monitored. Management does not expect any significant counterparty to fail to meets its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset. For the year ended December 31, 2016, the Group’s ten largest customers accounted for approximately 33% of total revenues (2015: 32%; 2014: 29%). There is no recent history of default with these customers.

Liquidity risk

The Group is exposed to liquidity risk which arises primarily from the maturing of short term and long term debt obligations. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due.

To effectively manage liquidity risk, the Group:

- has committed borrowing facilities that it can access to meet liquidity needs;
- maintains cash balances and liquid investments with highly-rated counterparties;
- limits the maturity of cash balances;
- borrows the bulk of its debt needs under long term fixed rate debt securities; and
- has internal control processes and contingency plans for managing liquidity risk.

Cash flow forecasting is performed in the operating entities of the Group and is aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group’s debt financing plans and covenant compliance and internal balance sheet ratio targets.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to Group Treasury. Group Treasury invests surplus cash in interest-bearing current accounts and time deposits with appropriate maturities to provide sufficient headroom as determined by the above-mentioned forecasts.

The following table provides information relating to our principal operating subsidiaries, all of which are wholly owned, at December 31, 2016 and 2015.

2016

Company	Country of incorporation	Activity
Ardagh Metal Beverage Manufacturing Austria GmbH	Austria	Metal Packaging
Ardagh Metal Beverage Trading Austria GmbH	Austria	Metal Packaging
Latas Indústria de Embalagens de Alumínio do Brasil Ltda ...	Brazil	Metal Packaging
Ardagh Metal Packaging Czech Republic s.r.o.	Czech Republic	Metal Packaging
Ardagh Glass Holmegaard A/S	Denmark	Glass Packaging
Ardagh Aluminium Packaging France SAS	France	Metal Packaging
Ardagh MP West France SAS...	France	Metal Packaging
Ardagh Metal Packaging France SAS	France	Metal Packaging
Ardagh Metal Beverage Trading France SAS	France	Metal Packaging
Ardagh Metal Beverage France SAS	France	Metal Packaging
Ardagh Glass GmbH	Germany	Glass Packaging
Heye International GmbH..	Germany	Glass Engineering
Ardagh Metal Packaging Germany GmbH	Germany	Metal Packaging
Ardagh Germany MP GmbH	Germany	Metal Packaging
Ardagh Metal Beverage Trading Germany GmbH	Germany	Metal Packaging
Ardagh Metal Beverage Germany GmbH..............................	Germany	Metal Packaging
Ardagh Glass Sales Limited	Ireland	Glass Packaging
Ardagh Packaging Holdings Limited	Ireland	Glass and Metal Packaging
Ardagh Group Italy S.r.l..	Italy	Glass and Metal Packaging
Ardagh Aluminium Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass Dongen B.V.	Netherlands	Glass Packaging
Ardagh Glass Moerdijk B.V.	Netherlands	Glass Packaging
Ardagh Metal Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Metal Beverage Trading Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Metal Beverage Netherlands B.V..............................	Netherlands	Metal Packaging
Ardagh Glass S.A...	Poland	Glass Packaging
Ardagh Metal Packaging Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Trading Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Trading Spain SL	Spain	Metal Packaging
Ardagh Metal Beverage Spain SL	Spain	Metal Packaging
Ardagh Metal Packaging Iberica S.A....................................	Spain	Metal Packaging
Ardagh Glass Limmared AB..	Sweden	Glass Packaging
Ardagh Metal Beverage Europe GmbH.................................	Switzerland	Metal Packaging
Ardagh Glass Limited	United Kingdom	Glass Packaging
Ardagh Metal Beverage Trading UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Beverage UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Packaging UK Limited.....................................	United Kingdom	Metal Packaging
Ardagh Metal Packaging USA Inc.	United States	Metal Packaging
Ardagh Glass Inc..	United States	Glass Packaging
Ardagh Metal Beverage USA Inc.	United States	Metal Packaging

2015

Company	Country of incorporation	Activity
Ardagh Metal Packaging Czech Republic s.r.o.	Czech Republic	Metal Packaging
Ardagh Glass Holmegaard A/S	Denmark	Glass Packaging
Ardagh Aluminium Packaging France SAS	France	Metal Packaging
Ardagh MP West France SAS..	France	Metal Packaging
Ardagh Metal Packaging France SAS	France	Metal Packaging
Ardagh Glass GmbH	Germany	Glass Packaging
Heye International GmbH...	Germany	Glass Engineering
Ardagh Metal Packaging Germany GmbH	Germany	Metal Packaging
Ardagh Germany MP GmbH	Germany	Metal Packaging
Ardagh Glass Sales Limited	Ireland	Glass Packaging
Ardagh Packaging Holdings Limited	Ireland	Glass and Metal Packaging
Ardagh Group Italy S.r.l..	Italy	Glass and Metal Packaging
Ardagh Aluminium Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass Dongen B.V.	Netherlands	Glass Packaging
Ardagh Glass Moerdijk B.V.	Netherlands	Glass Packaging
Ardagh Metal Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass S.A...	Poland	Glass Packaging
Ardagh Metal Packaging Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Packaging Iberica S.A....................................	Spain	Metal Packaging
Ardagh Glass Limmared AB..	Sweden	Glass Packaging
Ardagh Glass Limited	United Kingdom	Glass Packaging
Ardagh Metal Packaging UK Limited.....................................	United Kingdom	Metal Packaging
Ardagh Metal Packaging USA Inc.	United States	Metal Packaging
Ardagh Glass Inc..	United States	Glass Packaging

Risk Factors

RISK FACTORS

Risks Relating to Our Business

Our primary direct customers sell to consumers of food & beverages, pharmaceuticals, personal care and household products. If economic conditions affect consumer demand, our customers may be affected and so reduce the demand for our products.

Demand for our packaging depends on demand for the products which use our packaging, which is primarily consumer driven. General economic conditions may adversely impact consumer confidence resulting in reduced spending on our customers' products and, thereby, reduced or postponed demand for our products.

Adverse economic conditions may also lead to more limited availability of credit, which may have a negative impact on the financial condition, particularly on the purchasing ability, of some of our customers and distributors and may also result in requests for extended payment terms, and result in credit losses, insolvencies and diminished sales channels available to us. Our suppliers may have difficulties obtaining necessary credit, which could jeopardize their ability to provide timely deliveries of raw materials and other essentials to us. The adverse economic conditions may also lead to suppliers requesting credit support or otherwise reducing credit, which may have a negative effect on our cash flows and working capital.

The volatility in exchange rates may also increase the costs of our products that we may not be able to pass on to our customers; impair the purchasing power of our customers in different markets; result in significant competitive benefit to certain of our competitors who incur a material part of their costs in other currencies than we do; hamper our pricing; and increase our hedging costs and limit our ability to hedge our exchange rate exposure.

Changes in global economic conditions may reduce our ability to forecast developments in our industry and plan our operations and costs, resulting in operational inefficiencies. Negative developments in our business, results of operations and financial condition due to changes in global economic conditions or other factors could cause ratings agencies to lower the credit ratings, or ratings outlook, of our short- and long-term debt and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our costs of issuing any new debt instruments.

Furthermore, the economic outlook could be adversely affected by the risk that one or more eurozone countries could come under increasing pressure to leave the European Monetary Union, or the euro as the single currency of the eurozone could cease to exist. Any of these developments, or the perception that any of these developments are likely to occur, could have a material adverse effect on the economic development of the affected countries and could lead to severe economic recession or depression, and a general anticipation that such risks will materialize in the future could jeopardize the stability of financial markets or the overall financial and monetary system. This, in turn, would have a material adverse effect on our business, financial position, liquidity and results of operations.

In addition, some segments of our markets are more cyclical than others. Our sales in the paints and coatings markets depend mainly on the building and construction industries and the do-it-yourself home decorating market. Demand in these markets is cyclical, as to a lesser extent is demand for products such as aerosols. Variations in the demand for packaging products in these market segments could have a material adverse effect on our business, financial condition and results of operations.

We face intense competition from other metal and glass packaging producers, as well as from manufacturers of alternative forms of packaging.

Metal Packaging

The metal packaging sectors in which Metal Packaging operates are mature, experiencing limited growth in demand in recent years, and competitive. The most competitive part of the metal packaging market is the sale of undifferentiated, standardized cans. Prices for these products are primarily driven by raw materials costs and seasonal overcapacity, and price competition is sometimes fierce. Competition in the market for customized, differentiated packaging is based on price and, increasingly, on innovation, design, quality and service. Our principal competitors include Ball Corporation, Crown Holdings and Silgan Holdings. To the extent that any one or more of our competitors become more successful with respect to any key competitive factor, our ability to attract and retain customers could be materially and adversely affected, which could have a material adverse effect on our business.

Metal Packaging is subject to substantial competition from producers of packaging made from plastic, carton and composites, particularly from producers of plastic packaging and flexible packaging. Changes in consumer preferences in terms of food processing (e.g. fresh or frozen food content and dry versus wet pet food) or in terms of packaging materials, style and product presentation can significantly influence sales. An increase in Metal Packaging's costs of production or a decrease in the costs of, or a further increase in consumer demand for, alternative packaging could have a material adverse effect on our business, financial condition and results of operations.

Glass Packaging

Glass Packaging is subject to intense competition from other glass packaging producers, as well as from producers of other forms of rigid and non-rigid packaging, against whom we compete on the basis of price, product characteristics, quality, customer service, reliability of delivery and the overall attractiveness of our offering. Advantages or disadvantages in any of these competitive factors may be sufficient to cause customers to consider changing suppliers or to use an alternative form of packaging. In some instances, we also face the threat of vertical integration by our customers into the manufacture of their own packaging materials.

Our principal competitors in glass packaging include Anchor Glass and Owens-Illinois in North America and Owens-Illinois, Verallia and Vidrala in Europe. Additionally, we face competition from firms that carry out specific export operations at low prices when their domestic markets are at overcapacity or when foreign exchange rates or economic conditions (particularly transport costs) allow this. Despite the generally regional nature of the glass packaging markets, these export operations could have a material negative impact on our business, financial condition and results of operations.

In addition to competing with other large, well-established manufacturers in the glass packaging industry, we also compete with manufacturers of other forms of rigid packaging, principally plastic packaging and aluminum cans, on the basis of quality, price, service and consumer preference. We also compete with manufacturers of non-rigid packaging alternatives, including flexible pouches and aseptic cartons, particularly in serving the packaging needs of non-alcoholic beverage customers, including juice customers and food customers. We believe that the use of glass packaging for alcoholic and non-alcoholic beverages is subject to consumer taste. In addition, the association of glass packaging with premium items in certain product categories exposes glass packaging to economic variations. Therefore, if economic conditions are poor, we believe that consumers may be less likely to prefer glass packaging over other forms of packaging. We cannot ensure that our products will continue to be preferred by our customers' end-users and that consumer preference will not shift from glass packaging to non-glass packaging. A material shift in consumer preference away from glass packaging, or competitive pressures from our various competitors, could result in a decline in sales volume or pricing pressure that would have a material adverse effect on our business, financial condition and results of operations. Furthermore, new threats from container and production innovations in all forms of packaging could disadvantage our existing business. If we are unable to respond to competitive technological advances, our future performance could be materially adversely affected.

Some customers may decide to develop their own glass packaging production activity to serve their packaging needs and to reduce their purchases of glass packaging. In North America, for example, Gallo and AB InBev (Longhorn Glass) in the United States and Constellation Brands in Mexico, self-manufacture some of their glass packaging. The potential vertical integration of our customers could introduce a new production capacity in the market, which may create an imbalance between the supply and demand for glass packaging. The growth of vertically integrated operations could have a material negative impact on our future performance.

An increase in metal or glass container manufacturing capacity without a corresponding increase in demand for metal or glass packaging could cause prices to decline, which could have a material adverse effect on our business, financial condition and results of operations.

The profitability of metal or glass packaging companies is heavily influenced by the supply of, and demand for, metal or glass packaging.

We cannot assure you that the metal or glass container manufacturing capacity in any of our markets will not increase further in the future, nor can we assure you that demand for metal or glass packaging will meet or exceed supply. If metal or glass container manufacturing capacity increases and there is no corresponding increase in demand, the prices we receive for our products could materially decline, which could have a material adverse effect on our business, financial condition and results of operations.

Because our customers are concentrated, our business could be adversely affected if we were unable to maintain relationships with our largest customers.

For the year ended December 31, 2016, on a pro forma basis giving effect to the acquisition of the Beverage Can Business on June 30, 2016 (the "Beverage Can Acquisition"), Metal Packaging's ten largest customers accounted for approximately 44% (2015: 39%) of its consolidated revenues. For the year ended December 31, 2016, Glass Packaging's ten largest customers accounted for approximately 42% of its revenues (2015:43%).

We believe our relationships with these customers are good, but there can be no assurances that we will be able to maintain these relationships. For Metal Packaging approximately two thirds of revenues for the year ended December 31, 2016 (2015: 60%) were under multi-year supply agreements of varying terms between two and ten years with the remaining revenues generally under one year agreements. For Glass Packaging, we also typically sell most of our glass packaging directly to customers under one to five-year arrangements. Although these arrangements have provided, and we expect they will continue to provide, the basis for long-term partnerships with our customers, there can be no assurance that our customers will not cease purchasing our products. If our customers unexpectedly reduce the amount of glass packaging and/or metal cans they purchase from us, or cease purchasing our glass packaging and/or metal cans altogether, our revenues could decrease and our inventory levels could increase, both of which could have an adverse effect on our business, financial condition and results of operations. In addition, while we believe that the arrangements that we have with our customers will be renewed, there can be no assurance that such arrangements will be renewed upon their expiration or that the terms of any renewal will be as favorable to us as the terms of the current arrangements. There is also the risk that our customers may shift their filling operations to locations in which we do not operate. The loss of one or more of these customers, a significant reduction in sales to these customers or a significant change in the commercial terms of our relationship with these customers could have a material adverse effect on our business.

The continuing consolidation of our customer base may intensify pricing pressures or result in the loss of customers, either of which could have a material adverse effect on our business, financial condition and results of operations.

Some of our largest customers have acquired companies with similar or complementary product lines. For example, in 2016 AB InBev acquired SABMiller and in 2015 Kraft Foods Group merged with H.J. Heinz Holding Corporation. Such consolidation has increased the concentration of our net sales with our largest customers and may continue in the future. In many cases, such consolidation may be accompanied by pressure from customers for lower prices. Increased pricing pressures from our customers may have a material adverse effect on our business, financial condition and results of operations. In addition, this consolidation may lead manufacturers to rely on a reduced number of suppliers. If, following the consolidation of one of our customers with another company, a competitor was to be the main supplier to the consolidated companies, this could have a material adverse effect on our business, financial condition or results of operations.

Our profitability could be affected by varied seasonal demands.

Demand for Metal Packaging and Glass Packaging products is seasonal. Metal Packaging's sales are typically greater in the second and third quarters of the year, with generally lower sales in the first and fourth quarters. Unseasonably cool weather during the summer months can reduce demand for certain beverages packaged in its beverage cans. Weather conditions can reduce crop yields and adversely affect customer demand for fruit and vegetable cans. Metal Packaging's worldwide seafood canning activities are also affected by variations in local fish catches. The variable nature of the food and seafood packaging businesses and Metal Packaging's vulnerability to natural conditions could have a material adverse effect on our business, financial condition and results of operations.

Demand for our Glass Packaging products is typically strongest during the summer months and in the period prior to the holidays in December because of the seasonal nature of the consumption of beer and other beverages. Unseasonably cool weather during the summer months can reduce demand for certain beverages packaged in our glass packaging, which could have an adverse effect on our business, financial condition and results of operations. In addition, we generally schedule shutdowns of our furnaces for rebuilding and repairs of machinery in the first quarter in Europe and around year-end and the first quarter in North America. If demand for glass packaging should unexpectedly rise during such a shutdown, we would not have the ability to fulfill such demand and may lose potential revenues. These shutdowns and seasonal sales patterns could adversely affect profitability during the first quarter.

Our profitability could be affected by the availability and cost of raw materials.

The raw materials that we use have historically been available in adequate supply from multiple sources. For certain raw materials, however, there may be temporary shortages due to weather, transportation, production delays or other factors. In such an event, no assurance can be given that we would be able to secure our raw materials from sources other than our current suppliers on terms as favorable as our current terms, or at all. Any such shortages, as well as material increases in the cost of any of the principal raw materials that we use, including the cost to transport materials to our production facilities, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the relative price of oil and its products may impact Metal Packaging, by affecting transport, lacquer and ink costs.

The primary raw materials that we use for Metal Packaging are steel (both in tinplate and tin-free forms) and aluminum ingot. Steel is generally obtained under one-year contracts with prices that are usually fixed in advance. When such contracts are renewed in the future, our steel costs under such contracts will be subject to prevailing global steel and/or tinplate prices at the time of renewal, which may be different from historical prices.

Following completion of the Beverage Can Acquisition in 2016, our exposure to both the availability of aluminum and volatility of aluminum prices has increased. While raw materials are generally available from independent suppliers, raw materials are subject to fluctuations in price and availability attributable to a number of factors, including general economic conditions, commodity price fluctuations (particularly aluminum on the London Metal Exchange), the demand by other industries for the same raw materials and the availability of complementary and substitute materials. Adverse economic or financial changes could impact our suppliers, thereby causing supply shortages or increasing costs for our business.

Unlike steel, where there is no functioning hedging market, aluminum ingot is traded daily as a commodity (priced in U.S. dollars) on the London Metal Exchange, which has historically been subject to significant price volatility. Because aluminum is priced in U.S. dollars, fluctuations in the U.S. dollar/ euro rate also affect the euro cost of aluminum ingot.

We may not be able to pass on all or substantially all raw material price increases, now or in the future. In addition, we may not be able to hedge successfully against raw material cost increases. Furthermore, steel and aluminum prices are subject to considerable volatility in price and demand. While in the past sufficient quantities of steel and aluminum have been generally available for purchase, these quantities may not be available in the future, and, even if available, we may not be able to continue to purchase them at current prices. Further increases in the cost of these raw materials could adversely affect our operating margins and cash flows.

The supplier industries from which Metal Packaging receives its raw materials are relatively concentrated, and this concentration can impact raw material costs. Over the last ten years, the number of major tinplate and aluminum suppliers has decreased. Further consolidation could occur both among tinplate and aluminum suppliers, and such consolidation could hinder our ability to obtain adequate supplies of these raw materials and could lead to higher prices for tinplate and aluminum.

Glass Packaging also consumes significant amounts of raw materials to manufacture glass, particularly glass sand, limestone and soda ash, as well as cullet (recycled glass) in variable percentages depending on the products manufactured. The soda ash market has experienced an imbalance between supply and demand resulting in a significant increase in price. Increases in the price of raw materials could also result from a concentration of their suppliers, a phenomenon noted in the soda ash market and that could intensify in the future and develop for other raw materials that we use. The price of cullet varies widely from one region to another due to regulatory and financial disparities concerning the collection and recycling of used glass, as well as the distance of cullet procurement centers from production sites. Thus, changes in the regulations related to glass collection and recycling can have a significant impact on the availability of raw materials and on their price. Any significant increase in the price of the raw materials we use to manufacture glass could have a material negative impact on our business, financial condition and results of operations.

The failure to obtain adequate supplies of raw materials or future price increases could have a material adverse effect on our business, financial condition and results of operations.

Currency, interest rate fluctuations and commodity prices may have a material impact on our business.

Our reporting currency is the euro. Insofar as possible, we intend to actively manage this exposure through the deployment of assets and liabilities throughout the Group and, when necessary and economically justified, enter into currency hedging arrangements to manage our exposure to foreign currency fluctuations by hedging against rate changes with respect to the euro. However, we may not be successful in limiting such exposure, which could adversely affect our business, financial condition and results of operations.

Metal Packaging has production facilities in 21 different countries worldwide. It also sells products to, and obtains raw materials from, companies located in these and different regions and countries globally. As a consequence, a significant portion of consolidated revenue, costs, assets and liabilities of Metal Packaging are denominated in currencies other than the euro, particularly the pound and the U.S. dollar. The exchange rates between the currencies which we are exposed to, such as the euro, the pound, the U.S. dollar and the Brazilian real, have fluctuated significantly in the past and may continue to do so in the future.

Metal Packaging incurs currency transaction risks primarily on aluminum purchases (or the hedging of those purchases), as aluminum ingot prices are denominated in U.S. dollars, and on revenue denominated in currencies other than the euro fulfilled from euro-participant territories (or the hedging of those sales).

A substantial portion of the assets, liabilities, revenues and expenses of Glass Packaging is denominated in pounds, U.S. dollars, Swedish krona, Danish krone and Polish zloty. Fluctuations in the value of these currencies with respect to the euro have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in euro. For the year ended December 31, 2016 64% (2015: 61%) of our revenues were denominated in currencies other than the euro.

In addition to currency translation risk, we are subject to currency transaction risk. Our policy is, where practical, to match net investments in foreign currencies with borrowings in the same currency. The debt and interest payments relating to our Swedish, Danish and Polish operations are all denominated in euro. Fluctuations in the value of these currencies with respect to the euro may have a significant impact on our financial condition and results of operations as reported in euro.

Changes in exchange rates can affect our ability to purchase raw materials and sell products at profitable prices, reduce the value of our assets and revenues, and increase liabilities and costs.

We are also exposed to interest rate risk. Fluctuations in interest rates may affect our interest expense on existing debt and the cost of new financing. We occasionally use swaps to manage this risk, but sustained increases in interest rates could nevertheless materially adversely affect our business, financial condition and results of operations.

In addition, we are exposed to movements in the price of natural gas. We try to ensure that natural gas prices are fixed for future periods but do not always do so because the future prices can be materially in excess of the spot price. We do not use commodity futures contracts to limit the fluctuations in prices paid and the potential volatility in earnings and cash flows from future market price movements.

It is difficult to compare our results of operations from period to period.

It is difficult to make period-to-period comparisons of our results of operations. Our business has been created as a result of a series of acquisitions and other corporate transactions over many years. These acquisitions have had and are expected to continue to have a positive effect on our results of operations in periods following their completion and integration. Furthermore, our sales and, therefore, our net operating income are variable within the fiscal year due to the seasonality described above. Thus, a period-to-period comparison of our results of operations may not be meaningful.

Interrupted energy supplies and higher energy costs may have a material adverse effect on our business.

We use natural gas, electrical power, oil, oxygen and, in limited circumstances, liquefied petroleum gas to manufacture our products. These energy sources are vital to our operations and we rely on a continuous power supply to conduct our business. Energy prices are subject to considerable volatility. We are not able to predict to what extent energy prices will vary in the future. If energy costs increase further in the future, we could experience a significant increase in operating costs, which could, if we are not able to recover these costs increases from our customers through selling price increases, have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing facilities are subject to operating hazards.

Our manufacturing processes include cutting, coating and shaping metal into containers, as well as heating glass to extremely high temperatures and forming it into glass containers. These processes, which are conducted at high speeds and involve operating heavy machinery and equipment, entail risks and hazards, including industrial accidents, leaks and ruptures, explosions, fires, mechanical failures and environmental hazards, such as spills, storage tank leaks, discharges or releases of hot glass or toxic or hazardous substances and gases. These hazards may cause unplanned business interruptions, unscheduled downtime, transportation interruptions, personal injury and loss of life, severe damage to or the destruction of property and equipment, environmental contamination and other environmental damage, civil, criminal and administrative sanctions and liabilities, and third-party claims, any of which may have a material adverse effect on our business, financial condition and results of operations.

We are involved in a continuous manufacturing process with a high degree of fixed costs. Any interruption in the operations of our manufacturing facilities may adversely affect our business, financial condition and results of operations.

All of our manufacturing activities take place at facilities that we own or that are leased by the Group. We conduct regular maintenance on all of our operating equipment. However, due to the extreme operating conditions inherent in some of our manufacturing processes, we cannot assure you that we will not incur unplanned business interruptions due to furnace breakdowns or similar manufacturing problems or that such interruptions will not have an adverse impact on our business, financial condition and results of operations. There can be no assurance that alternative production capacity would be available in the future if a major disruption were to occur or, if it were available, that it could be obtained on favorable terms. A disruption in such circumstances could have a material adverse effect on our business, financial condition and results of operations.

To the extent that we experience any furnace breakdowns or similar manufacturing problems, we will be required to make capital expenditures even though we may not have available resources at such time and we may not be able to meet customer demand, which would result in a loss of revenues. As a result, our liquidity may be impaired as a result of such expenditures and loss of revenues.

A mechanical failure or disruption affecting any major operating line may result in a disruption of our ability to supply customers, and standby capacity may not be available. The potential impact of any disruption would depend on the nature and extent of the damage caused to such facility. Further, our facilities in geographically vulnerable areas, such as California and Italy, may be disrupted by the occurrence of natural phenomena, such as earthquakes, tsunamis and hurricanes.

Our Glass Packaging business requires relatively high levels of capital expenditures, which we may be unable to fund.

Our Glass Packaging business requires relatively high levels of maintenance capital expenditures. We may not be able to make such capital expenditures if we do not generate sufficient cash flow from operations, have funds available for borrowing under our existing credit facilities to cover these capital expenditure requirements or if we were restricted from incurring additional debt to cover such expenditures or as a result of a combination of these factors. If we are unable to meet our capital expenditure plans, we may not be able to maintain our manufacturing capacity, which may negatively impact our competitive position and ultimately, our revenues and profitability. If we are unable to meet our maintenance capital expenditure plans, our manufacturing capacity may decrease, which may have a material adverse effect on our profitability.

Our expansion strategy may adversely affect our business.

We aim over the longer term to continue to capitalize on strategic opportunities to expand our metal and glass packaging activities. We believe that such future expansion is likely to require the further acquisition of existing businesses. Because we believe that such businesses may be acquired with modest equity and relatively high levels of financial leverage given the cash-generating capabilities of both our business streams, our leverage may increase in the future in connection with any acquisitions. This could have an adverse effect on our business, financial condition and results of operations. In addition, any future expansion is subject to various risks and uncertainties, including the inability to integrate effectively the operations, personnel or products of acquired companies and the potential disruption of existing businesses and diversion of management's attention from our existing businesses. Furthermore, we cannot assure you that any future expansions will achieve positive results.

We are subject to various environmental and other legal requirements and may be subject to new requirements of this kind in the future that could impose substantial costs upon us.

Our operations and properties are subject to extensive laws, ordinances, regulations and other legal requirements relating to environmental protection. Such laws and regulations which may affect our operations include, among others, requirements regarding remediation of contaminated soil, groundwater and buildings, water supply and use, natural resources, water discharges, air emissions, waste management, noise pollution, asbestos and other deleterious materials, the generation, storage, handling, transportation and disposal of regulated materials, product safety, and workplace health and safety.

We have incurred, and expect to continue to incur, costs to comply with such legal requirements, and these costs are likely to increase in the future. We require a variety of permits to conduct our operations, including operating permits such as those required under various U.S. laws, including the federal Clean Air Act, and the EU Industrial Emissions Directive, or IED, water and trade effluent discharge permits, water abstraction permits and waste permits. We are in the process of applying for, or renewing, permits at a number of our sites. Failure to obtain and maintain the relevant permits, as well as noncompliance with such permits, could have a material adverse effect on our business, financial condition and results of operations.

If we were to violate or fail to comply with these laws and regulations or our permits, we could be subject to criminal, civil and administrative sanctions and liabilities, including substantial fines and orders, or a partial or total shutdown of our operations. For example, we have settled alleged violations of hazardous waste regulations governing the reuse of electrostatic precipitator dust at our Madera plant in the United States, which occurred in the period prior to the VNA Acquisition. As part of this settlement, we have paid a civil penalty of $3.5 million and expect to incur increased dust disposal costs, which we estimate to be about $500,000 annually. We cannot assure you that our reuse of electrostatic precipitator dust at our other glass manufacturing plants will not result in regulatory inquiries or enforcement relating to compliance with hazardous waste regulations.

In order to comply with air emission restrictions, significant capital investments may be necessary at some sites. For example, to comply with US environmental regulations and the demands of the US Environmental Protection Agency (the “EPA”), VNA, which we acquired in 2014 and is now part of the Group, agreed to make sizable investments to replace or install new electrostatic precipitators and other equipment in order to control the air emissions at certain sites located in the United States. In 2010, VNA and the EPA signed a global consent decree pursuant to which VNA has made and will continue to make investments estimated at up to an aggregate of $112 million over a ten-year period, excluding operating costs of the systems installed. In addition, we paid a penalty amounting to $2.5 million excluding interest pursuant to this consent decree.

The EPA and other regulators have more broadly targeted the glass packaging, flat glass, mineral wool and fiber sectors as part of an enforcement initiative involving high fuel combustion sources. We have received notices of violation from the EPA for alleged violations under the Clean Air Act’s Prevention of Significant Deterioration, New Source Performance Standards and Title V provisions stemming from past furnace-related projects at our other glass manufacturing facilities unrelated to our acquisition of VNA, including furnace-related projects conducted by third parties who owned the facilities before us. The EPA has sent information requests to certain of our glass facilities concerning furnace-related projects as well as our air pollutant emissions more generally, which could culminate in notices of violation or other enforcement. Inquiries and enforcement by other regulators, including regulator demands made for more stringent pollution control devices to our facility in Seattle, Washington can also result in the need for further capital upgrades to our furnaces at substantial cost.

In Europe, under the IED and its reference document for “Best Available Techniques” for glass manufacturing plants, permitted emissions levels from these plants including ours are reduced substantially periodically. In Germany, technical guidelines, TA Luft, set forth emission thresholds which could potentially result in stricter limits in the future. These types of changes could require additional investment in our affected operations in order to comply with them. Our business is also affected by the EU Emissions Trading Scheme (the “EU ETS”), which limits emissions of greenhouse gases. This scheme, any future changes to it and any additional measures required to control the emission of greenhouse gases that may apply to our operations could have a material adverse effect on our business, financial condition and results of operations. California has implemented a similar program, which results in the need for us to incur potentially significant compliance costs, including for the purchase of offsets against our greenhouse gas emissions. Other states where we have operations, such as Washington, are expected to implement similar programs.

Changes to the laws and regulations governing the materials that are used in our manufacturing operations may impact the price of such materials or result in such materials no longer being available, which could have a material adverse effect on our business, financial condition and results of operations. The European Union passed regulations concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (“REACH”), which place onerous obligations on the manufacturers and importers of substances, preparations and articles containing substances, and which may have a material adverse effect on our business. Furthermore, substances we use may have to be removed from the market (under REACH’s authorization and restriction provisions) or need to be substituted for alternative chemicals which may also adversely impact upon our operations.

Sites at which we operate often have a long history of industrial activities and may be, or have been in the past, engaged in activities involving the use of materials and processes that could give rise to contamination and result in potential liability to investigate or remediate, as well as claims for alleged damage to persons, property or natural resources. Liability may be imposed on us as owners, occupiers or operators of contaminated facilities. These legal requirements may apply to contamination at sites that we currently or formerly owned, occupied or operated, or that were formerly, owned, occupied or operated by companies we acquired or at sites where we have sent waste offsite for treatment or disposal. Regarding companies acquired by us, including the Beverage Can Business, we cannot assure you that our due diligence investigations identified or accurately quantified all material environmental matters related to the acquired facilities. Our closure of a site may accelerate the need to investigate and remediate any contamination at the site.

In addition, we may be required to remediate contaminated third-party sites where we have sent wastes for disposal. Liability for remediation of these third-party sites may be established without regard to whether the party disposing the waste was at fault or the disposal activity was legal at the time it was conducted. For example, “Superfund” sites in the United States are the highest priority contaminated sites designated by the federal government to require remediation, and costs of their remediation tend to be very high. We and a number of other companies have been named as potentially responsible parties to clean up the Lower Duwamish Waterway Superfund Site in Washington, because our Seattle plant is adjacent to the waterway and is alleged to have contributed to its contamination. Whether we will have any liability for investigation and remediation costs at this or any other Superfund site or for costs relating to claims for natural resource damages, and what portion of the costs we must bear, has not been determined.

Changes in product requirements and their enforcement may have a material impact on our operations.

Changes in laws and regulations relating to deposits on, and the recycling of, glass or metal packaging could adversely affect our business if implemented on a large scale in the major markets in which we operate. Changes in laws and regulations laying down restrictions on, and conditions for use of, food contact materials or on the use of materials and agents in the production of our products could likewise adversely affect our business. Changes to health and food safety regulations could increase costs and also might have a material adverse effect on revenues if, as a result, the public attitude toward end-products, for which we provide packaging, were substantially affected.

Additionally, the effectiveness of new standards such as the ones related to recycling or deposits on different packaging materials could result in excess costs or logistical constraints for some of our customers who could choose to reduce their consumption and even terminate the use of glass or metal packaging for their products. We could thus be forced to reduce, suspend or even stop the production of certain types of products. The regulatory changes could also affect our prices, margins, investments and activities, particularly if these changes resulted in significant or structural changes in the market for food packaging that might affect the market shares for glass, the volumes produced or production costs.

Environmental concerns could lead US or EU bodies to implement other product regulations that are likely to be restrictive for us and have a material negative impact on our business, financial condition and results of operations. For example, in the European Union, each bottle cannot, in principle, contain more than 100 parts per million (“ppm”) of heavy metals pursuant to Directive 94/62/CE on Packaging and Packaging Waste. There is significant variation, among countries where we sell our products, in the limitation on certain constituents in packaging, which can have the effect of restricting the types of raw materials or amount of recycled glass we use. In turn, these restrictions can increase our operating costs and the environmental impacts of our operations, such as increased energy consumption.

Similarly, in the United States, some state regulations set the concentration of certain heavy metals in packaging at 100 ppm and provide for an exception to this rule in the event of additions of recycled packaging. Because this exemption has expired in certain states, the bottles manufactured from recycled glass that have a heavy metals concentration higher than 100 ppm could be noncompliant, which could have a negative impact on our earnings, financial situation, assets or image. We have had regulatory inquiries about our compliance and may in the future have additional inquiries or enforcement.

Other changes, such as restrictions on bisphenol A in coatings for some of our products, which have been proposed or adopted in the European Union under the REACH legislation and some of its Member States, have required us to develop substitute materials for our production.

We could incur significant costs in relation to claims of injury and illness resulting from materials present or used at our production sites or from our use of these sites or from our products.

As is the case in a number of other industrial processes that deal with high temperatures, asbestos was once present in the glass-making industry, primarily in safety equipment, until measures were taken to substitute this material for other materials made possible through technological advances. Since the 1990s, items made of asbestos have gradually been removed at our sites in Western Europe and the United States. Because of the age of some of our sites, however, asbestos-cement may have been used in construction and may still be present at these sites. When these buildings are modernized or repaired, the cost of upgrades is higher because of the restrictions associated with removing asbestos-containing materials.

We are exposed to claims alleging injury or illness associated with asbestos and related compensation over and above the support that may be offered through various existing social security systems in countries where we operate.

Claims associated with our glass-making activity exist and may arise for reasons associated with the work environment unrelated to the presence of asbestos. For example, claims have arisen associated with the acoustic environment generated by forming machines, the use of glass sand in making glass and products likely to contain heavy metals or solvents for decoration. We may also face the risk of work-related health claims owing to materials present or used at our production sites such as silicosis, and, under certain conditions, Legionnaires’ disease. The U.S. Occupational Safety and Health Administration has finalized a requirement, to be implemented over the next two years, that decreases by 50% the permissible exposure limit to crystalline silica and requires engineering controls or personal protective equipment to safeguard employees from such exposure. The European Union is also considering setting stricter exposure limit values for crystalline silica in work processes under the Carcinogens and Mutagens Directive. Silica is a significant component of the raw material for glass packaging and is also contained in refractories, or bricks, used in glass packaging manufacturing operations. Our costs to meet these reduced limits could be substantial, particularly if it becomes necessary for us to implement broad engineering controls across many of our glass manufacturing plants.

We are also exposed to claims alleging musculoskeletal disorders caused by performing certain repetitive operations or motions. We could also face claims alleging illness or injury from use of the products that we manufacture or sell or from workplace injuries more generally. If these claims succeed, they could have a material adverse impact on our business, financial situation, assets and earnings.

We may not be able to integrate the Beverage Can Business or any future acquisitions effectively.

Even though we have acquired businesses in the past, there is no certainty that the Beverage Can Business or any businesses we may acquire in the future will be effectively integrated. If we cannot successfully integrate acquired businesses within a reasonable time frame, we may not be able to realize the potential benefits anticipated from those acquisitions. Our failure to successfully integrate such businesses and the diversion of management attention and other resources from our existing operations could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, even if we are able to integrate successfully the operations of acquired businesses, we may not be able to realize the cost savings, synergies and revenue enhancements that we anticipate including those from the Beverage Can Acquisition, either in the amount or within the time frame that we anticipate, and the costs of achieving these benefits may be higher than, and the timing may differ from, what we expect. Our ability to realize anticipated cost savings and synergies may be affected by a number of factors, including the following:

- the use of more cash or other financial resources on integration and implementation activities than we expect, including restructuring and other exit costs; and

- increases in other expenses related to the acquisitions, which may offset the cost savings and other synergies from such acquisitions.

We have potential indemnification obligations relating to divestments.

We have disposed of a number of businesses. Pursuant to these agreements, we may be required to provide indemnification to the acquirers for damages resulting from a breach of any representation, warranty or covenants contained therein. The indemnification obligations under these agreements are subject to certain monetary and other limitations. To the extent that we are required to make any significant payments under these indemnification provisions, these payments could adversely impact our business, financial condition and results of operations.

We may be subject to litigation, arbitration and other proceedings that could have an adverse effect on us.

We are currently involved in various litigation matters, and we anticipate that we will be involved in litigation matters from time to time in the future. The risks inherent in our business expose us to litigation, including personal injury, environmental litigation, contractual litigation with customers and suppliers, intellectual property litigation, tax or securities litigation, and product liability lawsuits. We cannot predict with certainty the outcome or effect of any claim or other litigation matter, or a combination of these. If we are involved in any future litigation, or if our positions concerning current disputes are found to be incorrect, this may have an adverse effect on our business, financial position, results of operations and available cash, because of potential negative outcomes, the costs associated with asserting our claims or defending such lawsuits, and the diversion of management’s attention to these matters.

We could incur significant costs due to the location of some of our industrial sites in urban areas.

Obtaining, renewing or maintaining permits and authorizations issued by administrative authorities necessary to operate our production plants could be made more difficult due to the increasing urbanization of the sites where some of our manufacturing plants are located. Some of our old sites are located in urban areas such as Seattle. Urbanization could lead to more stringent operating conditions (by imposing traffic restrictions for example), conditions for obtaining or renewing the necessary authorizations, the refusal to grant or renew these authorizations, or expropriations of these sites in order to allow urban planning projects to proceed.

The occurrence of such events could result in us incurring significant costs. There can be no assurance that the occurrence of such events would entitle us to partial or full compensation.

Changes in consumer lifestyle, nutritional preferences and health-related concerns could adversely affect our business.

Certain end-products represent a significant proportion of our packaging market. In the past, the occurrence of diseases such as bovine spongiform encephalopathy and swine fever have sometimes led to reduced demand for associated canned products, such as sauces, soups and ready meals, and publicity about the supposed carcinogenic effect of coatings used on some cans may have affected sales of canned products. Additionally, France has introduced taxes on drinks with added sugar and artificial sweeteners that companies produce or import and the United Kingdom is planning on introducing a similar tax in 2018. France has also imposed taxes on energy drinks using certain amounts of taurine and caffeine. As a result of such taxes, demand decreased temporarily in France, and the imposition of such taxes in the future may decrease the demand for certain soft drinks and beverages that our customers produce, which may cause our customers to respond by decreasing their purchases of our metal and glass packaging products. Consumer tax legislation and future attempts to tax sugar or energy drinks by other jurisdictions could reduce the demand for our products and adversely affect our profitability. Any decline in the popularity of these product types as a result of lifestyle, nutrition, health considerations or consumer taxation could have a significant impact on our customers and could have a material adverse impact on our business, financial condition and results of operations.

We face costs associated with our post-retirement and post-employment obligations to employees which could have an adverse effect on our financial condition.

As of December 31, 2016, our accumulated post-retirement benefit obligation was approximately €905 million. The additional costs associated with these and other benefits to employees could have a material adverse effect on our financial condition.

We operate a number of pension and other post-retirement benefit schemes funded by a range of assets which may include property, derivatives, equities and/or bonds. The value of these assets is heavily dependent on the performance of markets which are subject to volatility. The liability structure of the obligations to provide such benefits is also subject to market volatility in relation to its accounting valuation and management. Additional significant funding of our pension and other post-retirement benefit obligations may be required if market underperformance is severe.

Organized strikes or work stoppages by unionized employees may have a material adverse effect on our business.

Many of our operating companies are party to collective bargaining agreements with trade unions. These agreements cover the majority of our employees. Upon the expiration of any collective bargaining agreement, our operating companies' inability to negotiate acceptable contracts with trade unions could result in strikes by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or other work stoppage, we could experience a significant disruption of operations and/or higher ongoing labor costs, which may have a material adverse effect on our business, financial condition and results of operations.

Failure of control measures and systems resulting in faulty or contaminated product could have a material adverse effect on our business.

We have strict control measures and systems in place to ensure that the maximum safety and quality of our products is maintained. The consequences of a product not meeting these rigorous standards, due to, among other things, accidental or malicious raw materials contamination or due to supply chain contamination caused by human error or equipment fault, could be severe. Such consequences might include adverse effects on consumer health, litigation exposures, loss of market share, financial costs and loss of revenues.

In addition, if our products fail to meet our usual rigorous standards, we may be required to incur substantial costs in taking appropriate corrective action (up to and including recalling products from consumers) and to reimburse customers and/or end-consumers for losses that they suffer as a result of this failure. Customers and end-consumers may seek to recover these losses through litigation and, under applicable legal rules, may succeed in any such claim despite there being no negligence or other fault on our part. Placing an unsafe product on the market, failing to notify the regulatory authorities of a safety issue, failing to take appropriate corrective action and failing to meet other regulatory requirements relating to product safety could lead to regulatory investigation, enforcement action and/or prosecution. Any product quality or safety issue may also result in adverse publicity, which may damage our reputation. This could in turn have a material adverse effect on our business, financial condition and results of operations. Although we have not had material claims for damages for defective products in the past, and have not conducted any substantial product recalls or other material corrective action, these events may occur in the future.

In certain contracts, we provide warranties in respect of the proper functioning of our products and the conformity of a product to the specific use defined by the customer.

In addition, if the product contained in packaging manufactured by us is faulty or contaminated, it is possible that the manufacturer of the product in question may allege that our packaging is the cause of the fault or contamination, even if the packaging complies with contractual specifications. Furthermore, in certain countries, certain players of the distribution chain market refill bottles even though they may not be designed for this purpose.

In case of the failure of packaging produced by us to open properly or to preserve the integrity of its contents, we could face liability to our customers and to third parties for bodily injury or other tangible or intangible damages suffered as a result. Such liability, if it were to be established in relation to a sufficient volume of claims or to claims for sufficiently large amounts, could have a material adverse effect on our business, financial condition and results of operations.

Our existing insurance coverage may be insufficient and future coverage may be difficult or expensive to obtain.

Although we believe that our insurance policies provide adequate coverage for the risks inherent in our business, these insurance policies typically exclude certain risks and are subject to certain thresholds and limits. We cannot assure you that our property, plant and equipment and inventories will not suffer damages due to unforeseen events or that the proceeds available from our insurance policies will be sufficient to protect us from all possible loss or damage resulting from such events. As a result, our insurance coverage may prove to be inadequate for events that may cause significant disruption to our operations, which may have a material adverse effect on our business, financial condition and results of operations.

We may suffer indirect losses, such as the disruption of our business or third-party claims of damages, as a result of an insured risk event. While we carry business interruption insurance and general liability insurance, they are subject to certain limitations, thresholds and limits, and may not fully cover all indirect losses.

We renew our insurance policies on an annual basis. The cost of coverage may increase to an extent that we may choose to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, adverse political developments, security concerns and natural disasters in any country in which we operate may materially adversely affect available insurance coverage and result in increased premiums for available coverage and additional exclusions from coverage.

Our food packaging sales could be affected adversely by changes in EU agricultural subsidy rules.

Certain subsidies are provided to agricultural producers under EU rules governing the production of various fruit, vegetable and dairy products. The availability of these subsidies may affect levels of production for certain agricultural products. Any reduction in existing subsidy levels could lead to a reduction in harvest or canning operations and therefore could have a material adverse effect on our business, financial condition and results of operations.

Our business may suffer if we do not retain our senior management and qualified staff.

We depend on our executive management team, who are identified under the “Management” section of this prospectus. Although we do not anticipate that we will have to replace any of our executive management team in the near future, the loss of services of any of the members of our executive management or other members of senior management could adversely affect our business until a suitable replacement can be found. There may be a limited number of persons with the requisite skills to serve in these positions and there is no assurance that we would be able to locate or employ such qualified personnel on terms acceptable to us or at all.

In addition, although we may enter into employment agreements with certain members of our senior management team, we may not be able to retain their services as expected. The loss of senior management personnel could have a material adverse effect on our business.

The results of the United Kingdom’s referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and demand for our business, which could materially affect our financial condition and results of operations.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum (“Brexit”). The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for certain regions within the United Kingdom to preserve their place in the European Union by separating from the United Kingdom as well as for the governments of other EU member states to consider withdrawal.

These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the United Kingdom and other EU member states or among the European economic area overall could be diminished or eliminated.

Depending on the terms of Brexit, if any, the United Kingdom could also lose access to the single EU market resulting in an impact on the general and economic conditions in the United Kingdom. Additionally, political instability in the European Union as a result of Brexit may result in a material negative effect on credit markets and foreign direct investments in Europe. This deterioration in economic conditions could result in increased unemployment rates, increased short- and long-term interest rates, consumer and commercial bankruptcy filings, a decline in the strength of national and local economies, and other results that negatively impact household incomes. These negative impacts could negatively impact our financial condition and results of operations.

Risks Relating to our Debt

Our substantial debt could adversely affect our financial health.

We have a substantial amount of debt and significant debt service obligations. As of December 31, 2016 we had total borrowings and net debt of €8.2 billion and €7.3 billion, respectively. Our substantial debt could have important negative consequences. For example, our substantial debt could:

- require us to dedicate a large portion of our cash flow from operations to service debt and fund repayments on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limit our ability to raise additional debt or equity capital in the future;
- restrict us from making strategic acquisitions or exploiting business opportunities;
- make it difficult for us to satisfy our obligations with respect to our debt; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

In addition, a portion of our debt bears interest at variable rates that are linked to changing market interest rates. Although we may hedge a portion of our exposure to variable interest rates by entering into interest rate swaps, we cannot assure you that we will do so in the future. As a result, an increase in market interest rates would increase our interest expense and our debt service obligations, which would exacerbate the risks associated with our leveraged capital structure. Our Parent Company is also subject to obligations under the 7.125%/7.875% Senior Secured Toggle Notes due 2023 and 6.625%/7.375% Senior Secured Toggle Notes due 2023 (collectively, the "Toggle Notes"). The Toggle Notes contain covenants that will affect our dividend policy

Negative developments in our business, results of operations and financial condition due to the current difficult global economic conditions or other factors could cause the ratings agencies to lower the credit ratings, or ratings outlook, of our short- and long-term debt and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our costs of issuing any new debt instruments.

Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate cash required to service our debt.

Our ability to make scheduled payments on our debt and to meet our other debt service obligations or refinance our debt depends on our future operating and financial performance and ability to generate cash. This will be affected by our ability to successfully implement our business strategy, as well as general economic, financial, competitive, regulatory, technical and other factors beyond our control. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, obtain additional financing, delay planned acquisitions or capital expenditures or sell assets. We cannot assure you that we will be able to generate sufficient cash through any of the foregoing. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt.

We expect to be able to repay or refinance the principal amounts outstanding under our outstanding notes upon maturity of each such series of notes between 2019 and 2024. We may, however, be unable to refinance such principal amounts on terms satisfactory to us or at all.

We and our subsidiaries may be able to incur substantially more debt.

Subject to the restrictions in our credit facilities, indentures and other outstanding debt, we may be able to incur substantial additional debt in the future.

As of December 31, 2016, we had undrawn credit lines of up to €250 million. Although the terms of these credit facilities and the indentures contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and debt incurred in compliance with these restrictions could be substantial. To the extent new debt is added to our currently anticipated debt levels, the substantial leverage-related risks described above would increase. See also "—Our expansion strategy may adversely affect our business".

We may be adversely impacted by a "change of control" as defined in the indentures governing our outstanding notes.

In the event of a change of control as defined in the indentures relating to our outstanding notes, we would be required to make an offer to repurchase the notes at 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase. The occurrence of certain of the events that would constitute a change of control could also constitute a default under our credit facilities.

Under the indentures, a change of control would occur if, among other things, (i) any person or group, other than one or more permitted holders, is or as a result of such transaction becomes, the beneficial owner, directly or indirectly, of more than 35% of the total voting power of our shares and (ii) the permitted holders, individually or in the aggregate, do not beneficially own, directly or indirectly, a larger percentage of the total voting power of our shares than such other person or group. Permitted holders are defined as to include Yeoman Capital S.A., Paul Coulson, Brendan Dowling, Houghton Fry, Edward Kilty, John Riordan and Niall Wall, and certain transferees and affiliates. As a result, a change of control may occur due to circumstances beyond our control.

The Toggle Notes issued by our Parent Company are secured by pledge on all our issued qualified capital stock. Enforcement of the pledges in an event of default under the Toggle Notes could impact corporate control and might trigger change of control provision under the indentures.

In the event of a change of control, we may not have sufficient funds to repurchase all notes tendered for repurchase and may not be able to cure or secure a waiver of any default under our credit facilities. Moreover, the exercise by the holders of our outstanding notes of their right to require a repurchase of the notes upon a change of control could cause a default under our debt instruments, even if the change of control itself does not, due to the financial impact of any such repurchase.

ArdaghGroup

Financial Statements

INDEX TO THE FINANCIAL STATEMENTS

Ardagh Group S.A. Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ardagh Group S.A.

In our opinion, the accompanying consolidated statement of financial position and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows present fairly, in all material respects, the financial position of Ardagh Group S.A. and its subsidiaries at December 31, 2016 and December 31, 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers
Dublin, Ireland
February 23, 2017

ARDAGH GROUP S.A. (formerly Ardagh Finance Holdings S.A.)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At December 31, 2016 €m	At December 31, 2015 €m
Non-current assets			
Intangible assets	3	3,889	1,810
Property, plant and equipment	4	2,925	2,307
Derivative financial instruments	12	124	-
Deferred tax assets	6	259	178
Other non-current assets	5	20	14
		7,217	**4,309**
Current assets			
Inventories	7	1,126	825
Trade and other receivables	8	1,135	651
Related party receivables	13	-	404
Derivative financial instruments	12	11	-
Restricted cash	9	27	11
Cash and cash equivalents	9	745	542
		3,044	**2,433**
TOTAL ASSETS		**10,261**	**6,742**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

	Note	At December 31, 2016 €m	2015 €m
Equity attributable to owners of the parent			
Issued capital	10	-	-
Share premium	10	136	400
Capital contribution	10	431	-
Other reserves		(324)	(241)
Retained earnings		(2,301)	(2,141)
		(2,058)	(1,982)
Non-controlling interests		2	2
TOTAL EQUITY		**(2,056)**	**(1,980)**
Non-current liabilities			
Borrowings	12	8,142	6,397
Employee benefit obligations	14	905	720
Deferred tax liabilities	6	697	461
Related party borrowings	13	673	-
Provisions	16	55	48
		10,472	**7,626**
Current liabilities			
Borrowings	12	8	7
Interest payable		81	79
Derivative financial instruments	12	8	7
Trade and other payables	15	1,534	879
Income tax payable		145	76
Provisions	16	69	48
		1,845	**1,096**
TOTAL LIABILITIES		**12,317**	**8,722**
TOTAL EQUITY and LIABILITIES		**10,261**	**6,742**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2016			Year ended December 31, 2015			Year ended December 31, 2014		
		Before exceptional items €m	Exceptional Items €m	Total €m	Before exceptional items €m	Exceptional Items €m	Total €m	Before exceptional items €m	Exceptional Items €m	Total €m
			Note 19			Note 19			Note 19	
Revenue	17	6,345	-	6,345	5,199	-	5,199	4,733	-	4,733
Cost of sales		(5,205)	(15)	(5,220)	(4,285)	(37)	(4,322)	(3,970)	(122)	(4,092)
Gross profit/(loss)		**1,140**	**(15)**	**1,125**	**914**	**(37)**	**877**	**763**	**(122)**	**641**
Sales, general and administration expenses		(300)	(116)	(416)	(274)	(44)	(318)	(246)	(35)	(281)
Intangible amortization	3	(173)	-	(173)	(109)	-	(109)	(88)	(33)	(121)
Loss on disposal of businesses		-	-	-	-	-	-	-	(159)	(159)
Operating profit/(loss)		**667**	**(131)**	**536**	**531**	**(81)**	**450**	**429**	**(349)**	**80**
Finance expense	20	(450)	(165)	(615)	(514)	(13)	(527)	(477)	(126)	(603)
Finance income	20	-	78	78	-	-	-	1	-	1
Profit/(loss) before tax		**217**	**(218)**	**(1)**	**17**	**(94)**	**(77)**	**(47)**	**(475)**	**(522)**
Income tax (charge)/credit	21	(97)	43	(54)	(95)	32	(63)	(64)	78	14
Profit/(loss) for the year		**120**	**(175)**	**(55)**	**(78)**	**(62)**	**(140)**	**(111)**	**(397)**	**(508)**
Loss attributable to:										
Owners of the parent				(55)			(140)			(508)
Non-controlling interests				-			-			-
Loss for the year				**(55)**			**(140)**			**(508)**
Loss per share:										
Basic loss for the year attributable to ordinary equity holders of the parent	22			(€5.34)			(€14.00)			(€50.80)

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

ARDAGH GROUP S.A. (formerly Ardagh Finance Holdings S.A.)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2016 €m	2015 €m	2014 €m
Loss for the year		**(55)**	**(140)**	**(508)**
Other comprehensive expense				
Items that may subsequently be reclassified to income statement				
Foreign currency translation adjustments:				
-Arising in the year		(52)	(137)	(148)
-Reclassification to income statement on disposal of businesses		-	-	(1)
		(52)	**(137)**	**(149)**
Effective portion of changes in fair value of cash flow hedges:				
-New fair value adjustments into reserve		50	44	36
-Movement out of reserve		(77)	(43)	(34)
-Movement in deferred tax		(4)	-	-
		(31)	**1**	**2**
Items that will not be reclassified to income statement				
-Re-measurements of employee benefit obligations	14	(121)	72	(123)
-Deferred tax movement on employee benefit obligations		16	(27)	31
		(105)	**45**	**(92)**
Total other comprehensive expense for the year		**(188)**	**(91)**	**(239)**
Total comprehensive expense for the year		**(243)**	**(231)**	**(747)**
Attributable to:				
Owners of the parent		(243)	(231)	(747)
Non-controlling interests		-	-	-
Total comprehensive expense for the year		**(243)**	**(231)**	**(747)**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

ARDAGH GROUP S.A. (formerly Ardagh Finance Holdings S.A.)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owner of the parent								
	Share capital €m	Share premium €m	Capital contribution €m	Foreign currency translation reserve €m	Cash flow hedges €m	Retained earnings €m	**Total €m**	Non-controlling interests €m	**Total equity €m**
	Note 10	Note 10	Note 10						
At January 1, 2014	**-**	**400**	**-**	**47**	**(5)**	**(1,446)**	**(1,004)**	2	**(1,002)**
Loss for the year	-	-	-	-	-	(508)	**(508)**	-	**(508)**
Other comprehensive (expense)/income	-	-	-	(149)	2	(92)	**(239)**	-	**(239)**
At December 31, 2014	**-**	**400**	**-**	**(102)**	**(3)**	**(2,046)**	**(1,751)**	**2**	**(1,749)**
Loss for the year	-	-	-	-	-	(140)	**(140)**	-	**(140)**
Other comprehensive (expense)/income	-	-	-	(137)	1	45	**(91)**	-	**(91)**
At December 31, 2015	**-**	**400**	**-**	**(239)**	**(2)**	**(2,141)**	**(1,982)**	**2**	**(1,980)**
Loss for the year	-	-	-	-	-	(55)	**(55)**	-	**(55)**
Other comprehensive expense	-	-	-	(52)	(31)	(105)	**(188)**	-	**(188)**
Contribution from parent	-	-	431	-	-	-	**431**	-	**431**
Share issuance	-	6	-	-	-	-	**6**	-	**6**
Reduction in share premium	-	(270)	-	-	-	270	**-**	-	**-**
Dividend payment	-	-	-	-	-	(270)	**(270)**	-	**(270)**
At December 31, 2016	**-**	**136**	**431**	**(291)**	**(33)**	**(2,301)**	**(2,058)**	**2**	**(2,056)**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

ARDAGH GROUP S.A. (formerly Ardagh Finance Holdings S.A.)
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2016 €m	2015 €m	2014 €m
Cash flows from operating activities				
Cash generated from operations	23	1,109	950	701
Interest paid - excluding cumulative PIK interest paid	(i)	(372)	(323)	(316)
Cumulative PIK interest paid	(i)	(184)	-	-
Income tax paid		(84)	(59)	(35)
Net cash from operating activities		**469**	**568**	**350**
Cash flows from investing activities				
Purchase of business net of cash acquired	25	(2,685)	-	(1,038)
Purchase of property, plant and equipment		(310)	(304)	(321)
Purchase of software and other intangibles		(12)	(8)	(10)
Proceeds from disposal of property, plant and equipment		4	8	17
Proceeds received from disposal of businesses	25	-	-	397
Net cash used in investing activities		**(3,003)**	**(304)**	**(955)**
Cash flows from financing activities				
Proceeds from borrowings		3,950	-	4,231
Repayment of borrowings		(2,322)	(198)	(2,591)
Proceeds from borrowings with related party	13	673	-	-
Repayment of borrowings from related party		-	-	(346)
Contribution from parent	10	431	-	-
Repayment of borrowings issued to related party	13	404	-	-
Borrowings issued to related party	13	-	-	(404)
Proceeds from share issuance	10	6	-	-
Dividends paid	24	(270)	-	-
Early redemption premium costs paid		(108)	(8)	(97)
Deferred debt issue costs paid		(60)	(1)	(67)
Proceeds from the termination of derivative financial instruments	12	-	81	-
Net cash inflow/(outflow) from financing activities		**2,704**	**(126)**	**726**
Net increase in cash and cash equivalents		**170**	**138**	**121**
Cash and cash equivalents at the beginning of the year	9	553	414	294
Exchange gains/(losses) on cash and cash equivalents		49	1	(1)
Cash and cash equivalents at the end of the year	9	**772**	**553**	**414**

(i) Total interest paid for the year ended December 31, 2016 is €556 million (2015: €323 million, 2014: €316 million)

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

1. General information

Ardagh Group S.A. (the "Company"), formerly Ardagh Finance Holdings S.A., was incorporated in Luxembourg on May 6, 2011. The extraordinary general meeting of the shareholders of the Company on February 22, 2017 resolved to change the Company's name from Ardagh Finance Holdings S.A. to Ardagh Group S.A.. The name change became effective on the same day.

The Company is looking to effect a public offering of Class A common shares at the New York Stock Exchange (the "Offering"). Prior to the Offering, ARD Holdings S.A. (its ultimate parent), owns, directly or indirectly substantially, all of the equity interest in Ardagh Group S.A..

The Company's registered office is 56, rue Charles Martel, L-2134 Luxembourg.

Ardagh Group S.A. and its subsidiaries (together the "Group" or "Ardagh") are a leading supplier of innovative, value-added rigid packaging solutions. The Group's products include metal and glass containers primarily for food and beverage markets. End-use categories include beer, wine, spirits, carbonated soft drinks, energy drinks, juices and flavored waters, as well as food, seafood and nutrition. Ardagh also supplies the paints & coatings, chemicals, personal care, pharmaceuticals and general household end-use categories.

These consolidated financial statements have been prepared for the purposes of the initial public offering and reflect the consolidation of the legal entities forming the Group for the periods presented. The principal legal entities forming the Group are listed in Note 26.

The principal accounting policies that have been applied to the consolidated financial statements are described in Note 2.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with, and are in compliance with, International Financial Reporting Standards ("IFRS") as adopted by the IASB and related interpretations. IFRS is comprised of standards and interpretations approved by the IASB and IAS and interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently approved by the IASB and remain in effect. References to IFRS hereafter should be construed as references to IFRS as adopted by the IASB.

The consolidated financial statements, are presented in euro, rounded to the nearest million and have been prepared under the historical cost convention except for the following:

- derivative financial instruments are stated at fair value; and
- employee benefit obligations are measured at the present value of the future estimated cash flows related to benefits earned and pension assets valued at fair value.

The preparation of consolidated financial information in conformity with IFRS requires the use of critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the process of applying Group accounting policies. These estimates, assumptions and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation. However, actual outcomes may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in the critical accounting estimates and judgments.

The consolidated financial statements for the Group were authorized for issue by the Board of Directors of Ardagh Group S.A. on February 23, 2017.

Recent accounting pronouncements

New standards, amendments, improvements and interpretations which are effective for financial periods beginning on or after January 1, 2017 that are applicable to the Group, none of which have been early adopted.

The following new standards, amendments to existing standards and interpretations effective for annual periods beginning on or after January 1, 2017 but which have not been adopted early by the Group. The Directors' assessment of the impact of the new standards listed below, on the reported results, consolidated statement of financial position and disclosures as a result of their adoption in future periods is on-going.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has started to assess the impact of IFRS 15 and, at this time, the Group does not expect that the implementation of this standard in 2018 will have a significant impact on the timing in which it recognizes revenue and therefore is not expected to have a significant impact on the consolidated income statement or the consolidated statement of financial position.

IFRS 9, 'Financial instruments'. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39 'Financial instruments: Recognition and measurement' ("IAS 39"). IFRS 9 has been completed in a number of phases and includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit loss model that replaces the incurred loss impairment model currently used as well as hedge accounting amendments. This standard becomes effective for annual periods commencing on or after January 1, 2018. The Group has started to assess the impact of the implementation of this standard and, at this time, the Group does not expect there to be a significant impact on the statement of financial position in respect of classification of financial assets and liabilities. The Group is continuing to evaluate the impact of prospective changes to hedge accounting and the introduction of an expected credit loss model on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position.

IFRS 16, 'Leases', sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 replaces IAS 17, 'Leases', and later interpretations and will result in most operating leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Group is currently evaluating the effects that the adoption of IFRS 16 will have on the Group's consolidated financial statements, and anticipates the new guidance will impact its consolidated financial statements as the Company has a significant number of leases which will be recognized on the balance sheet (See Note 4).

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material effect on the consolidated financial statements or they are not currently relevant for the Group.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is the consideration given in exchange for control of the identifiable assets, liabilities and contingent liabilities of the acquired legal entities. Directly attributable transaction costs are expensed and included as exceptional items within sales, general and administration expenses. The acquired net assets are initially measured at fair value. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. Any goodwill and fair value adjustments are recorded as assets and liabilities of the acquired legal entity in the currency of the primary economic environment in which the legal entity operates (the "functional currency"). If the cost of acquisition is less than the fair value of the Group's share of the net assets of the legal entity acquired, the difference is recognized directly in the consolidated income statement. The Group considers obligations of the acquiree in a business combination that arise as a result of the change in control, to be cash flows arising from obtaining control of the controlled entity, and classifies these obligations as investing activities in the consolidated statement of cash flows.

(ii) Transactions eliminated on consolidation

Transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the consolidated income statement, except: (i) differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity ("net investment hedges"), which are taken to other comprehensive income until the disposal of the net investment, at which time they are recognized in the consolidated income statement; and (ii) differences on certain derivative financial instruments discussed under "Derivative financial instruments" below. Net investment hedges are accounted for in a similar manner to cash flow hedges. The gain or loss relating to the ineffective portion of a net investment hedge is recognized immediately in the consolidated income statement within finance income or expense.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into euro at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to euro at average exchange rates for the year. Foreign exchange differences arising on retranslation and settlement of such transactions are recognized in other comprehensive income. Gains or losses accumulated in other comprehensive income are recycled to the consolidated income statement when the foreign operation is sold.

Non-monetary items measured at fair value in foreign currency are translated using the exchange rates as at the date when the fair value is determined.

Business combinations and goodwill

All business combinations are accounted for by applying the purchase method of accounting. This involves measuring the cost of the business combination and allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities assumed. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in sales, general and administration expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to those groups of cash-generating units ("CGUs") that are expected to benefit from the business combination in which the goodwill arose for the purpose of assessing impairment. Goodwill is tested annually for impairment.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets are initially recognized at cost.

Intangible assets acquired as part of a business combination are capitalized separately from goodwill if the intangible asset is separable or arises from contractual or other legal rights. They are initially recognized at cost which, for intangible assets arising in a business combination, is their fair value at the date of acquisition.

Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The carrying values of intangible assets with finite useful lives are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

The amortization of intangible assets is calculated to write off the book value of finite lived intangible assets over their useful lives on a straight-line basis on the assumption of zero residual value as follows:

Computer software	2-7 years
Customer relationships	5-15 years
Technology	8-15 years

(i) Computer software

Computer software development costs are recognized as assets. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

(ii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a finite useful economic life and are carried at cost less accumulated amortization.

(iii) Technology

Technology based intangibles acquired in a business combination are recognized at fair value at the acquisition date and reflect the Group's ability to add value through accumulated technological expertise surrounding product and process development.

(iv) Research and development costs

Research costs are expensed as incurred. Development costs relating to new products are capitalized if the new product is technically and commercially feasible. All other development costs are expensed as incurred.

Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for land which is shown at cost less impairment. Spare parts which form an integral part of plant and machinery and which have an estimated useful economic life greater than one year are capitalized. Spare parts which do not form an integral part of plant and machinery and which have an estimated useful economic life less than one year are included as consumables within inventory and expensed when utilized.

Where items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(iii) Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing the component of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. When a component is replaced the old component is de-recognized in the period. All other costs are recognized in the consolidated income statement as an expense as incurred. When a major overhaul is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria above are met.

(iv) Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	30 - 40 years
Plant and machinery	3 - 40 years
Moulds	2 - 3 years
Office equipment and vehicles	3 - 10 years

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

Impairment of non-financial assets

Assets that have an indefinite useful economic life are not subject to amortization and are tested annually for impairment or whenever indicators suggest that impairment may have occurred. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

For the purposes of assessing impairment, assets excluding goodwill and long lived intangible assets, are grouped at the lowest levels at which cash flows are separately identifiable. Goodwill and long lived intangible assets are allocated to groups of CGUs. The groupings represent the lowest level at which the related assets are monitored for internal management purposes.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their current location and condition. In the case of finished goods and work-in-progress, cost includes direct materials, direct labor and attributable overheads based on normal operating capacity.

Net realizable value is the estimated proceeds of sale less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution.

Spare parts which are deemed to be of a consumable nature, are included within inventories and expensed when utilized.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, restricted cash, borrowings and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

(i) Trade and other receivables

Trade and other receivables are recognized initially at fair value and are thereafter measured at amortized cost using the effective interest rate method less any provision for impairment. A provision for impairment of trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Factoring and related programs are employed by the Group where deemed to be of benefit by management.

(ii) Securitized assets

The Group entered into a series of securitization transactions involving certain of its trade receivables. The securitized assets are recognized on the consolidated statement of financial position, until all of the rights to the cash flows from those assets have expired or have been fully transferred outside the Group, or until substantially all of the related risks, rewards and control of the related assets have been transferred to a third party. No trade receivables were securitized at December 31, 2016 (2015: €nil).

(iii) Cash and cash equivalents

Cash and cash equivalents include cash in hand and call deposits held with banks. Cash and cash equivalents are carried at amortized cost.

Short term bank deposits of greater than three months' maturity which do not meet the definition of cash and cash equivalents are classified as financial assets within current assets and stated at amortized cost.

(iv) Restricted cash

Restricted cash comprises cash held by the Group but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is measured at amortized cost.

(v) Borrowings (including related party debt)

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Group's consolidated income statement over the period of the borrowings using the effective interest rate method.

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

(vi) Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. Amounts accumulated in other comprehensive income are recycled to the consolidated income statement in the periods when the hedged item will affect profit or loss.

Amounts accumulated in other comprehensive income are recycled from equity to the consolidated income statement in the period during which the hedged item will affect the income statement. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity and is recognized when the forecast cash flow arises. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(ii) Fair value hedges

Derivative financial instruments are classified as fair value hedges when they hedge the Group's exposure to changes in the fair value of a recognized asset or liability. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Group's consolidated income statement, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The gain or loss relating to the effective portion of interest rate swaps hedging assets and borrowings is recognized in the consolidated income statement within 'finance expense'. The gain or loss relating to the ineffective portion of the interest rate swaps is recognized in the consolidated income statement within 'finance expense'. If a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortized to profit or loss over the period to maturity.

Fair value measurement

The Group measures financial instruments such as derivatives and pension assets at fair value at each balance sheet date. Fair value related disclosures for financial instruments, related party convertible borrowings and pension assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Notes 12 and 14)
- Contingent consideration (Note 25)
- Quantitative disclosures of fair value measurement hierarchy (Note 12)
- Financial instruments (including those carried at amortized cost) (Note 12)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Employee benefits

(i) Defined benefit pension plans

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the consolidated income statement.

(ii) Multi-employer pension plans

Multi-employer craft or industry based pension schemes ("multi-employer schemes") have arrangements similar to those of defined benefit schemes. In each case it is not possible to identify the Group's share of the underlying assets and liabilities of the multi-employer schemes and therefore in accordance with IAS 19(R), the Group has taken the exemption for multi-employer pension schemes to account for them as defined contribution schemes recognizing the contributions payable in each period in the consolidated income statement.

(iii) Other end of service employee benefits

In a number of countries, the Group pays lump sums to employees leaving service. These arrangements are accounted in the same manner as defined benefit pension plans.

(iv) Other long term employee benefits

The Group's obligation in respect of other long term employee benefits plans represents the amount of future benefit that employees have earned in return for service in the current and prior periods for post-retirement medical schemes, partial retirement contracts and long service awards. These are included in the category of employee benefit obligations on the consolidated statement of financial position. The obligation is computed on the basis of the projected unit credit method and is discounted to present value using a discount rate equating to the market yield at the reporting date on high quality corporate bonds of a currency and term consistent with the currency and estimated term of the obligations. Actuarial gains and losses are recognized in full in the Group's consolidated statement of comprehensive income in the period in which they arise.

(v) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The contributions are recognized as employee benefit expense when they are due.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Revenue recognition

Revenue from the sale of goods is recognized in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer, primarily on dispatch of the goods. Allowances for customer rebates are provided for in the same period as the related revenues are recorded. Revenue is included net of cash discounts and value added tax.

Exceptional items

The Group's consolidated income statement, cash flow and segmental analysis separately identify results before specific items. Specific items are those that in management's judgment need to be disclosed by virtue of their size, nature or incidence to provide additional information. Such items include, where significant, restructuring, redundancy and other costs relating to permanent capacity realignment or footprint reorganization, directly attributable acquisition costs, profit or loss on disposal or termination of operations, start-up costs incurred in relation to plant builds or new furnaces, major litigation costs and settlements and impairment of non-current assets. In this regard the determination of 'significant' as included in our definition uses qualitative and quantitative factors. Judgment is used by the Group in assessing the particular items, which by virtue of their scale and nature, are disclosed in the Group's consolidated income statement, and related notes as exceptional items. Management considers columnar presentation to be appropriate in the consolidated income statement as it provides useful additional information and is consistent with the way that financial performance is measured by management and presented to the Board of Directors of ARD Holdings S.A. (the "Board") and the Executive Committee of the Board of Directors of ARD Holdings S.A. (the "Executive Committee"). Exceptional restructuring costs are classified as restructuring provisions and all other exceptional costs when outstanding at the balance sheet date are classified as exceptional items payable.

Finance income and expense

Finance income comprises interest income on funds invested, gains on disposal of financial assets, and gains on derivative instruments that are not designated as hedging instruments and are recognized in profit or loss.

Finance expense comprises interest expense on borrowings (including amortization of deferred debt issuance costs), finance lease expenses, certain net foreign currency translation related to financing, net interest cost on net pension plan liabilities, losses on extinguishment of borrowings, losses on derivative instruments that are not designated as hedging instruments and are recognized in profit or loss and other finance expense.

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of manufacturing plants that require a substantial period of time to build that would have been avoided if the expenditure on the qualifying asset had not been made.

Costs related to the issuance of new debt are deferred and amortized within finance expense over the expected terms of the related debt agreements by using the effective interest rate method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated income statement except to the extent that it relates to items recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segment reporting

The Executive Committee has been identified as the Chief Operating Decision Maker (“CODM”) for the Group.

Operating segments are identified on the basis of the internal reporting provided to the Executive Committee in order to allocate resources to the segment and assess its performance.

Critical accounting estimates, assumptions and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill and other long lived assets

In accordance with IAS 36 ‘Impairment of assets’ (“IAS 36”), the Group tests whether goodwill and other long lived assets have suffered any impairment in accordance with the accounting policies stated. The determination of recoverable amounts requires the use of estimates as outlined in Note 3. The Group’s judgments relating to the impairment of goodwill and other long lived assets are included in Notes 3 and 4.

(ii) Establishing lives for depreciation and amortization purposes of property, plant and equipment and intangibles

Long lived assets, consisting primarily of property, plant and equipment, customer intangibles and technology intangibles, comprise a significant portion of the Group’s total assets. The annual depreciation and amortization charges depend primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Board of Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilization and physical condition of the assets concerned. Changes in asset lives can have a significant impact on the depreciation and amortization charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis, as asset lives are individually determined and there are a significant number of asset lives in use.

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions and judgment is therefore required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

(iv) Measurement of employee benefit obligations

The Group follows guidance of IAS 19(R) to determine the present value of its obligations to current and past employees in respect of defined benefit pension obligations, other long term employee benefits, and other end of service employee benefits which are subject to similar fluctuations in value in the long term. The Group with the assistance of professional actuaries, values such liabilities designed to ensure consistency in the quality of the key assumptions underlying the valuations. The critical assumptions and estimates applied are discussed in detail in Note 14.

(v) Exceptional items

The consolidated income statement and segment analysis separately identify results before exceptional items. Exceptional items are those that in our judgment need to be disclosed by virtue of their size, nature or incidence.

The Group believes that this presentation provides additional analysis as it highlights exceptional items. Such items include, where significant, restructuring, redundancy and other costs relating to permanent capacity realignment or footprint reorganization, directly attributable acquisition costs, profit or loss on disposal or termination of operations, start-up costs incurred in relation to new operations or plant builds, major litigation costs, settlements and impairment of non-current assets. In this regard, the determination of 'significant' as included in our definition uses qualitative and quantitative factors which remain consistent from period to period. Management uses judgment in assessing the particular items, which by virtue of their scale and nature, are disclosed in the consolidated income statement and related notes as exceptional items. Management considers the consolidated income statement presentation of exceptional items to be appropriate as it provides useful additional information and is consistent with the way that financial information is measured by management and presented to the Board of Directors and CODM. In that regard, management believes it to be consistent with paragraph 85 of IAS 1 'Presentation of financial statements' ("IAS 1"), which permits the inclusion of line items and subtotals that improve the understanding of performance.

vi) Business combinations and goodwill

Goodwill only arises in business combinations. The amount of goodwill initially recognized is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment. Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

3. Intangible assets

Cost	Goodwill €m	Customer relationships €m	Technology and other €m	Software €m	Total €m
At January 1, 2015	965	783	167	45	**1,960**
Acquisitions	3	-	-	-	**3**
Additions	-	-	7	1	**8**
Disposals	-	-	(1)	-	**(1)**
Transfers	-	-	(3)	3	**-**
Exchange	79	68	11	-	**158**
At December 31, 2015	**1,047**	**851**	**181**	**49**	**2,128**
Amortization					
At January 1, 2015		(139)	(32)	(27)	**(198)**
Charge for the year		(83)	(19)	(7)	**(109)**
Disposals		-	1	-	**1**
Exchange		(11)	(1)	-	**(12)**
At December 31, 2015		**(233)**	**(51)**	**(34)**	**(318)**
Net book value					
At December 31, 2015	**1,047**	**618**	**130**	**15**	**1,810**
Cost					
At January 1, 2016	1,047	851	181	49	**2,128**
Acquisitions	894	1,242	31	11	**2,178**
Additions	-	-	8	3	**11**
Impairment	-	-	-	(2)	**(2)**
Exchange	30	44	2	-	**76**
At December 31, 2016	**1,971**	**2,137**	**222**	**61**	**4,391**
Amortization					
At January 1, 2016		(233)	(51)	(34)	**(318)**
Charge for the year		(143)	(23)	(7)	**(173)**
Exchange		(2)	(9)	-	**(11)**
At December 31, 2016		**(378)**	**(83)**	**(41)**	**(502)**
Net book value					
At December 31, 2016	**1,971**	**1,759**	**139**	**20**	**3,889**

2016

Goodwill and intangibles of €2,178 million were acquired as part of the acquisition of the Beverage Can Business in June 2016. Goodwill is based on management's preliminary estimates of fair values at the acquisition date. The period allowed by 'Business Combinations' ("IFRS 3R"), remains open at December 31, 2016. Please refer to Note 25 for further details of the purchase price allocation.

2015

Fair value adjustments to goodwill of €3 million net of tax, were made in the twelve months to December 31, 2015 relating to the VNA Acquisition within the measurement period allowed by IFRS 3R. The purchase price allocation is now finalized.

Development costs of €13 million were included in technology and other intangible assets at December 31, 2016 (2015: €12 million).

Goodwill

Allocation of goodwill

Goodwill has been allocated to groups of CGUs for the purpose of impairment testing. The groupings represent the lowest level at which the related goodwill is monitored for internal management purposes. Goodwill acquired through business combination activity is allocated to CGUs that are expected to benefit from synergies in that combination. Given the size and timing of the acquisition of the Beverage Can Business, a preliminary allocation of the related goodwill has been made at December 31, 2016: the allocation will be finalized during 2017.

The lowest level within the Group at which the goodwill is monitored for internal management purposes is Metal Packaging Europe, Metal Packaging Americas, Metal Packaging Europe – Acquired, Metal Packaging Americas - Acquired, Glass Packaging Europe and Glass Packaging North America.

A summary of the goodwill allocation is presented below:

	At December 31,	
	2016 €m	2015 €m
Metal Packaging Europe	268	274
Metal Packaging Americas	28	26
Metal Packaging Europe - Acquired	494	-
Metal Packaging Americas - Acquired	417	-
Glass Packaging Europe	57	62
Glass Packaging North America	707	685
Total Goodwill	**1,971**	**1,047**

Impairment tests for goodwill

The Group performs its impairment test of goodwill annually following approval of the annual budget.

Recoverable amount and carrying amount

The Group used the value in use ("VIU") model for the purposes of the goodwill impairment testing as this reflects the Group's intention to hold and operate the assets.

The VIU model uses the 2017 two-year budget approved by the Board of Directors of ARD Holdings S.A. (2015: 2016 two-year budget). The budget was then extended for a further three-year period (2015: 2016 three-year period) making certain assumptions including that capital expenditure equals depreciation and that any increase in input cost will be passed through to customers, in line with historic practice and contractual terms.

The terminal value assumed long term growth in line with long term local inflation.

Cash flows considered in the VIU model included the cash inflows and outflows related to the continuing use of the assets over their remaining useful lives, expected earnings, required maintenance capital expenditure, depreciation, tax and working capital.

The post-tax discount rate applied to post-tax cash flows in the VIU model was estimated using the Capital Asset Pricing Model with regard to the risks associated with the cash flows being considered (country, market and specific risks of the asset).

The modelled cash flows take into account the Group's established history of earnings, cash flow generation and the nature of the markets in which we operate, where product obsolescence is low. The key assumptions employed in modelling estimates of future cash flows are subjective and include projected Adjusted EBITDA, discount rates and growth rates, replacement capital expenditure requirements, rates of customer retention and the ability to maintain margin through the pass through of input cost inflation.

A sensitivity analysis was performed reflecting potential variations in terminal growth rate and discount rate assumptions. In all cases the recoverable values calculated were in excess of the carrying values of the CGUs. The variation applied to terminal value growth rates and discount rates was a 50 basis points decrease and increase respectively, and represents a reasonably possible change to the key assumptions of the VIU model.

The additional disclosures required under IAS 36 in relation to significant goodwill amounts arising in the groups of CGUs are as follows:

	Metal Packaging Europe €m/%	Metal Packaging Americas €m/%	Metal Packaging Europe-Acquired €m/%	Metal Packaging Americas-Acquired €m/%	Glass Packaging Europe €m/%	Glass Packaging North America €m/%
2016						
Carrying amount of goodwill	268	28	494	417	57	707
Excess of recoverable amount	2,178	372	582	274	2,057	1,630
Pre-tax discount rate applied	8.3%	9.8%	8.9%	11.9%	8.7%	10.3%
Growth rate for terminal value	1.5%	2.0%	1.5%	2.0%	1.5%	2.0%
2015						
Carrying amount of goodwill	274	26	-	-	62	685
Excess of recoverable amount	1,612	521	-	-	1,720	1,916
Pre-tax discount rate applied	9.9%	9.6%	-	-	9.0%	9.8%
Growth rate for terminal value	2.0%	2.5%	-	-	2.0%	2.5%

4. Property, plant and equipment

	Land and buildings €m	Plant, machinery and other €m	Office equipment and vehicles €m	**Total €m**
Cost				
At January 1, 2015	696	2,614	43	**3,353**
Additions	-	283	1	**284**
Disposals	(6)	(89)	(10)	**(105)**
Transfers	50	(66)	16	**-**
Exchange	21	113	1	**135**
At December 31, 2015	**761**	**2,855**	**51**	**3,667**
Depreciation				
At January 1, 2015	(153)	(949)	(28)	**(1,130)**
Charge for the year	(21)	(267)	(6)	**(294)**
Disposals	3	84	10	**97**
Exchange	(3)	(29)	(1)	**(33)**
At December 31, 2015	**(174)**	**(1,161)**	**(25)**	**(1,360)**
Net book value				
At December 31, 2015	**587**	**1,694**	**26**	**2,307**

	Land and buildings €m	Plant, machinery and other €m	Office equipment and vehicles €m	**Total €m**
Cost				
At January 1, 2016	761	2,855	51	**3,667**
Acquisitions	171	459	-	**630**
Additions	3	315	5	**323**
Impairment	-	(8)	-	**(8)**
Disposals	(6)	(192)	(10)	**(208)**
Transfers	13	(29)	16	**-**
Exchange	(9)	(43)	(1)	**(53)**
At December 31, 2016	**933**	**3,357**	**61**	**4,351**
Depreciation				
At January 1, 2016	(174)	(1,161)	(25)	**(1,360)**
Charge for the year	(26)	(283)	(9)	**(318)**
Disposals	4	191	9	**204**
Exchange	6	41	1	**48**
At December 31, 2016	**(190)**	**(1,212)**	**(24)**	**(1,426)**
Net book value				
At December 31, 2016	**743**	**2,145**	**37**	**2,925**

Depreciation expense of €313 million (2015: €289 million; 2014: €271 million) has been charged in cost of sales and €5 million (2015: €5 million; 2014: €4 million) in sales, general and administration expenses.

Transfers primarily relate to the reclassification of construction in progress to the applicable classification within property, plant and equipment.

Construction in progress at December 31, 2016 was €114 million (2015: €87 million).

Included in property, plant and equipment is an amount for land of €195 million (2015: €160 million).

No interest was capitalized in the year (2015: €nil).

Substantially all of the Group's property, plant and equipment are pledged as security under the terms and conditions of the Group's financing arrangements.

Impairment

The Directors have considered the carrying value of the Group's property, plant and equipment and assessed the indicators of impairment as at December 31, 2016 in accordance with IAS 36. In the year ended December 31, 2016 an exceptional impairment charge of €8 million (2015: €nil) has been recognized, of which €5 million relates to the impairment of plant and machinery in Metal Packaging Europe and €3 million relates to the impairment of a plant in Metal Packaging Americas.

In the year ended December 31, 2014, the Group recognized exceptional impairment charges of €36 million relating to specific property, plant and equipment that is no longer in use in the Metal Packaging Europe division. Further impairment charges of €17 million were incurred in the Glass Packaging North America division relating to a plant closure.

Finance leases

The depreciation charge for capitalized leased assets was €1 million (2015: €1 million; 2014: €1 million) and the related finance charges were €nil (2015: €nil; 2014: €nil). The net carrying amount is €10 million (2015: €10 million).

Operating lease commitments

During the year, the expense in respect of operating lease commitments was as follows:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Plant and machinery	5	5	8
Land and buildings	24	21	14
Office equipment and vehicles	9	8	10
	38	**34**	**32**

At December 31, the Group had total commitments under non-cancellable operating leases which expire:

	At December 31,		
	2016 €m	2015 €m	2014 €m
Not later than one year	30	27	23
Later than one year and not later than five years	69	69	55
Later than five years	68	67	43
	167	**163**	**121**

Capital commitments

The following capital commitments in relation to property, plant and equipment were authorized by management, but have not been provided for in the consolidated financial statements:

	At December 31,		
	2016 €m	2015 €m	2014 €m
Contracted for	110	30	67
Not contracted for	19	6	22
	129	**36**	**89**

5. Other non-current assets

At December 31, 2016 other non-current assets of €20 million (2015: €14 million) include €6 million (2015: €7 million) relating to the Group's investment in its joint ventures.

6. Deferred income tax

The movement in deferred tax assets and liabilities during the year was as follows:

	Assets €m	Liabilities €m	Total €m
At January 1, 2015	**417**	**(653)**	**(236)**
Acquisition	3	-	3
(Charged)/credited to the income statement	(21)	20	(1)
(Charged)/credited to other comprehensive income	(28)	1	(27)
Exchange	26	(48)	(22)
At December 31, 2015	**397**	**(680)**	**(283)**
Acquisition (Note 25)	73	(218)	(145)
(Charged)/credited to the income statement	(42)	33	(9)
Credited/(charged) to other comprehensive income	17	(5)	12
Reclassification	3	(3)	-
Exchange	(3)	(10)	(13)
At December 31, 2016	**445**	**(883)**	**(438)**

The components of deferred income tax assets and liabilities are as follows:

	At December 31, 2016 €m	2015 €m
Tax losses	32	35
Employee benefit obligations	172	158
Depreciation timing differences	82	68
Provisions	94	83
Other	65	53
	445	**397**
Available for offset	(186)	(219)
Deferred tax assets	**259**	**178**
Intangible assets	(482)	(330)
Accelerated depreciation and other fair value adjustments	(362)	(308)
Other	(39)	(42)
	(883)	**(680)**
Available for offset	186	219
Deferred tax liabilities	**(697)**	**(461)**

The tax (charge)/credit recognized in the consolidated income statement is analyzed as follows:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Tax losses	(3)	(18)	(3)
Employee benefit obligations	(12)	13	4
Depreciation timing differences	(12)	(2)	50
Provisions	-	(7)	1
Other deferred tax assets	(15)	(7)	1
Intangible assets	38	30	23
Accelerated depreciation and other fair value adjustments	2	2	5
Other deferred tax liabilities	(7)	(12)	1
	(9)	**(1)**	**82**

Deferred tax assets are only recognized on tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable based on management's forecasts. The Group did not recognize deferred tax assets of €43 million (2015: €37 million) in respect of tax losses amounting to €223 million (2015: €148 million) that can be carried forward against future taxable income due to uncertainty regarding their utilization. In addition, the Group did not recognize deferred tax assets of €70 million (2015: €68 million) in respect of capital losses amounting to €201 million (2015: €195 million) that can be carried forward against future taxable income due to uncertainty regarding their utilization.

No provision has been made for temporary differences applicable to investments in subsidiaries as the Group is in a position to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Given that exemptions and tax credits would be available in the context of the Group's investments in subsidiaries in the majority of jurisdictions in which it operates, the aggregate amount of temporary differences in respect of which deferred tax liabilities have not been recognized would be immaterial.

7. Inventories

	At December 31,	
	2016 €m	2015 €m
Raw materials and consumables	289	200
Mould parts	44	42
Work-in-progress	68	77
Finished goods	725	506
	1,126	**825**

Inventory pledged as security for liabilities is not material.

The amount recognized as a write down in inventories or as a reversal of a write down in the period was not significant.

8. Trade and other receivables

	At December 31,	
	2016 €m	2015 €m
Trade receivables	920	608
Other receivables and prepayments	215	43
	1,135	**651**

The fair values of trade and other receivables approximate the amounts shown above.

Movements on the provision for impairment of trade receivables are as follows:

	2016 €m	2015 €m	2014 €m
At January 1,	**14**	**14**	**13**
Provision for receivables impairment	1	2	1
Receivables written off during the year as uncollectible	(1)	(2)	-
At December 31,	**14**	**14**	**14**

The majority of the provision above relates to balances which are more than six months past due.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Provisions against specific balances

Significant balances are assessed for evidence that the customer is in significant financial difficulty. Examples of factors considered are high probability of bankruptcy, breaches of contract or major concession being sought by the customer. Instances of significant single customer related bad debts are rare and there is no significant concentration of risk associated with particular customers.

Providing against the remaining population of customers

Historic data is monitored and applied as the primary source of evidence to assess the level of losses incurred, although impairments cannot yet be identified with individual receivables. Adverse changes in the payment status of customers in the Group, or national or local economic conditions that correlate with defaults on receivables in the Group, may also provide a basis for increase of the level of provision above historic losses. However, the fact that payments are made late by customers does not automatically provide evidence that a provision should be recognized.

As of December 31, 2016, trade receivables of €46 million (2015: €35 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	At December 31,	
	2016 €m	2015 €m
Up to three months past due	40	29
Three to six months past due	4	3
Over six months past due	2	3
	46	**35**

Receivables factoring and related programs

During the year ended December 31, 2016 the Group participated in several uncommitted accounts receivable factoring and related programs with various financial institutions for certain receivables. The programs are accounted for as true sales of the receivables, without recourse to the Group. A total of €277 million were sold under these programs as at December 31, 2016 (2015: €15 million), of which €225 million relates to the Beverage Can Business.

9. Cash, cash equivalents and restricted cash

	At December 31,	
	2016 €m	2015 €m
Cash at bank and in hand	729	542
Short term bank deposits	16	-
	745	**542**

In addition to cash and cash equivalents, the Group had €27 million of restricted cash at December 31, 2016 (2015: €11 million) which includes bank guarantees in the United States and early retirement plans in Germany.

10. Issued capital and reserves

Share capital

Authorized, issued and fully paid shares:

	At December 31, 2016 €m	At December 31, 2015 €m
Share capital (par value €0.01)	-	-

	At December 31, 2016	At December 31, 2015
Ordinary number of shares	11,111,200	10,000,000

Share premium

On September 21, 2016, the Company issued 1,111,200 ordinary shares to ARD Group Finance Holdings S.A. at a par value of €0.01 per share, and with a share premium of €6 million.

On the same date, the Board of Directors approved the reclassification of an element of the Company's share premium to retained earnings, thereby realizing a distributable reserve, and subsequently paid a dividend to its parent company.

Capital contribution

On September 16, 2016 the Company received a contribution of €431 million in cash from its parent company. There were no terms and conditions associated with the contribution. The proceeds from this contribution were mainly used to redeem part of the principal amount outstanding of its $841 million 8.625% Senior PIK Notes due 2019 and €295 million 8.375% Senior PIK Notes due 2019.

All other reserves are as stated in the consolidated statement of changes in equity.

11. Financial risk factors

The Group's activities expose it to a variety of financial risks: capital risk, interest rate risk, currency exchange risk, commodity price risk, credit risk, and liquidity risk.

Capital structure and risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide returns to the Group's stakeholders. The Group funds its operations primarily from the following sources of capital: borrowings, cash flow and shareholders' equity. The Group aims to achieve a capital structure that results in an appropriate cost of capital to accommodate material investments or acquisitions, while providing flexibility in short and medium term funding. The Group also aims to maintain a strong balance sheet and to provide continuity of financing by having a range of maturities and borrowing from a variety of sources. The Group's overall treasury objectives are to ensure sufficient funds are available for the Group to carry out its strategy and to manage certain financial risks to which the Group is exposed, details of which are provided below.

Financial risks are managed on the advice of Group Treasury and senior management. The Group does not permit the use of treasury instruments for speculative purposes, under any circumstances. Group Treasury regularly reviews the level of cash and debt facilities required to fund the Group's activities, plans for repayments and refinancing of debt, and identifies an appropriate amount of headroom to provide a reserve against unexpected funding requirements.

Additionally, financial instruments, including derivative instruments are used to hedge exposure to interest rate and currency exchange risk.

One of the Group's key metrics has been the ratio of consolidated external net debt as a multiple of Adjusted EBITDA. Adjusted EBITDA is the net profit or loss for the period before income tax expenses, net finance expense, depreciation and amortization and exceptional operating items. As at December 31, 2016 the ratio for the Group was 6.3x (2015: 6.3x; 2014: 7.1x).

Interest rate risk

The Executive Committee's policy, in the management of interest rate risk, is to strike the right balance between the Group's fixed and floating rate financial instruments. The balance struck by the Executive Committee is dependent on prevailing interest rate markets at any point in time.

At December 31, 2016, the Group's external borrowings were 73.8% (2015: 74.4%) fixed with a weighted average interest rate of 5.4% (2015: 6.2%; 2014: 6.2%). The Group has related party borrowings of €673 million as at December 31, 2016 (2015: €nil).

Holding all other variables constant, including levels of the Group's external indebtedness, at December 31, 2016 a one percentage point increase in variable interest rates would increase interest payable by approximately €20 million (2015: €12 million). When considering the Group's related party borrowings, at December 31, 2016 a one percentage point increase in variable interest rates would have no estimated material impact on the pre-tax interest expense.

Currency exchange risk

The Group operates in twenty-two countries, across five continents. The Group's main currency exposure in the year to December 31, 2016 was in relation to U.S. dollar, British pounds, Swedish krona, Polish zloty, Danish krone and Brazilian real. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The Group has a limited level of transactional currency exposure arising from sales or purchases by operating units in currencies other than their functional currencies.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Fluctuations in the value of these currencies with respect to the euro may have a significant impact on the Group's financial condition and results of operations as reported in euro. When considering the Group's position, excluding its related party borrowings, the Group believes that a strengthening of the euro exchange rate by 1% against all other foreign currencies from the December 31, 2016 rate would increase shareholders' equity by approximately €6 million (2015: €18 million).

Commodity price risk

The Group is exposed to changes in prices of our main raw materials, primarily energy, steel and aluminum. Production costs in our Metal Packaging division are exposed to changes in prices of our main raw materials, primarily steel and aluminum. Steel is generally obtained under one-year contracts with prices that are usually fixed in advance. When such contracts are renewed in the future, our steel costs under such contracts will be subject to prevailing global steel and/or tinplate prices at the time of renewal, which may be different from historical prices. Unlike steel, where there is no functioning hedging market, aluminum is traded daily as a commodity (priced in U.S. dollars) on the London Metal Exchange. Aluminum is priced in U.S. dollars, and therefore fluctuations in the U.S. dollar/euro exchange rate also affect the euro cost of aluminum. The price and foreign currency risk on these aluminum purchases is hedged by entering into swaps under which we pay a fixed euro price. Furthermore, the relative price of oil and its by-products may materially impact our business, affecting our transport, lacquer and ink costs.

Production costs in our Glass Packaging division are sensitive to the price of energy. Our main energy exposure is to the cost of gas and electricity. These energy costs have experienced significant volatility in recent years with a corresponding effect on our production costs. In terms of gas, which represents 70% of our energy costs, there is a continuous de-coupling between the cost of gas and oil, whereby now only significant changes in the price of oil have an impact on the price of gas. The volatility in gas pricing is driven by shale gas development (United States only), and lack of liquefied natural gas in Europe as it is diverted to Asia, and storage levels. Volatility in the price of electricity is caused by the German Renewable Energy policy, the phasing out of nuclear generating capacity, fluctuations in the price of gas and the influence of carbon dioxide costs on electricity prices.

As a result of the volatility of gas and electricity prices, the Group has either included energy pass-through clauses in our sales contracts or developed an active hedging strategy to fix a significant proportion of our energy costs through contractual arrangements directly with our suppliers, where there is no energy clause in the sales contract.

Where pass through contracts do not exist the Group policy is to purchase gas and electricity by entering into forward price-fixing arrangements with suppliers for the bulk of our anticipated requirements for the year ahead. Such contracts are used exclusively to obtain delivery of our anticipated energy supplies. The Group does not net settle, nor do we sell within a short period of time after taking delivery. As a result, these contracts are treated as executory contracts under IAS 39 "Financial instruments: recognition and measurement."

The Group typically builds up these contractual positions in tranches of approximately 10% of the anticipated volumes. Any gas and electricity which is not purchased under forward price-fixing arrangements is purchased under index tracking contracts or at spot prices. We have 81%, 58% and 54% of our energy risk covered for 2017, 2018 and 2019, respectively.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers, including outstanding receivables. Group policy is to place excess liquidity on deposit, only with recognized and reputable financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' from at least two credit rating agencies are accepted, where possible.

The credit ratings of banks and financial institutions are monitored to ensure compliance with Group policy. Group policy is to extend credit to customers of good credit standing. Credit risk is managed on an on-going basis, by dedicated people within the Group. The Group's policy for the management of credit risk in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. Provisions are made, where deemed necessary, and the utilization of credit limits is regularly monitored. Management does not expect any significant counterparty to fail to meets its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset. For the year ended December 31, 2016, the Group's ten largest customers accounted for approximately 33% of total revenues (2015: 32%; 2014: 29%). There is no recent history of default with these customers.

Liquidity risk

The Group is exposed to liquidity risk which arises primarily from the maturing of short term and long term debt obligations. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due.

To effectively manage liquidity risk, the Group:

- has committed borrowing facilities that it can access to meet liquidity needs;
- maintains cash balances and liquid investments with highly-rated counterparties;
- limits the maturity of cash balances;
- borrows the bulk of its debt needs under long term fixed rate debt securities; and
- has internal control processes and contingency plans for managing liquidity risk.

Cash flow forecasting is performed in the operating entities of the Group and is aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance and internal balance sheet ratio targets.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to Group Treasury. Group Treasury invests surplus cash in interest-bearing current accounts and time deposits with appropriate maturities to provide sufficient headroom as determined by the above-mentioned forecasts.

12. Financial assets and liabilities

The Group's net external debt was as follows:

	At December 31, 2016 €m	2015 €m
Loan notes	7,513	5,764
Term loan	627	631
Other borrowings	10	9
Total borrowings	**8,150**	**6,404**
Cash, cash equivalents and restricted cash	(772)	(553)
Derivative financial instruments used to hedge foreign currency and interest rate risk	(124)	-
Net debt	**7,254**	**5,851**

At December 31, 2016, the Group's net debt and available liquidity was as follows:

Facility	Currency	Maximum amount drawable	Final maturity date	Facility type	Amount drawn		Undrawn amount
		Local currency m			Local currency m	€m	€m
4.250% First Priority Senior Secured Notes	EUR	1,155	15-Jan-22	Bullet	1,155	1,155	-
4.625% Senior Secured Notes	USD	1,000	15-May-23	Bullet	1,000	949	-
4.125% Senior Secured Notes	EUR	440	15-May-23	Bullet	440	440	-
First Priority Senior Secured Floating Rate Notes	USD	1,110	15-Dec-19	Bullet	1,110	1,053	-
Senior Secured Floating Rate Notes	USD	500	15-May-21	Bullet	500	474	-
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	417	-
6.250% Senior Notes	USD	415	31-Jan-19	Bullet	415	394	-
6.750% Senior Notes	USD	415	31-Jan-21	Bullet	415	394	-
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,565	-
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	750	-
Term Loan B Facility	USD	663	17-Dec-21	Amortizing	663	629	-
HSBC Securitization Program	EUR	102	14-Jun-18	Revolving	-	-	102
Bank of America Facility	USD	155	11-Apr-18	Revolving	-	-	147
Unicredit Working Capital and Performance Guarantee Credit Lines	EUR	1	Rolling	Revolving	-	-	1
Finance lease obligations	GBP/EUR			Amortizing	7	7	-
Other borrowings	EUR	3		Amortizing	3	3	-
Total borrowings / undrawn facilities						**8,230**	**250**
Deferred debt issue costs and bond discount						(80)	-
Net borrowings / undrawn facilities						**8,150**	**250**
Cash, cash equivalents and restricted cash						(772)	772
Derivative financial instruments used to hedge foreign currency and interest rate risk						(124)	-
Net debt / available liquidity						**7,254**	**1,022**

Net debt includes the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt.

Certain of the Group's borrowing agreements contain certain covenants that restrict the Group's flexibility in certain areas such as incurrence of additional indebtedness (primarily maximum borrowings to Adjusted EBITDA and a minimum Adjusted EBITDA to interest expense), payment of dividends and incurrence of liens.

At December 31, 2015, the Group's net debt and available liquidity was as follows:

Facility	Currency	Maximum amount drawable	Final maturity date	Facility type	Amount drawn		Undrawn amount
		Local currency m			Local currency m	€m	€m
8.375% Senior PIK Notes	EUR	283	15-Jun-19	Bullet	283	283	-
8.625% Senior PIK Notes	USD	807	15-Jun-19	Bullet	807	741	-
4.250% First Priority Senior Secured Notes	EUR	1,155	15-Jan-22	Bullet	1,155	1,155	-
First Priority Senior Secured Floating Rate Notes	USD	1,110	15-Dec-19	Bullet	1,110	1,020	-
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	404	-
9.250% Senior Notes	EUR	475	15-Oct-20	Bullet	475	475	-
9.125% Senior Notes	USD	920	15-Oct-20	Bullet	920	845	-
7.000% Senior Notes	USD	150	15-Nov-20	Bullet	150	138	-
6.250% Senior Notes	USD	415	31-Jan-19	Bullet	415	381	-
6.750% Senior Notes	USD	415	31-Jan-21	Bullet	415	381	-
Term Loan B Facility	USD	688	17-Dec-19	Amortizing	688	632	-
HSBC Securitization Program	EUR	129	14-Jun-18	Revolving	-	-	129
Bank of America Facility	USD	155	11-Apr-18	Revolving	-	-	143
Unicredit Working Capital and Performance Guarantee Credit Lines	EUR	1	Rolling	Revolving	-	-	1
Finance lease obligations	GBP/EUR			Amortizing	6	6	-
Other borrowings	EUR	3		Amortizing	3	3	-
Total borrowings / undrawn facilities						**6,464**	**273**
Deferred debt issue costs and bond premiums and discounts						(60)	-
Net borrowings / undrawn facilities						**6,404**	**273**
Cash, cash equivalents and restricted cash						(553)	553
Net debt / available liquidity						**5,851**	**826**

The maturity analysis of the Group's borrowings is as follows:

	At December 31, 2016 €m	2015 €m
Within one year or on demand	8	7
Between one and two years	8	8
Between two and five years	3,332	4,465
Greater than five years	4,802	1,924
	8,150	**6,404**

The table below analyzes the Group's financial liabilities (including interest payable) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows.

At December 31, 2016	Borrowings €m	Derivative financial instruments €m	Trade and other payables €m
Within one year or on demand	447	8	1,534
Between one and two years	447	-	-
Between two and five years	4,400	-	-
Greater than five years	5,339	-	-

At December 31, 2015	Borrowings €m	Derivative financial instruments €m	Trade and other payables €m
Within one year or on demand	323	7	879
Between one and two years	323	-	-
Between two and five years	5,613	-	-
Greater than five years	2,009	-	-

The carrying amount and fair value of the Group's borrowings are as follows:

	Carrying value			
At December 31, 2016	Amount drawn €m	Deferred debt issue costs and bond discount €m	Total €m	Fair value €m
Loan notes	7,591	(78)	7,513	7,817
Term loan	629	(2)	627	635
Finance leases	7	-	7	7
Bank loans, overdrafts and revolving credit facilities	3	-	3	3
	8,230	**(80)**	**8,150**	**8,462**

At December 31, 2015	Carrying value Amount drawn €m	Deferred debt issue costs and bond discount €m	Total €m	Fair value €m
Loan notes	5,823	(59)	5,764	5,770
Term loan	632	(1)	631	626
Finance leases	6	-	6	6
Bank loans, overdrafts and revolving credit facilities	3	-	3	3
	6,464	**(60)**	**6,404**	**6,405**

Fair values are calculated on borrowings as follows:

(i) Senior secured and senior notes – The fair value for debt securities in issue is calculated based on quoted market prices.
(ii) Loan notes – The fair value of our loan terms are based on quoted market prices; however, these quoted market prices represent Level 2 inputs because the markets in which the term loans trade were not active.
(iii) Bank loans, overdrafts and revolving credit facilities – The estimated value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.
(iv) Finance leases – The carrying amount of finance leases is assumed to be a reasonable approximation of fair value.

Financing activity

Financing activity - 2016

On May 16, 2016 the Group issued the following notes:

- $1,000 million aggregate principal amount of 4.625% Senior Secured Notes due 2023;
- $500 million aggregate principal amount of Senior Secured Floating Rate Notes due 2021 at a coupon of LIBOR plus 3.250%;
- €440 million aggregate principal amount of 4.125% Senior Secured Notes due 2023;
- $1,650 million aggregate principal amount of 7.250% Senior Notes due 2024; and
- €750 million aggregate principal amount of 6.750% Senior Notes due 2024.

The net proceeds from the issuance and sale of these notes were used to finance the acquisition of the Beverage Can Business and to repay the following notes:

- €475 million aggregate principal amount of 9.250% Senior Notes due 2020;
- $920 million aggregate principal amount of 9.125% Senior Notes due 2020; and
- $15 million aggregate principal amount of $150 million 7.000% Senior Notes due 2020.

These notes were repaid on May 16, 2016.

The notes issued to finance the acquisition of the Beverage Can Business were held in escrow from the issuance date to the acquisition completion date. Interest charged during this period has been classified as an exceptional finance expense (see Note 19).

On September 16, 2016, the Group repaid in full the principal amount outstanding of its $841 million 8.625% Senior PIK Notes due 2019 and €295 million 8.375% Senior PIK Notes due 2019. Costs associated with the early redemption have been classified as exceptional in the consolidated income statement.

On October 3, 2016 the Group agreed to extend the maturity of the Term Loan B facility by two years to December 2021.

On November 15, 2016, the Group repaid in full the principal amount outstanding of its $135 million 7.000% Senior Notes due 2020. Costs associated with the early redemption have been classified as exceptional in the consolidated income statement.

Please refer to Note 28 for details of financing activity that has occurred in the period after the reporting date.

Financing activity - 2015

On February 12, 2015, Ardagh repaid in full the principal amount outstanding of its €180 million 8¾% Senior Notes due 2020. Costs associated with the early redemption have been classified as exceptional in the consolidated income statement.

On September 1, 2015, Ardagh repaid €11 million in full settlement of the amounts drawn under the U.S. equipment and real estate financing facilities.

These repayments were funded from the Group's internal resources.

Effective interest rates

The effective interest rates of borrowings at the reporting date are as follows:

	2016		2015	
	USD	EUR	USD	EUR
8.375% Senior PIK Notes due 2019	-	-	-	9.55%
8.625% Senior PIK Notes due 2019	-	-	9.83%	-
4.250% First Priority Senior Secured Notes due 2022	-	4.52%	-	4.52%
4.625% Senior Secured Notes due 2023	5.18%	-	-	-
4.125% Senior Secured Notes due 2023	-	4.66%	-	-
First Priority Senior Secured Floating Rate Notes due 2019	3.49%	-	3.49%	-
First Priority Senior Secured Floating Rate Notes due 2021	4.26%	-	-	-
6.000% Senior Notes due 2021	6.38%	-	6.38%	-
9.250% Senior Notes due 2020	-	-	-	9.69%
9.125% Senior Notes due 2020	-	-	9.90%	-
7.000% Senior Notes due 2020	-	-	7.53%	-
6.250% Senior Notes due 2019	7.25%	-	7.25%	-
6.750% Senior Notes due 2021	7.45%	-	7.45%	-
7.250% Senior Notes due 2024	7.74%	-	-	-
6.750% Senior Notes due 2024	-	7.01%	-	-
Term Loan B Facility due 2021	4.16%	-	4.16%	-

The carrying amounts of the Group's net borrowings are denominated in the following currencies:

	At December 31,	
	2016 €m	2015 €m
Euro	2,332	1,902
U.S. dollar	5,816	4,500
British pounds	2	2
	8,150	**6,404**

The Group has the following undrawn borrowing facilities:

	At December 31, 2016 €m	2015 €m
Expiring within one year	1	1
Expiring beyond one year	249	272
	250	**273**

Derivative financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Assets		Liabilities	
	Fair values €m	Contractual or notional amounts €m	Fair values €m	Contractual or notional amounts €m
Fair Value Derivatives				
LME aluminum futures	8	187	-	-
Cross currency interest rate swaps	124	1,499	-	-
Forward foreign exchange contracts	-	-	8	195
Nymex gas swaps	2	15	-	-
Carbon futures	1	2	-	-
At December 31, 2016	**135**	**1,703**	**8**	**195**

	Assets		Liabilities	
	Fair values €m	Contractual or notional amounts €m	Fair values €m	Contractual or notional amounts €m
Fair Value Derivatives				
LME aluminum futures	-	-	3	36
Cross currency interest rate swap	-	405	1	5
Nymex gas swaps	-	-	3	18
At December 31, 2015	**-**	**405**	**7**	**59**

All derivative assets and liabilities mature within one year with the exception of the cross currency interest rate swaps ("CCIRS") which mature at dates between June 2019 and May 2022. There were no transfers between Level 1 and Level 2 during the year.

With the exception of interest on the CCIRS, all cash payments in relation to derivative instruments are paid or received when they mature. Bi-annual interest cash payments and receipts are made and received in relation to the CCIRS.

The Group mitigates the counterparty risk for derivatives by contracting with major financial institutions which have high credit ratings.

LME aluminum futures

The Group hedges a substantial portion of its anticipated aluminum purchases. Excluding conversion and freight costs, the physical aluminum deliveries are priced based on the average price of aluminum on the LME for the relevant month.

Fair values have been based on LME-quoted market prices and are valued using Level 1 valuation inputs. The fair value of these contracts when initiated is €nil; no premium is paid or received.

Cross currency interest rate swaps

In June 2016 the Group entered into cross currency interest rate swaps totaling $1,300 million. These swaps were entered into in order to partially swap the US dollar principal and interest repayments on the Group's $1,650 million 7.250% Senior Notes due 2024 equally into euro and British pounds. The Group also hedges a further $440 million of its external debt and interest thereon into euro using a CCIRS.

An exceptional gain of €78 million was recognized in the consolidated income statement for the year relating to the gain on fair value of the CCIRS which were entered into during the second quarter and for which hedge accounting had not been applied until the third quarter. Further an exceptional loss of €10 million was incurred relating to cross currency interest rate swaps for which hedge accounting did not apply. See Note 19.

In December 2015, the Group terminated its existing CCIRS due for maturity in June 2019, and replaced it with a new CCIRS with a maturity date of June 2019. The Group received proceeds of €81 million in consideration of the termination.

The fair value of the CCIRS are based on Level 2 inputs.

Forward foreign exchange contracts

The Group operates in a number of countries and, accordingly, hedges a portion of its currency transaction risk. The fair values are based on Level 2 valuation techniques and observable inputs including the contract prices.

Nymex gas swaps

The Group hedges a portion of its Glass Packaging North America anticipated energy purchases on the New York Mercantile Exchange ("NYMEX").

Fair values have been based on NYMEX-quoted market prices and Level 1 valuation inputs have been applied. The fair value of these contracts when initiated is €nil; no premium is paid or received.

Carbon futures

The Group hedges a portion of its carbon purchases using European Union Allowance ("EUA") futures contracts. The fair values are based on Level 2 valuation techniques and observable inputs including the contract prices.

13. Related party receivables and borrowings

The Group manages its financial risk position by managing its external debt position. Related party borrowings are excluded from the definition of net debt. The Group has related party borrowings of €673 million payable to ARD Group Finance Holdings S.A. (a subsidiary of its intermediate parent company and a shareholder of the Company) with a maturity date of 2076. Interest is calculable dependent on the adjusted net income of the Company following payment of any dividend distributions, which is immaterial for the year ended December 31, 2016. Under the terms of the instrument, the number of shares to be issued is variable and dependent on market conditions at the time of conversion. As such it is classified as a financial liability. At December 31, 2015, the Group had €404 million receivable from ARD Finance S.A., the immediate parent company, that was non-interest bearing and repayable on demand. This was repaid in full in September 2016.

14. Employee benefit obligations

The Group operates defined benefit and defined contribution pension schemes in most of its countries of operation and the assets are held in separate administered funds. The principal funded defined benefit schemes, which are funded by contributions to separate administered funds, are in the U.S, the United Kingdom and the Netherlands. Other defined benefit schemes are unfunded and the provision is recognized in the consolidated statement of financial position. The principal unfunded schemes are in Germany.

The contribution rates to the funded plans are agreed with the Trustee boards, plan actuaries and the local pension regulators periodically. The contributions paid in 2016 were those recommended by the actuaries.

In addition, the Group has other employee benefit obligations in certain territories.

Total employee obligations recognized in the consolidated statement of financial position of €905 million (2015: €720 million) include other employee benefit obligations of €122 million (2015: €82 million).

The employee obligations and assets of the defined benefit schemes included in the consolidated statement of financial position are analyzed below:

	U.S.		Germany		UK		Netherlands		Other		**Total**	
	2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m	**2016 €m**	**2015 €m**
Obligations	(1,137)	(1,087)	(345)	(231)	(898)	(618)	(540)	(669)	(22)	(9)	**(2,942)**	**(2,614)**
Assets	1,012	961	-	-	626	357	513	655	8	3	**2,159**	**1,976**
Net	**(125)**	**(126)**	**(345)**	**(231)**	**(272)**	**(261)**	**(27)**	**(14)**	**(14)**	**(6)**	**(783)**	**(638)**

Defined benefit pension schemes

The amounts recognized in the consolidated income statement are:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Current service cost and administration costs:			
Cost of sales - current service cost	(37)	(40)	(32)
Cost of sales - past service credit	29	-	2
SGA - current service cost	(5)	(5)	(3)
SGA - past service credit	10	-	-
	(3)	(45)	(33)
Finance expense (Note 20)	(24)	(23)	(20)
	(27)	**(68)**	**(53)**

The amounts recognized in the consolidated statement of comprehensive income are:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Re-measurement of defined benefit obligation:			
Actuarial gain/(loss) arising from changes in demographic assumptions	24	8	(27)
Actuarial (loss)/gain arising from changes in financial assumptions	(251)	99	(227)
Actuarial (loss)/gain arising from changes in experience	(10)	30	7
	(237)	**137**	**(247)**
Re-measurement of plan assets:			
Actual return/(loss) less expected return on plan assets	112	(81)	129
Actuarial (loss)/gain for the year on pension benefits	**(125)**	**56**	**(118)**
Actuarial gain/(loss) on other long term and end of service employee benefits	4	16	(5)
	(121)	**72**	**(123)**

The actual return on plan assets resulted in a gain of €186 million in 2016 (2015: €9 million loss; 2014: €191 million gain).

Movement in the defined benefit obligations and assets:

	At December 31,			
	Obligations		Assets	
	2016 €m	2015 €m	2016 €m	2015 €m
At January 1,	(2,614)	(2,557)	1,976	1,925
Interest income	-	-	74	72
Acquired	(354)	-	271	-
Current service cost	(42)	(45)	-	-
Past service credit	39	-	-	-
Interest cost	(95)	(93)	-	-
Administration expenses paid from plan assets	-	-	(3)	(3)
Re-measurements	(237)	137	112	(81)
Liabilities/(assets) extinguished on reclassification	187	-	(187)	-
Employer contributions	-	-	43	38
Employer contributions – acquisition related	-	-	7	-
Employee contributions	(5)	(5)	5	5
Benefits paid	118	109	(118)	(109)
Exchange	61	(160)	(21)	129
At December 31,	**(2,942)**	**(2,614)**	**2,159**	**1,976**

The defined benefit obligations above include €380 million (2015: €240 million) of unfunded obligations.

Interest income and interest cost in the table above does not include interest cost of €3 million (2015: €2 million; 2014: €3 million) relating to other employee benefit obligations.

The net obligations and assets acquired as part of the Beverage Can Acquisition exclude €33 million other employee benefit obligations mainly relating to a post-retirement medical scheme in North America. The Group was required to make a once-off contribution of €7 million in respect of the acquired defined benefit schemes.

The past service gain includes an amount of €21 million recognized following the amendment of certain defined benefit pension schemes in Glass Packaging North America. This has been classified as an exceptional gain (Note 19). The remaining past service gain of €18 million was recognized following the transfer of a Netherlands defined benefit pension scheme to a multi-employer scheme as outlined here after, and following other defined benefit pension scheme amendments in Glass Packaging North America. During the year ended December 31, 2016 a defined benefit pension scheme in the Netherlands was transferred to a multi-employer scheme. Prior to the date of transfer, a past service credit of €8 million was recognized such that on the date of transfer, the defined benefit obligation and asset were both €187 million (December 31, 2015: €174 million and €168 million respectively). The Group has taken the exemption under IAS 19(R) to account for multi-employer schemes as defined contribution schemes. As a result, the scheme is no longer accounted for as a defined benefit pension scheme at December 31, 2016.

Plan assets comprise:

	At December 31,			
	2016 €m	2015 €m	2016 %	2015 %
Equities	1,152	1,196	53	61
Target return funds	275	180	13	9
Bonds	558	415	26	21
Cash/other	174	185	8	9
	2,159	**1,976**	**100**	**100**

The pension assets do not include any of the Company's ordinary shares, other securities or other Group assets.

Investment strategy

The choice of investments takes account of the expected maturity of the future benefit payments. The plans invest in diversified portfolios consisting of an array of asset classes that attempt to maximize returns while minimizing volatility. The asset classes include national and international equities, fixed income government and non-government securities and real estate, as well as cash.

Characteristics and associated risks

Glass Packaging North America and Metal Packaging Americas each sponsor a defined benefit pension plan which is subject to Federal law (ERISA), reflecting regulations issued by the Internal Revenue Service (IRS) and the Department of Labor.

The Glass Packaging North America plan covers both hourly and salaried employees. The plan benefits are determined using a formula which reflects an employee's years of service and either their final average salary or a dollar per month benefit level. The plan is governed by a Fiduciary Benefits Committee ("the Committee") which is appointed by the Company and contains only employees of Ardagh Group. The Committee is responsible for the investment of the plan's assets, which are held in a trust for the benefit of employees, retirees and their beneficiaries, and which can only be used to pay plan benefits and expenses.

The defined benefit pension plan is subject to IRS funding requirements with actuaries calculating the minimum and maximum allowable contributions each year. The defined benefit pension plan currently has no cash contribution requirement due to the existence of a credit balance following a contribution of approximately $200 million made in 2014 in connection with the VNA Acquisition. The Pension Benefit Guaranty Corporation (PBGC) protects the pension benefits of employees and retirees when a plan sponsor becomes insolvent and can no longer meet its obligation. All plan sponsors pay annual PBGC premiums that have two components: a fixed rate based on participant count and a variable rate which is determined based on the amount by which the plan is underfunded.

The Metal Packaging Americas plan covers hourly employees only. Plan benefits are determined using a formula which reflects the employees' years of service and is based on a final average pay formula.

The UK pension plans are trust-based UK funded final salary defined benefit schemes providing pensions and lump sum benefits to members and dependents. There are two pension plans in place relating to Metal Packaging Europe, one of which relates to the Beverage Can Business. There are two pension plans in place in Glass Packaging Europe. One of the pension plans in the Metal Packaging Europe division has been closed to future accrual from July 1, 2014. For this plan, pensions are calculated based on service to the point of closure, but with members' benefits retaining a final salary link while employed by the Company. The other Metal Packaging Europe pension plan, relating to the Beverage Can Business, is closed to new entrants. For this plan, pensions are calculated based on service to retirement with members' benefits based on final career earnings. The pension plans relating to the Glass Packaging Europe division have been closed to future accrual from March 31, 2013 and September 30, 2015 respectively.

The UK pension plans are each governed by a board of trustees which is independent of the Company. The trustees are responsible for managing the operation, funding and investment strategy. The UK pension plans are subject to the UK regulatory framework, the requirements of the Pensions Regulator and are subject to a statutory funding objective.

The Group operates a number of defined benefit pension schemes in Germany including three relating to the Beverage Can Business. The pension plans in Germany operate under the framework of German Company Pension Law (BetrAVG) and general regulations based on German Labor Law. The entitlements of the plan members depend on years of service and final salary. Furthermore, the plans provide lifelong pensions. No separate assets are held in trust, i.e. the plans are unfunded defined benefit plans.

The Dutch pension plan operates under the framework of Dutch fiscal and pension law (Pensioenwet). As a consequence, the Dutch plan is executed by and financed within a separate legal entity, in this case the Company's own local pension fund. The Dutch pension fund has a board of trustees that operates independent from the company. The Dutch plan has to comply with funding requirements that are set by the regulator, the Dutch National Bank.

The main features of the Dutch plan are:

- Pension entitlements are based on an average pay scheme, which provides lifelong pensions after age 67; and
- Current pension accrual becomes vested immediately and does not depend on future service.

The liabilities of all of the defined benefit plan schemes subject the Company to the following major risks:

- Discount rate risks where capital market conditions may result in a higher present value being placed on the remaining future obligations, leading to higher liabilities;
- Inflation risks, as benefits are linked to salary and pension payments are also subject to inflation adjustments; and
- Longevity risks whereby benefits may have to be paid for a longer period in the future than is anticipated by the mortality assumptions used to estimate the future benefits payable.

The assets of the relevant schemes subject the Company to the following risks:

- Future asset returns where if these are lower than assumed, the scheme's assets will be lower, and hence the funding level worse, than expected.
- Future pensions have to be paid directly by the Company. This could lead to a shortfall of liquid assets.

Assumptions and sensitivities

The principal pension assumptions used in the preparation of the accounts take account of the different economic circumstances in the countries of operations and the different characteristics of the respective plans, including the length of duration of liabilities.

The ranges of the principal assumptions applied in estimating defined benefit obligations were:

	U.S.		Germany		Netherlands		UK	
	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%	%	%
Rates of inflation	2.50	3.00	1.50	1.75	1.70	1.70	3.20	3.00
Rates of increase in salaries	2.00-3.00	3.00	2.50	2.50	1.70	1.70	2.20	3.00
Discount rates	4.45	4.70	1.57-2.06	2.16-2.72	1.10-2.00	2.50-2.60	2.80	3.90

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience.

These assumptions translate into the following average life expectancy in years for a pensioner retiring at age 65. The mortality assumptions for the countries with the most significant defined benefit plans are set out below:

	U.S.		Germany		Netherlands		UK	
	2016	2015	2016	2015	2016	2015	2016	2015
	Years	Years	Years	Years	Years	Years	Years	Years
Life expectancy, current pensioners	22	21	21	21	24	24	21	20
Life expectancy, future pensioners	23	23	24	24	25	26	22	22

If the discount rate were to decrease by 50 basis points from management estimates, the carrying amount of the pension obligations would increase by an estimated €243 million (2015: €205 million). If the discount rate were to increase by 50 basis points, the carrying amount of the pension obligations would decrease by an estimated €242 million (2015: €204 million).

If the inflation rate were to decrease by 50 basis points from management estimates, the carrying amount of the pension obligations would decrease by an estimated €93 million (2015: €84 million). If the inflation rate were to increase by 50 basis points, the carrying amount of the pension obligations would increase by an estimated €93 million (2015: €67 million).

If the salary increase rate were to decrease by 50 basis points from management estimates, the carrying amount of the pension obligations would decrease by an estimated €93 million (2015: €88 million). If the salary increase rate were to increase by 50 basis points, the carrying amount of the pension obligations would increase by an estimated €92 million (2015: €70 million).

The impact of increasing the expected longevity by one year would result in an increase in the Group’s liability of €63 million at December 31, 2016 (2015: €60 million), holding all other assumptions constant.

The Group’s best estimate of contributions expected to be paid to defined benefit plans in 2017 is €37 million.

The principal defined benefit schemes are described briefly below:

	Metal Packaging				Glass Packaging			
	Europe UK	Europe Germany	Europe Netherlands	North America	Europe UK	Europe Germany	Europe Netherlands	North America
Nature of the schemes	Funded	Unfunded	Funded	Funded	Funded	Unfunded	Funded	Funded
2016								
Active members	467	1,803	870	970	-	1,032	-	4,043
Deferred members	954	664	1,798	115	1,527	732	-	2,648
Pensioners including dependents	756	1,011	3,047	133	744	786	-	6,302
Weighted average duration (years)	20	18	18	20	23	19	-	12
2015								
Active members	118	648	875	143	-	956	571	4,068
Deferred members	412	513	1,906	105	1,527	690	636	2,661
Pensioners including dependents	344	871	2,964	124	744	738	457	6,185
Weighted average duration (years)	21	16	17	17	21	14	21	13

The expected total benefit payments over the next five years are:

	2017 €m	2018 €m	2019 €m	2020 €m	2021 €m	Subsequent five years €m
Benefits	126	123	126	131	132	716

The Group also has defined contribution plans; the contribution expense associated with these plans for 2016 was €31 million (2015: €14 million; 2014: €12 million). The Group's best estimate of the contributions expected to be paid to these plans in 2017 is €39 million.

Other employee benefits

	At December 31, 2016 €m	2015 €m
End of service employee benefits	23	23
Long term employee benefits	99	59
	122	**82**

End of service employee benefits comprise principally amounts due to be paid to employees leaving the Group's service in France and Italy.

Long term employee benefit obligations comprise amounts due to be paid under post-retirement medical schemes in Glass Packaging North America and Metal Packaging Beverage Americas, partial retirement contracts in Germany and other obligations to pay benefits primarily related to long service awards.

15. Trade and other payables

	At December 31, 2016 €m	2015 €m
Trade payables	1,055	532
Other payables and accruals	414	309
Amounts owed to parent company	3	-
Other tax and social security payable	32	21
Payables and accruals for exceptional items	30	17
	1,534	**879**

The fair values of trade and other payables approximate the amounts shown above.

Other payables and accruals mainly comprise accruals for operating expenses, deferred income and accruals for value added taxes.

16. Provisions

	At December 31, 2016 €m	2015 €m
Current	69	48
Non-current	55	48
	124	**96**

	Restructuring €m	Other provisions €m	Total provisions €m
At January 1, 2015	**26**	**57**	**83**
Acquisitions	-	6	6
Provided	18	24	42
Utilization	(5)	(8)	(13)
Paid	(22)	(11)	(33)
Reclassification	-	6	6
Exchange	1	4	5
At December 31, 2015	**18**	**78**	**96**
Acquisitions	-	36	36
Provided	25	29	54
Utilization	(11)	(15)	(26)
Paid	(10)	(28)	(38)
Exchange	-	2	2
At December 31, 2016	**22**	**102**	**124**

The restructuring provision relates to redundancy and other restructuring costs. Other provisions relate to probable environmental claims, customer quality claims, and onerous leases.

The provisions classified as current are expected to be paid in the next twelve months. The majority of the restructuring provision is expected to be paid in 2017. The remaining balance contains longer term provisions for which the timing of the related payments is subject to uncertainty.

17. Segment analysis

The Group's four operating and reportable segments are Metal Packaging Europe, Metal Packaging Americas, Glass Packaging Europe and Glass Packaging North America. This reflects the basis on which the Executive Committee of ARD Holdings S.A. reviews Group performance, following the acquisition of the Beverage Can Business in June 2016. All comparatives have been presented on this basis.

Finance income is not allocated to segments as these are reviewed by the CODM on a group-wide basis. Performance of the business is assessed based on Adjusted EBITDA. Adjusted EBITDA is the net profit or loss for the period before income tax expense, net finance expense, depreciation and amortization and exceptional operating items. Segmental revenues are derived from sales to external customers. Inter-segmental revenue is not material.

Segment assets consist of intangible assets, property, plant and equipment, derivative financial instrument assets, deferred tax assets, other non-current assets, inventories, trade and other receivables and cash and cash equivalents and restricted cash.

Reconciliation of loss for the year to Adjusted EBITDA

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Loss for the year	(55)	(140)	(508)
Income tax expense/(credit) (Note 21)	54	63	(14)
Net finance expense (Note 20)	537	527	602
Depreciation and amortization (Notes 3, 4)	491	403	363
Exceptional operating items (Note 19)	131	81	349
Adjusted EBITDA	**1,158**	**934**	**792**

The segment results for the year ended December 31, 2016 are:

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	**Group €m**
Revenue	2,235	1,059	1,392	1,659	**6,345**
Adjusted EBITDA	366	139	296	357	**1,158**
Capital expenditure	72	35	90	121	**318**
Segment assets	3,917	1,835	1,895	2,614	**10,261**

The segment results for the year ended December 31, 2015 are:

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	**Group €m**
Revenue	1,650	390	1,452	1,707	**5,199**
Adjusted EBITDA	260	44	284	346	**934**
Capital expenditure	46	15	109	134	**304**
Segment assets	1,863	405	1,765	2,305	**6,338**

The segment results for the year ended December 31, 2014 are:

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	**Group €m**
Revenue	1,668	306	1,406	1,353	**4,733**
Adjusted EBITDA	223	27	277	265	**792**
Capital expenditure	43	107	86	78	**314**
Segment assets	1,830	418	1,734	2,113	**6,095**

Capital expenditure is the sum of purchases of property, plant and equipment and software and other intangibles, net of proceeds from disposal of property, plant and equipment, as per the consolidated statement of cash flows.

No customer accounted for greater than 10% of total revenue in 2016 (2015: one customer; 2014: one customer).

	At December 31,	
Segment assets	2016 €m	2015 €m
Segment assets	10,261	6,338
Related party receivables	-	404
Total assets per consolidated statement of financial position	**10,261**	**6,742**

Total revenue and non-current assets, excluding derivative financial instruments, taxes, pensions and goodwill arising on acquisitions, in countries which account for more than 10% of total revenue or non-current assets are as follows:

	Year ended December 31,		
Revenue	2016 €m	2015 €m	2014 €m
U.S.	2,437	1,997	1,528
United Kingdom	724	662	610
Germany	656	573	653

	At December 31,	
Non-current assets	2016 €m	2015 €m
U.S.	2,189	1,431
Germany	760	356
United Kingdom	527	271

The revenue above is attributed to countries on a destination basis.

The Company is domiciled in Luxembourg. During the year the Group had sales of €2 million (2015: €2 million, 2014: €1 million) to customers in Luxembourg. Non-current assets located in Luxembourg were €nil (2015: €nil).

Within each reportable segment our packaging containers have similar production processes and classes of customers. Further, they have similar economic characteristics as evidenced by similar profit margins, similar degrees of risk and similar opportunities for growth. Based on the foregoing, we do not consider that they constitute separate product lines and thus additional disclosure relating to product lines is not necessary.

18. Employee costs

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Wages and salaries	1,076	927	849
Social security costs	151	133	126
Defined benefit plan pension costs (Note 14)	42	45	35
Defined benefit past service credit (Note 14)	(39)	-	(2)
Defined contribution plan pension costs (Note 14)	31	14	12
	1,261	**1,119**	**1,020**

	Year ended December 31,		
Employees	2016	2015	2014
Production	20,823	17,068	16,928
Administration	2,711	1,789	1,900
	23,534	**18,857**	**18,828**

19. Exceptional items

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Past service credit	(21)	-	-
Plant start-up costs	5	27	19
Restructuring costs	22	12	27
Exceptional impairment – working capital	-	(2)	8
Exceptional impairment – property, plant and equipment	-	-	53
Non-cash inventory adjustment	9	-	15
Exceptional items – cost of sales	**15**	**37**	**122**
Transaction related costs – acquisition, IPO and disposals	114	41	22
Restructuring costs	-	2	12
Other	2	1	1
Exceptional items – SGA expenses	**116**	**44**	**35**
Exceptional impairment – intangible assets	**-**	**-**	**33**
Exceptional items – loss on disposal of businesses	**-**	**-**	**159**
Debt refinancing and settlement costs	140	13	116
Interest payable on acquisition notes	15	-	10
Exceptional loss on derivative financial instruments	10	-	-
Exceptional items – finance expenses	**165**	**13**	**126**
Exceptional gain on derivative financial instruments	(78)	-	-
Exceptional items – finance income	**(78)**	**-**	**-**
Total exceptional items	**218**	**94**	**475**

Exceptional items are those that in management's judgment need to be disclosed by virtue of their size, nature or incidence.

2016

Exceptional items of €218 million have been recognized in the year ended December 31, 2016, primarily comprising:

- €21 million pension service credit in Glass Packaging North America, following the amendment of certain defined benefit pension schemes during the period.
- Restructuring costs relate principally to €12 million in Metal Packaging Europe, €5 million in Metal Packaging Americas and €4 million in Glass Packaging North America. These costs include exceptional impairment charges of €8 million, of which €5 million relates to impairment of plant and machinery in Metal Packaging Europe and €3 million relates to the impairment of a plant in Metal Packaging Americas.
- €114 million transaction related costs incurred in the year ended December 31, 2016, primarily comprised of professional fees, bonuses and integration costs directly attributable to the acquisition of the Beverage Can Business, and IPO related costs.
- Debt refinancing and settlement costs of €140 million relating to the notes repaid in May 2016 and November 2016 and the Senior PIK notes repaid in September 2016. These costs also include premiums payable on the early redemption of the notes, accelerated amortization of deferred finance costs, debt issuance premium and discounts and interest charges incurred in lieu of notice. See Note 12 for further details of the notes repaid during the period.
- €15 million net interest charged in respect of notes held in escrow for the period between their issuance and the completion of the acquisition of the Beverage Can Business.
- €78 million exceptional gain on derivative financial instruments relating to the gain on fair value of the CCIRS which were entered into during the second quarter and for which hedge accounting had not been applied until the third quarter.
- €10 million exceptional loss on derivative financial instruments relating to hedge ineffectiveness on CCIRS for which hedge accounting did not apply. The net exceptional gain of €68 million is driven mainly by the currency volatility on the US dollar to British pounds CCIRS and by virtue of its magnitude is treated as an exceptional item. See Note 12 for further details of the CCIRS entered into during the period.

2015

Exceptional items of €94 million have been incurred in the year ended December 31, 2015, primarily comprising:

- €38 million IPO - related costs.
- €27 million start-up costs related to two plants in Metal Packaging Americas.
- Restructuring costs of €9 million in Metal Packaging Europe and €5 million in Glass Packaging North America.
- €3 million acquisition and disposal costs.
- €2 million reversal of impairment of assets in Metal Packaging Europe.
- €13 million finance costs comprised of €8 million premium on redemption of the €180 million 8¾% Senior notes due 2020 and repaid in February 2015, €3 million accelerated amortization of deferred finance costs relating to the €180 million 8¾% Senior notes and €2 million other finance costs.

2014

Exceptional items of €475 million have been incurred in the year ended December 31, 2014, primarily comprising:

- €44 million exceptional impairment charges were incurred in the Metal Packaging Europe division relating to €36 million of specific property, plant and equipment that is no longer in use and the €8 million impairment of working capital.
- €11 million exceptional impairment charges were also incurred relating to intangible assets no longer in use.
- €39 million exceptional impairment charges were incurred in the Glass Packaging North America relating to a plant closure, comprising impairments to property, plant and equipment of €17 million, goodwill of €16 million, and customer relationships of €6 million.
- €126 million exceptional finance cost includes €116 million relating to the borrowings that were repaid in July 2014 and €10 million relating to the notes issued to finance the VNA Acquisition.
- €15 million non-cash inventory adjustment relates to the VNA Acquisition and is a non-recurring adjustment arising as a result of the fair value exercise carried out in accordance with IFRS 3R 'Business Combinations'.

20. Finance expense

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Senior secured and senior notes	416	378	337
Term loan	26	26	28
Other interest expense	7	8	7
Interest expense	**449**	**412**	**372**
Net pension interest cost (Note 14)	24	23	20
Foreign currency translation (gains)/losses	(18)	77	62
Other finance (income)/expense	(5)	2	3
Related party interest	-	-	20
Finance expense before exceptional items	**450**	**514**	**477**
Exceptional finance expense (Note 19)	165	13	126
Total finance expense	**615**	**527**	**603**
Exceptional finance income	(78)	-	(1)
Net finance expense	**537**	**527**	**602**

21. Income tax

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Current tax:			
Current tax for the year	63	54	69
Adjustments in respect of prior years	(18)	8	(1)
Total current tax	**45**	**62**	**68**
Deferred tax:			
Deferred tax for the year	(6)	17	(88)
Adjustments in respect of prior years	15	(16)	6
Total deferred tax	**9**	**1**	**(82)**
Income tax charge/(credit)	**54**	**63**	**(14)**

Reconciliation of tax expense and the accounting loss multiplied by the Group's domestic tax rate for 2016, 2015 and 2014:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Loss before tax	**(1)**	**(77)**	**(522)**
Loss before tax multiplied by the standard rate of Luxembourg corporation tax: 29.22% (2015: 29.22%; 2014: 29.22%)	-	(22)	(153)
Tax losses for which no deferred income tax asset was recognized	1	2	10
Re-measurement of deferred taxes	(5)	(5)	-
Adjustment in respect of prior years	(3)	(8)	5
Income subject to other taxes	9	11	17
Income taxed at rates other than standard tax rates	18	27	15
Non-deductible items	37	62	83
Other	(3)	(4)	9
Income tax charge/(credit)	**54**	**63**	**(14)**

The total tax charge/(credit) outlined above for each year includes tax credits of €43 million in 2016 (2015: €32 million; 2014: €78 million) in respect of exceptional items.

Income subject to other taxes primarily relates to local income taxes in certain jurisdictions, non-deductible items primarily relate to non-deductible interest expense in Ireland and Luxembourg and income taxed at non-standard rates takes account of foreign tax rate differences (versus the Luxembourg standard 29.22% rate) on earnings.

22. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income statement loss and share data used in the basic EPS computations:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Loss attributable to ordinary equity holders of the parent	(55)	(140)	(508)

	2016	2015	2014
Weighted average number of ordinary shares for basic EPS	10,306,643	10,000,000	10,000,000
Loss per share	(€5.34)	(€14.00)	(€50.80)

The Group has related party borrowings as at December 31, 2016 of €673 million payable to ARD Group Finance Holdings S.A. (a subsidiary of its intermediate parent company and a shareholder of the Company) with a maturity date of 2076. These related party borrowings have a conversion feature that allows the Company to convert the debt to ordinary shares in the Company at a date of its choosing prior to the maturity date. Under the terms of the instrument, the number of shares to be issued is variable and dependent on market conditions at the time of conversion. As at December 31, 2016, the number of shares that this note would convert to is uncertain and therefore, no diluted EPS calculation has been completed to reflect these possible ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

23. Cash generated from operating activities

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Loss for the year	**(55)**	**(140)**	**(508)**
Income tax expense/(credit) (Note 21)	54	63	(14)
Net finance expense (Note 20)	537	527	602
Depreciation and amortization	491	403	363
Exceptional operating items (Note 19)	131	81	349
Movement in working capital	120	90	8
Exceptional acquisition-related, disposal and plant start-up costs paid	(159)	(54)	(77)
Exceptional restructuring paid	(10)	(20)	(22)
Cash generated from operations	**1,109**	**950**	**701**

24. Distributions made and proposed

	Year ended December 31,	
	2016 €m	2015 €m
Cash dividends on ordinary shares declared and paid:		
Interim dividend for 2016: €27 per share (2015: €nil per share)	270	-
	270	**-**

25. Business combinations and disposals

2016

On April 22, 2016 the Group entered into an agreement with Ball Corporation and Rexam PLC to acquire the Beverage Can Business. The acquisition was completed on June 30, 2016.

The acquired business comprises ten beverage can manufacturing plants and two end plants in Europe, seven beverage can manufacturing plants and one end plant in the United States, two beverage can manufacturing plants in Brazil and certain innovation and support functions in Germany, the UK, Switzerland and the United States. The acquired business has annual revenue of approximately €2.8 billion ($3.0 billion).

This is a strategically important acquisition which is highly complementary to the Group's existing metal and glass businesses.

The following table summarizes the provisional consideration paid for the Beverage Can Business and the provisional fair value of assets acquired and liabilities assumed.

	€m
Cash and cash equivalents	10
Property, plant and equipment	630
Intangible assets	1,284
Inventories	266
Trade and other receivables	302
Trade and other payables	(394)
Net deferred tax liability	(145)
Employee benefit obligations	(116)
Provisions	(36)
Total identifiable net assets	**1,801**
Goodwill	894
Total consideration	**2,695**

The allocations above are based on management's preliminary estimate of the fair values at the acquisition date.

The net cash flow relating to the acquisition is summarized below:

	€m
Cash consideration paid	2,695
Cash and cash equivalents acquired	(10)
Net cash outflow for purchase of business	**2,685**

Goodwill arising from the acquisition reflects the anticipated synergies from integrating the acquired business into the Group and the skills and the technical talent of the Beverage Can workforce.

Goodwill of €268 million which relates to the North American Beverage Can Business is expected to be deductible for tax purposes.

For the year ended December 31, 2016 the Beverage Can Business contributed revenue of €1,351 million to the Group.

If the acquisition of the Beverage Can Business had occurred on January 1, 2016 Group revenue, Adjusted EBITDA and profit for the year ended December 31, 2016 would have been €7,646 million, €1,333 million and €108 million respectively.

2015

VNA acquisition

Fair value adjustments to assets acquired of €3 million net of tax, were made in the year to December 31, 2015. The purchase price allocation is now finalized. The fair value of identifiable assets acquired was €656 million and acquired goodwill was €390 million.

2014

VNA Acquisition

On April 11, 2014, Ardagh Group completed the purchase of 100% of the equity of VNA, from Compagnie de Saint-Gobain for a consideration of $1.5 billion (the "VNA Acquisition").

VNA, which has its headquarters in Muncie, Indiana, is the second largest glass container manufacturer in the United States, serving the North American food and beverage industries. It produces approximately nine billion containers annually from its 13 facilities located throughout the United States and employs approximately 4,400 people. VNA has annual revenues of approximately $1.6 billion (€1.5 billion).

The VNA Acquisition is strategically important for the Group. It further expands the glass manufacturing footprint in North America, strengthens existing customer relationships and increases the Group's product portfolio. Further, the combination of VNA and the Group's existing North American business provides opportunities for logistics savings, production improvements and other cost efficiencies.

VNA contributed revenue of approximately €896 million and Adjusted EBITDA of approximately €165 million to the Group's results for the year ended December 31, 2014.

The following table summarizes the consideration paid for VNA, and the provisional fair value of assets acquired and liabilities assumed.

	€m
Cash and cash equivalents	8
Property, plant and equipment	356
Intangible assets	539
Inventories	161
Trade and other receivables	94
Trade and other payables	(144)
Net deferred tax liability	(220)
Provisions	(32)
Employee benefit obligations	(103)
Total identifiable net assets	**659**
Goodwill	387
Total consideration	**1,046**

The allocations above are based on management's preliminary estimate of the fair values at the acquisition date.

Total consideration for the VNA Acquisition is comprised of the following:

	€m
Cash consideration paid	1,083
Contingent cash consideration received*	(37)
Total consideration	**1,046**

*Contingent consideration of €37 million ($50 million) was received from Compagnie de Saint-Gobain (relating to the Anchor Divestment, as defined here after) in July 2014. In accordance with IFRS 3R, this amount has been treated as an adjustment to the purchase consideration for VNA rather than as consideration for the Anchor Divestment.

In the year ended December 31, 2014, the net cash flow relating to the VNA acquisition comprised the following;

	€m
Cash consideration paid	1,083
Contingent cash consideration received	(37)
Cash and cash equivalents acquired	(8)
Total net cash outflow	**1,038**

A detailed exercise has been performed to assess the fair value of assets acquired and liabilities assumed, with the use of third party experts where appropriate. If new information obtained within one year of the acquisition date regarding facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, then the acquisition accounting will be revised.

Goodwill of €387 million arising on the VNA Acquisition (which is not expected to be tax deductible) includes anticipated synergies from integrating VNA into the Group, and the skills and technical talent of the VNA workforce.

Deferred tax is principally recognized on the temporary timing differences created by the fair value adjustments.

The fair value of trade and other receivables was €94 million and included trade receivables with a fair value of €83 million.

Acquisition related costs of €22 million (2013: €38 million) were incurred and classified as exceptional items in the consolidated income statement for the year ended December 31, 2014.

Disposal of former Anchor Glass plants

On June 30, 2014, Ardagh Group completed the sale of six former Anchor Glass plants and certain related assets to an affiliate of KPS (the "Anchor Divestment"). The Group recognized a net loss on disposal of €124 million:

	€m
Consideration*	319
Net assets disposed	(446)
Disposal costs	(5)
Cumulative foreign exchange differences	8
Loss on disposal	**(124)**

*Consideration of €319 million excludes €37 million ($50 million) received from Compagnie de Saint-Gobain in relation to the divestment, as explained above. Total cash received relating to the divestment including the contingent cash consideration from Compagnie de Saint-Gobain is $486 million (€356 million).

Prior to the divestment, the six former Anchor Glass plants contributed revenue of €205 million and Adjusted EBITDA of €40 million to the Group's results for the year ended December 31, 2014.

Other disposals

During the year ended December 31, 2014 the Group disposed of a small business in the Metal Packaging division and also of its Metal Packaging operations in Australia and New Zealand for a total consideration of €78 million, on which the Group recognized a combined loss of €35 million.

	€m
Consideration	78
Net assets disposed	(102)
Disposal costs	(4)
Cumulative foreign exchange differences	(7)
Loss on disposal	**(35)**

Prior to the divestment, the other disposals contributed revenue of €158 million and Adjusted EBITDA of €15 million to the Group's results for the year ended December 31, 2014.

If the VNA Acquisition, the Anchor Divestment and the other disposals had occurred on January 1, 2014 revenue and Adjusted EBITDA for the Group for the year ended December 31, 2014 would have been €4,684 million and €782 million, respectively.

26. Related party information

(i) Interests of Mr. Paul Coulson

As of February 23, 2017, the approval date of this Annual Report, companies owned by Paul Coulson own approximately 25% of the issued share capital of ARD Holdings S.A.. Through its investment in the Yeoman group of companies, one of these companies has an interest in a further approximate 34% of the issued share capital of ARD Holdings S.A..

(ii) Yeoman Capital S.A.

At December 31, 2016, Yeoman Capital S.A. owned approximately 34% of the ordinary shares of ARD Holdings S.A.. During 2015, the Group incurred costs of €nil (2015: €nil; 2014: €1 million) for fees charged by the Yeoman group of companies. The amount outstanding at year end was €nil (2015: €nil; 2014: €1 million).

(iii) Common directorships

Five of the ARD Holdings S.A. directors (Paul Coulson, Brendan Dowling, Wolfgang Baertz, Gerald Moloney and Herman Troskie) also serve as directors in the Yeoman group of companies. Four of the existing directors of Ardagh Group S.A. (Ian Curley, David Matthews, Wolfgang Baertz and Herman Troskie) are members of the Board of Directors of ARD Holdings S.A., our ultimate parent company.

(iv) Joint ventures

At December 31, 2016, the Group owed €2 million (2015: €2 million; 2014: €1 million) to Eura Glasrecycling GmbH & Co. KG. During 2016, the Group received a dividend of €nil (2015: €nil; 2014: €1 million) from Eura Glasrecycling GmbH & Co. KG and incurred €5 million (2015: €4 million; 2014: €4 million) for purchases of raw materials. At December 31, 2016, the Group owed €1 million (2015: €1 million; 2014: €1 million) to Copal SAS. During 2016, the Group incurred €3 million (2015: €3 million; 2014: €4 million) for raw materials purchased from Copal SAS.

(v) Key management compensation

Key management are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group. Key management is comprised of the members who served on the Board of Directors of ARD Holdings S.A. and the Group's global leadership team during the reporting period. The amount outstanding at year end was €4 million (2015: €4 million, 2014: €4 million).

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Salaries and other short term employee benefits	15	12	12
Post-employment benefits	1	1	1
	16	**13**	**13**
Transaction related compensation	26	-	-
	42	**13**	**13**

(vi) Pension schemes

The Group's pension schemes are related parties. For details of all transactions during the year, please read Note 14.

(vii) Related party balances

Please refer to disclosures in Note 13.

(viii) Subsidiaries

The following table provides information relating to our principal operating subsidiaries, all of which are wholly owned, at December 31, 2016 and 2015.

2016

Company	Country of incorporation	Activity
Ardagh Metal Beverage Manufacturing Austria GmbH	Austria	Metal Packaging
Ardagh Metal Beverage Trading Austria GmbH	Austria	Metal Packaging
Latas Indústria de Embalagens de Alumínio do Brasil Ltda	Brazil	Metal Packaging
Ardagh Metal Packaging Czech Republic s.r.o.	Czech Republic	Metal Packaging
Ardagh Glass Holmegaard A/S	Denmark	Glass Packaging
Ardagh Aluminium Packaging France SAS	France	Metal Packaging
Ardagh MP West France SAS	France	Metal Packaging
Ardagh Metal Packaging France SAS	France	Metal Packaging
Ardagh Metal Beverage Trading France SAS	France	Metal Packaging
Ardagh Metal Beverage France SAS	France	Metal Packaging
Ardagh Glass GmbH	Germany	Glass Packaging
Heye International GmbH	Germany	Glass Engineering
Ardagh Metal Packaging Germany GmbH	Germany	Metal Packaging
Ardagh Germany MP GmbH	Germany	Metal Packaging
Ardagh Metal Beverage Trading Germany GmbH	Germany	Metal Packaging
Ardagh Metal Beverage Germany GmbH	Germany	Metal Packaging
Ardagh Glass Sales Limited	Ireland	Glass Packaging
Ardagh Packaging Holdings Limited	Ireland	Glass and Metal Packaging
Ardagh Group Italy S.r.l.	Italy	Glass and Metal Packaging
Ardagh Aluminium Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass Dongen B.V.	Netherlands	Glass Packaging
Ardagh Glass Moerdijk B.V.	Netherlands	Glass Packaging
Ardagh Metal Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Metal Beverage Trading Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Metal Beverage Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass S.A.	Poland	Glass Packaging
Ardagh Metal Packaging Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Trading Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Trading Spain SL	Spain	Metal Packaging
Ardagh Metal Beverage Spain SL	Spain	Metal Packaging
Ardagh Metal Packaging Iberica S.A.	Spain	Metal Packaging
Ardagh Glass Limmared AB	Sweden	Glass Packaging
Ardagh Metal Beverage Europe GmbH	Switzerland	Metal Packaging
Ardagh Glass Limited	United Kingdom	Glass Packaging
Ardagh Metal Beverage Trading UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Beverage UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Packaging UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Packaging USA Inc.	United States	Metal Packaging
Ardagh Glass Inc.	United States	Glass Packaging
Ardagh Metal Beverage USA Inc.	United States	Metal Packaging

2015

Company	Country of incorporation	Activity
Ardagh Metal Packaging Czech Republic s.r.o.	Czech Republic	Metal Packaging
Ardagh Glass Holmegaard A/S	Denmark	Glass Packaging
Ardagh Aluminium Packaging France SAS..........................	France	Metal Packaging
Ardagh MP West France SAS	France	Metal Packaging
Ardagh Metal Packaging France SAS	France	Metal Packaging
Ardagh Glass GmbH...	Germany	Glass Packaging
Heye International GmbH	Germany	Glass Engineering
Ardagh Metal Packaging Germany GmbH...........................	Germany	Metal Packaging
Ardagh Germany MP GmbH..	Germany	Metal Packaging
Ardagh Glass Sales Limited..	Ireland	Glass Packaging
Ardagh Packaging Holdings Limited	Ireland	Glass and Metal Packaging
Ardagh Group Italy S.r.l.	Italy	Glass and Metal Packaging
Ardagh Aluminium Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass Dongen B.V..	Netherlands	Glass Packaging
Ardagh Glass Moerdijk B.V.	Netherlands	Glass Packaging
Ardagh Metal Packaging Netherlands B.V...........................	Netherlands	Metal Packaging
Ardagh Glass S.A.	Poland	Glass Packaging
Ardagh Metal Packaging Poland Sp. z o.o...........................	Poland	Metal Packaging
Ardagh Metal Packaging Iberica S.A.	Spain	Metal Packaging
Ardagh Glass Limmared AB	Sweden	Glass Packaging
Ardagh Glass Limited	United Kingdom	Glass Packaging
Ardagh Metal Packaging UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Packaging USA Inc...	United States	Metal Packaging
Ardagh Glass Inc.	United States	Glass Packaging

27. Contingencies

Environmental issues

The Group is regulated under various national and local environmental, occupational health and safety and other governmental laws and regulations relating to:

- the operation of installations for manufacturing of metal packaging and surface treatment using solvents;
- the generation, storage, handling, use and transportation of hazardous materials;
- the emission of substances and physical agents into the environment;
- the discharge of waste water and disposal of waste;
- the remediation of contamination; and
- the design, characteristics, and recycling of its products.

The Group believes, based on current information that it is in substantial compliance with applicable environmental laws and regulations and permit requirements. It does not believe it will be required, under both existing or anticipated future environmental laws and regulations, to expend amounts, over and above the amount accrued, which will have a material effect on its business, financial condition or results of operations or cash flows. In addition, no material proceedings against the Group arising under environmental laws are pending.

Legal matters

In 2015, the German competition authority (the Federal Cartel Office) initiated an investigation of the practices in Germany of metal packaging manufacturers, including Ardagh. The investigation is ongoing, and there is at this stage no certainty as to the extent of any charge which may arise. Accordingly, no provision has been recognized.

With the exception of the above legal matter, the Group is involved in certain other legal proceedings arising in the normal course of its business. The Group believes that none of these proceedings, either individually or in aggregate, is expected to have a material adverse effect on its business, financial condition, results of operations or cash flows.

28. Events after the reporting period

On January 30, 2017, the Group issued $1,000 million 6.000% Senior Notes due 2025, the proceeds of which were used for the partial redemption of the First Priority Senior Secured Floating Rate Notes due 2019, on January 30, 2017, and will also be used for the redemption of the $415 million 6.250% Senior Notes due 2019 (the “2019 Senior Notes”).

On February 1, 2017, the Group gave notice to the holders of the 2019 Senior Notes of the redemption in full of the outstanding notes in accordance with their terms. The redemption date for the 2019 Senior Notes is March 2, 2017.

29. Company financial information

This note has been included in these financial statements in accordance with the requirements of Regulation S-X rule 12.04 *Condensed financial information of registrant*. The financial information provided below relates to the individual company financial statements for Ardagh Group S.A. as presented in accordance with IFRS as issued by the IASB.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with International Financial Reporting Standards have been condensed or omitted. The footnote disclosures contain supplemental information only and, as such, these statements should be read in conjunction with the notes to the accompanying consolidated financial statements.

The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements, except that investments in subsidiaries are included at cost less any provision for impairment in value.

i) Statement of financial position

	At December 31,	
	2016 €m	2015 €m
Non-current assets		
Investments in subsidiary undertakings	1,510	400
Related party receivables	-	1,021
	1,510	**1,421**
Current assets		
Related party receivables	-	4
Cash and cash equivalents	-	2
Other receivables	2	-
	2	**6**
Total assets	**1,512**	**1,427**
Equity attributable to owners of the parent		
Issued capital	-	-
Share premium	136	400
Capital contribution	431	-
Retained earnings	270	2
Total equity	**837**	**402**
Non-current liabilities		
Borrowings	-	1,019
Related party borrowings	673	-
	673	**1,019**
Current liabilities		
Interest payable	-	4
Related party borrowings	-	2
Other payables	2	-
	2	**6**
Total liabilities	**675**	**1,025**
Total equity and liabilities	**1,512**	**1,427**

ii) Statement of comprehensive income

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Finance income	112	85	40
Finance expense	(64)	(84)	(39)
Dividend income	267	-	-
Profit before exceptional items	**315**	**1**	**1**
Exceptional finance costs	**(47)**	**-**	**-**
Profit before tax	**268**	**1**	**1**
Income tax	-	-	-
Profit and total comprehensive income for the year	**268**	**1**	**1**

iii) Statement of cash flows

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Cash flows from operating activities			
Cash generated from operations	-	-	-
Cumulative PIK interest paid	(184)	-	-
Net cash used in operating activities	**(184)**	**-**	**-**
Cash flows from investing activities			
Repayment of loans from subsidiary undertakings	1,112	-	-
Contribution to subsidiary undertaking	(1,110)	-	-
Dividends received	267	-	-
Loans granted to subsidiary undertakings	-	-	(749)
Net cash received from/(used in) investing activities	**269**	**-**	**(749)**
Cash flows from financing activities			
Repayment of borrowings	(880)	-	-
Net proceeds from borrowings with related parties	671	-	762
Contribution from parent	431	-	-
Proceeds from share issuance	6	-	-
Dividends paid	(270)	-	-
Early redemption premium costs	(45)	-	-
Deferred debt issue costs paid	-	-	(11)
Net cash (outflow)/inflow from financing activities	**(87)**	**-**	**751**
Net (decrease)/increase in cash and cash equivalents	**(2)**	**-**	**2**
Cash and cash equivalents at the beginning of the year	2	2	-
Cash and cash equivalents at the end of the year	**-**	**2**	**2**

iv) Maturity analysis of the Company's borrowings

The maturity analysis of the Company's borrowings including related party borrowings, is as follows:

	At December 31,	
	2016 €m	2015 €m
Within one year or on demand	-	-
Between one and two years	-	-
Between two and five years	-	1,019
Greater than five years	673	-
	673	1,019

v) Distributions paid and received

During the year ended December 31, 2016 the Company received a dividend of €267 million (2015: €nil, 2014: €nil) from a subsidiary company. The Company also paid a dividend to a its parent company of €270 million (2015: €nil, 2014: €nil).

vi) Commitments and contingencies

The Company has guaranteed certain liabilities of a number of its subsidiaries for year ended December 31, 2015.

With exception of the above guarantee the Company had no commitments and contingencies at December 31, 2016 (2015: €nil).

vii) Additional information

The following reconciliations are provided as additional information to satisfy the Schedule I SEC Requirements for parent-only financial information.

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
IFRS loss reconciliation:			
Parent only – IFRS profit for the year	268	1	1
Additional loss if subsidiaries had been accounted for on the equity method of accounting as opposed to cost	(323)	(141)	(509)
Consolidated IFRS loss for the year	**(55)**	**(140)**	**(508)**

	At December 31,		
	2016 €m	2015 €m	2014 €m
IFRS equity reconciliation:			
Parent only – IFRS equity	837	402	401
Additional loss if subsidiaries had been accounted for on the equity method of accounting as opposed to cost	(2,895)	(2,384)	(2,152)
Consolidated – IFRS equity	**(2,058)**	**(1,982)**	**(1,751)**

ArdaghGroup

www.ardaghgroup.com