

July 7, 2003

NOT FOR GENERAL CIRCULATION
IN THE UNITED STATES



€175,000,000

Ardagh Glass Finance B.V.

8⁷/₈% Senior Notes due 2013

guaranteed on a senior basis by

Ardagh Glass Limited

and on a senior subordinated basis by certain of its wholly-owned subsidiaries

The Issuer

- The Issuer is an indirect wholly-owned finance subsidiary of Ardagh Glass Limited.

Ardagh Glass Group

- We are the leading supplier of glass containers in the United Kingdom. We are also a leading provider of technology and manufacturing equipment to the glass container manufacturing industry worldwide.

Maturity

- The notes will mature on July 1, 2013.

Interest

- Interest on the notes is payable on January 1 and July 1 of each year, commencing on January 1, 2004.

Ranking and Guarantee

- The notes will be the general unsecured obligations of Ardagh Glass Finance B.V. and will rank senior in right of payment to any and all of its existing and future unsecured debt that is subordinated in right of payment to the notes. The notes will also rank equally in right of payment with all of Ardagh Glass Finance B.V.'s existing and future unsecured debt that is not subordinated in right of payment to the notes, and be effectively subordinated to all existing and future secured debt of Ardagh Glass Finance B.V. to the extent of the assets securing such debt.
- Ardagh Glass Limited (the "Parent Guarantor") and certain of its direct and indirect wholly-owned subsidiaries (the "Subsidiary Guarantors" and, collectively with the Parent Guarantor, the "Guarantors") will guarantee payment under the notes on a senior and on a senior subordinated basis, respectively. The senior subordinated guarantees are subject to important conditions, including a standstill period of up to 179 days following an event of default. In addition, the Subsidiary Guarantors are subsidiaries of the Parent Guarantor. As a result, the senior guarantee is effectively subordinated to all existing and future obligations of the Subsidiary Guarantors.

Redemption and Repurchase

- Prior to July 1, 2008, the Issuer may redeem all or part of the notes by paying a "make-whole" premium. The Issuer may also redeem all or part of the notes on or after July 1, 2008, at the redemption prices set forth in this Offering Circular.

Listing

- Application has been made to list the notes on the Luxembourg Stock Exchange.

Risk Factors

- You should carefully consider the risk factors beginning on page 15 before investing in the notes.

Transfer Restrictions

- The Issuer is not registering the offer or sale of the notes under U.S. federal securities laws or the securities laws of any other jurisdiction and is not undertaking to register the notes in the United States in the future. The Issuer is only offering the notes to buyers who either meet the requirements of Rule 144A or purchase the notes outside the United States pursuant to Regulation S, in each case under the U.S. Securities Act of 1933, as amended (the "Securities Act"). You should read the sections entitled "Plan of Distribution" and "Transfer Restrictions" for information on restrictions that apply to the purchase and resale of the notes.

Settlement

- The notes will be issued in the form of one or more global notes in registered form. On the closing date of the offering, the global notes will be deposited and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg. The closing date of the offering is expected to be July 11, 2003.

Price: 100% plus accrued interest, if any, from July 11, 2003

The initial purchasers expect to deliver the notes to purchasers on or about July 11, 2003.

Joint Bookrunners

BNP PARIBAS

Citigroup

Co-Manager

Davy Stockbrokers



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IN CONNECTION WITH THIS OFFERING, BNP PARIBAS OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICES OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON BNP PARIBAS OR ANY AGENT ACTING FOR IT TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

The Issuer and the Guarantors assume responsibility for the completeness and accuracy of this Offering Circular. The Issuer and the Guarantors have made all reasonable enquiries, and, to the best of our knowledge, information and belief, confirm that the information contained in this Offering Circular with regard to Ardagh Glass Limited and its subsidiaries and the notes is true and complete in all material respects and that there are no other facts the omission of which would, in the context of the offering, make any statement in this Offering Circular misleading in any material respect. However, the information contained under the headings “Summary”, “Exchange Rates”, “Operating and Financial Review and Prospects” and “Business” includes extracts from information and data, including industry and market data, released by publicly available sources in the United Kingdom and elsewhere. While we accept responsibility for the accurate extraction and summarization of such information and data, we accept no further responsibility in respect of such information or data.

The information contained in sections of this Offering Circular describing clearing arrangements has been obtained from publicly available sources which the Issuer and the Guarantors believe are reliable. None of the Issuer, the Guarantors or any of the initial purchasers has independently verified such information or takes any responsibility for the accuracy of those sections; however, the Issuer and the Guarantors have taken reasonable care to ensure that the information from these sources has been reproduced correctly. The Issuer and the Guarantors accept responsibility accordingly. In addition, that information is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream, Luxembourg. The Issuer and the Guarantors advise investors who wish to use the facilities of any of those clearing systems to confirm the rules, regulations and procedures of the relevant clearing system. The Issuer and the Guarantors will have no responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through any clearing system. Finally, the Issuer and the Guarantors will have no responsibility or liability for maintaining, supervising or reviewing any records relating to those book-entry interests.

You should rely only on the information contained in this Offering Circular, or to which we have referred you in this Offering Circular, in making your investment decision. No person has been authorized to give any information or to give any representations other than those contained in this Offering Circular, and, if given or made, such representations must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstance in which such offer or solicitation is unlawful. The information contained in this Offering Circular is given only as of the date of this Offering Circular. The Issuer’s and the Guarantors’ business, financial condition, results of operations and prospects may have changed since the date of this Offering Circular.

This Offering Circular has been prepared by the Issuer and the Guarantors solely for use in connection with the offering of notes. You must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person.

This offering of the notes and the distribution of this Offering Circular may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular comes are required by the initial purchasers and the Issuer and the Guarantors to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. In addition, you must also obtain any consents or approvals that are needed in order to purchase the notes. Neither we nor the initial purchasers are responsible for compliance with these legal requirements. For a description of certain further restrictions on offers, sales and resales of the notes and distribution of this Offering Circular, see “Plan of Distribution”. This Offering Circular does

not constitute an offer of, or an invitation to purchase, any of the notes in any jurisdiction in which such offer or invitation would be unlawful.

The Issuer, the Guarantors and the initial purchasers reserve the right to reject all or a part of any offer to purchase the notes, for any reason. The Issuer, the Guarantors and the initial purchasers also reserve the right to sell less than all of the notes offered by this Offering Circular or to sell to any purchaser less than the amount of notes it has offered to purchase.

Before making a decision whether to purchase any notes, you should read this Offering Circular. In making an investment decision, you must rely on your own examination of our business and the terms of the offering, including the merits and risks involved. You may contact the Issuer and the Guarantors if you need any additional information. By purchasing any notes, you will be deemed to have acknowledged that:

- you have reviewed this Offering Circular;
- you have been afforded an opportunity to request from the Issuer and the Guarantors and to review, and have received, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this Offering Circular; and
- the initial purchasers are not responsible for, and are not making any representation or promise to you concerning, our future performance or the accuracy or completeness of this Offering Circular.

You should consult with your own advisors as needed to assist you in making an investment decision, to advise you as to whether you are legally permitted to purchase any notes and to advise you of the tax consequences to you of investing in the notes. The Issuer and the Guarantors are not providing you with any legal, business, tax or other advice in this Offering Circular.

These notes have not been recommended by the Issuer, the Guarantors, the initial purchasers or any U.S. state or federal or non-U.S. securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offense.

The notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold in the United States or to U.S. persons.

The Issuer and the Guarantors are making this offering of the notes in reliance on exemptions from the registration requirements of, or in transactions not subject to, the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The notes are not transferable except in accordance with the restrictions described in this Offering Circular. See “Plan of Distribution” and “Transfer Restrictions”.

Please see “Transfer Restrictions” for a discussion of the restrictions on transfers and resales to which the notes are subject. Purchasers of notes may be required to bear the financial risks of investing in the notes for an indefinite period of time. In addition, you will be deemed to have agreed to all of the provisions contained in that section of this Offering Circular by purchasing any notes.

Effective from the date of commencement of discussions concerning the offering, you and each of your employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and structure of the offering and all materials of any kind, including opinions or other tax analyses, that we have provided to you relating to such U.S. federal income tax treatment and structure.

NOTICES TO CERTAIN EUROPEAN RESIDENTS

United Kingdom. There are restrictions on the offer and sale of the notes offered hereby in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 and the Public Offers of Securities Regulations 1995 (as amended) with respect to anything done by any person in relation to the notes in, from or otherwise involving the United Kingdom must be complied with.

The Netherlands. The notes will not be offered, transferred or sold in or from The Netherlands, whether directly or indirectly, to any individual or legal entity, other than to individuals or legal entities who or which trade in or invest in securities in their conduct of a profession or trade (which includes banks, brokers, dealers, insurance companies, pension funds, other institutional investors and commercial enterprises which as an ancillary activity regularly invest in securities).

France. In France, the notes may not be directly or indirectly offered or sold to the public, and offers and sales of the notes will only be made in France to qualified investors or to a closed circle of investors acting for their own accounts, in accordance with Article L.411-2 of the *code Monétaire et Financier* (formerly Article 6-II of Ordinance no. 67-833 dated September 28, 1967), as amended, and *Décret no. 98-880* dated October 1, 1998. Accordingly, this Offering Circular has not been submitted to the *Commission des Opérations de Bourse*. Neither this Offering Circular nor any other offering material may be distributed to the public in France.

Les titres ne pourront pas être offerts ou vendus directement ou indirectement au public en France et ne pourront l'être qu'à des investisseurs qualifiés ou à un cercle restreint d'investisseurs au sens de l'Article L.411-2 du Code Monétaire et Financier (anciennement article 6-II de l'Ordonnance no. 67-833 du 28 Septembre 1967), tel que modifié et du Décret no. 98-880 du 1^{er} Octobre 1998. Par conséquent, ce prospectus n'a pas été soumis au visa de la Commission des Opérations de Bourse. Ni ce prospectus ni aucun autre document promotionnel ne pourront être communiqués au public en France.

Germany. No action has been, or will be, taken that would permit a public offering of the notes or the distribution of this Offering Circular or any other offering or publicity material relating to the notes in Germany. The notes may only be offered and sold in Germany in accordance with the restrictions set forth in the German Securities Selling Prospectus Act (*Verkaufsprospektgesetz*).

Luxembourg. The notes may not be offered in the Grand Duchy of Luxembourg except in circumstances where the requirements of Luxembourg law concerning public offerings of securities have been met.

Spain. The notes may not be offered or sold in Spain except in accordance with the requirements of the Securities Market Law (*Ley 24/1988 de 28 de Julio, del Mercado de Valores*, as amended by Law 37/1998 of November 16) and Royal Decree 291/1992 on Issues and Public Offering of Securities (*Real Decreto 291/1992 de 27 de Marzo, sobre emisiones y ofertas publicas de venta de valores*), as amended or restated by Royal Decree 2590/1998 of December 7 ("R.D. 291/92"), and further subsequent legislation.

This Offering Circular is neither verified nor registered in the administrative registries of the *Comisión Nacional del Mercado de Valores*, and therefore a public offer for the subscription of the notes will not be carried out in Spain. Notwithstanding that and in accordance with Article 7 of R.D. 291/92, a private placement of the notes addressed exclusively to institutional investors (as defined in Article 7.1(a) of R.D. 291/92) may be carried out. The institutional investors will be subject to the restrictions on the subsequent transfer of the notes to other investors in Spain which are not institutional investors.

Italy. The notes may not be offered or sold directly or indirectly in Italy or to a resident of Italy other than to a "professional investor", as defined by article 31(2) of CONSOB Regulation No. 11522 of July 1, 1998 ("CONSOB Regulation No. 11522") (each such person, but excluding individual persons referred to in article 31(2) of CONSOB Regulation No. 11522 who exercise administrative, managerial or supervisory functions at a registered securities dealing firm (a *società di intermediazione mobiliare* or *SIM*), management companies (*società di gestione del risparmio*) authorized to manage individual portfolios on behalf of third parties and fiduciary companies authorized to manage individual portfolios pursuant to article 60(4) of Decree No. 415 of July 23,

1996, a “Professional Investor”), and in compliance with the forms and procedures therein provided. Any such offer or sale or any distribution of this Memorandum or any rendering of advice in respect of any investments in the notes within Italy must be conducted either by a SIM or by an authorized intermediary in each case as defined by Legislative Decree No. 58 of February 24, 1998.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTES ON DEFINED TERMS USED IN THIS OFFERING CIRCULAR

The following terms used in this Offering Circular have the meanings assigned to them below:

| | |
|---|---|
| “Ardagh Glass Group”, “we”, “us” and “our” | Ardagh Glass Limited and its subsidiaries. Prior to the Demerger, the terms “we”, “us” and “our” refer to the non-Irish glass container manufacturing operations of Ardagh plc and its subsidiaries, unless the context requires otherwise. |
| “Demerger” | The demerger from Ardagh plc and the transfer to Ardagh Glass Limited of Ardagh plc’s former non-Irish glass container manufacturing operations effective February 28, 2003, as more fully described in “Certain Relationships and Related Party Transactions—The Demerger”. |
| “euro” or “€” | euro, the currency of the European Union member states participating in the European Monetary Union. |
| “Existing Anglo Irish Credit Facility” | Facility agreement dated December 19, 2002 between Ardagh Glass Limited and Anglo Irish Bank Corporation Plc, as more fully described in “Description of Other Indebtedness”. |
| “Existing Senior Secured Credit Facility” | Facility agreement dated March 6, 2001, among Ardagh Glass (UK) Limited, Ardagh Treasury Limited, BNP Paribas, as arranger, BNP Paribas (Dublin Branch), as security trustee, and the financial institutions named therein, as more fully described in “Description of Other Indebtedness”. |
| “Indenture” | Refers to the indenture governing the notes. |
| “Issuer” | Ardagh Glass Finance B.V. |
| “New Anglo Irish Senior Secured Credit Facility” | Facility agreement dated June 26, 2003, among Ardagh Glass (UK) Limited, Ardagh Treasury Limited and Anglo Irish Bank Corporation Plc, as agent and as security trustee, as more fully described in “Description of Other Indebtedness”. |
| “pounds” or “£” | pounds sterling, the currency of the United Kingdom. |
| “Restricted Subsidiary” and “Restricted Group” | Any subsidiary of the Parent Guarantor other than a subsidiary classified as an Unrestricted Subsidiary and member of the Unrestricted Group. |
| “U.K. GAAP” | Accounting principles generally accepted in the United Kingdom. |
| “Unrestricted Subsidiary” and “Unrestricted Group” | Heye Glas GmbH, Schaumburger Formenbau GmbH, Fabryka Urzadzen Przemyslowych Sp. Z.o.o., Heye Fabryka Form Szklarskich Sp. Z.o.o., Eura Glasrecycling GmbH and their subsidiaries, as more fully described in “Description of the Notes”. |
| “U.S. GAAP” | Accounting principles generally accepted in the United States of America. |
| “Yeoman Credit Facility” | Facility agreement dated December 19, 2002 between Ardagh Glass Limited and Yeoman International Holdings S.A., as more fully described in “Description of Other Indebtedness”. |

PRESENTATION OF FINANCIAL AND OTHER DATA

Ardagh Glass Finance B.V., the Issuer, is an indirect, wholly-owned subsidiary of Ardagh Glass Limited, the Parent Guarantor. The Issuer was incorporated on June 25, 2003 and is a finance company that has not engaged in any activities other than those related to its formation. Therefore, we do not present any financial information for Ardagh Glass Finance B.V. in this Offering Circular. In this Offering Circular we refer to, and present financial information for, Ardagh Glass Limited and its subsidiaries.

Ardagh Glass Limited was formed on December 17, 2002, as a holding company for the glass container manufacturing business that was demerged from Ardagh plc and transferred to Ardagh Glass Limited effective as of February 28, 2003. Prior to such date, Ardagh Glass Limited did not engage in any activities other than those related to its formation and was a subsidiary of Ardagh plc. The financial statements and other financial information and data of Ardagh Glass Limited and its subsidiaries that are presented in this Offering Circular assume the existence of Ardagh Glass Limited throughout each of the periods covered by such financial statements, financial information and data and (except, as explained below, for the unaudited interim aggregated financial information for the three-month period ended March 31, 2003) that it was the parent company of the relevant subsidiaries as of the applicable acquisition dates by Ardagh plc. For additional information regarding the Demerger, see “Certain Relationships and Related Party Transactions—The Demerger”. Accordingly, the combined financial statements and other financial information and data included in this Offering Circular present information for activities of Ardagh Glass Limited and its subsidiaries that, prior to the Demerger, were undertaken by Ardagh plc or companies controlled by Ardagh plc. The financial statements and other financial information and data contained in this Offering Circular do not include the glass container manufacturing and ancillary operations of Ardagh plc in Ireland prior to the Demerger.

The unaudited interim aggregated financial information for the three-month period ended and as at March 31, 2003 presented in this Offering Circular includes the results of operations of our recent German acquisition, Heye Holding GmbH and its subsidiaries, since January 1, 2003. The shares of Heye Holding were initially acquired by Yeoman International Holdings S.A. (“Yeoman”), a principal shareholder of Ardagh Glass Limited. See “Principal Shareholders”. Yeoman granted the Ardagh Glass Group an option to acquire the shares of Heye Holding on the terms described in “Operating and Financial Review and Prospects—Overview—Acquisitions”. This option was exercised on March 3, 2003. Since our current senior executive officers managed all aspects of the business and operations of Heye Holding and its subsidiaries in the three months ended March 31, 2003, the results of operations of Heye Holding and its subsidiaries have been included in our aggregated results for the three-month period ended March 31, 2003.

This Offering Circular includes:

- the audited combined financial statements of Ardagh Glass Limited and its subsidiaries for the financial years ended December 31, 2000, 2001 and 2002 and as at December 31, 2001 and 2002;
- the unaudited interim combined financial statements of Ardagh Glass Limited and its subsidiaries for the three-month period ended and as at March 31, 2002;
- the unaudited interim combined financial statements of Ardagh Glass Limited and its subsidiaries for the two-month period ended February 28, 2003;
- the unaudited interim consolidated financial statements of Ardagh Glass Limited and its subsidiaries for the one-month period ended and as at March 31, 2003;
- the unaudited interim aggregated financial information of Ardagh Glass Limited and its subsidiaries for the three-month period ended March 31, 2003; and
- the unaudited aggregated financial information of Ardagh Glass Limited and its subsidiaries for the twelve-month period ended and as at March 31, 2003.

Unless otherwise indicated, the unaudited interim aggregated financial information for the three-month period ended March 31, 2003 presented in this Offering Circular includes the results of operations of both the Restricted and Unrestricted Groups. The Unrestricted Group

consists of Heye Glas, our glass container operations in Germany, and certain related subsidiaries of Heye Holding. For information relating to the performance of only the Restricted Group in the three-month period ended and as at March 31, 2003, see “Operating and Financial Review and Prospects” and “Unaudited Supplemental Information on the Subsidiary Guarantors”. The combined financial statements for all periods prior to January 1, 2003 includes only the results of operations of the Restricted Group, as we did not acquire the subsidiaries in the Unrestricted Group until the first quarter of 2003.

The financial information contained in this Offering Circular relating to Ardagh Glass Limited and its subsidiaries has been prepared in accordance with U.K. GAAP. Significant differences exist between U.K. GAAP and U.S. GAAP which could be material to the financial information herein. For a discussion of the principal differences between U.K. GAAP and U.S. GAAP, see “Certain Differences Between U.K. GAAP and U.S. GAAP”. In making an investment decision, you must rely upon your own examination of Ardagh Glass Limited, the terms of the offering of the notes and the financial information contained in this Offering Circular. You should consult your own professional advisors for an understanding of the differences between U.K. GAAP and U.S. GAAP and how those differences could affect the financial information contained in this Offering Circular.

The combined financial statements of Ardagh Glass Limited and its subsidiaries have been prepared based on a calendar year and published in euro. The audit of the combined financial statements for each of the fiscal years ended December 31, 2000, 2001 and 2002 and as at December 31, 2001 and 2002 has been conducted in accordance with the Statements of Auditing Standards issued by the Auditing Practices Board applicable in Ireland.

Certain numbers included in this Offering Circular have been subject to rounding adjustments. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding.

Industry and Market Data

Throughout this Offering Circular, we have used industry and market data obtained from independent industry publications, market research, internal surveys and other publicly available information. In particular, we have obtained information or other statements presented in this Offering Circular relating to market share and industry data relating to our business from providers of industry data, including:

- British Glass Manufacturers Confederation;
- Assovetro;
- ISTAT; and
- Fachvereinigung Behälterglasindustrie e.V.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. We have not independently verified such data. Similarly, while we believe that our internal surveys are reliable, they have not been verified by independent sources and we cannot assure you of their accuracy.

FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Offering Circular that are not historical facts, including, without limitation, certain statements made in “Summary”, in “Risk Factors”, in “Operating and Financial Review and Prospects” and in “Business”, 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 negative 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:

- foreign currency fluctuations relative to the pound and euro;
- changes in capital availability or cost, including interest rate fluctuations;
- general political, economic and competitive conditions in markets and countries where we have operations, including disruptions in the supply chain, competitive pricing pressures, inflation or deflation and changes in tax rates and laws;
- consumer preferences for alternative forms of packaging;
- fluctuations in raw material and labor costs;
- availability of raw materials;
- costs and availability of energy;
- transportation costs;
- consolidation among competitors and customers;
- unanticipated expenditures with respect to environmental, safety and health laws; and
- performance by customers of their obligations under purchase agreements.

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 Offering Circular or to reflect the occurrence of unanticipated events, other than as required by law.

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SUMMARY

The following summary highlights selected information from this Offering Circular and does not contain all of the information that you should consider before investing in the notes. This Offering Circular contains specific terms of the notes, as well as information about our business and detailed financial data. You should read this Offering Circular in its entirety.

Our Business

We are the leading supplier of glass containers in the United Kingdom with an approximate 34% share of U.K. glass container production by volume in 2002. We have operated a glass container manufacturing business in Italy since our acquisition in July 2002 of Consumers Glass S.r.l., which we have renamed Abruzzo Vetro S.r.l. We are also a leading provider of technology and manufacturing equipment to the glass manufacturing industry through Heye International GmbH, a wholly-owned subsidiary of Heye Holding, which we acquired in March 2003.

In the United Kingdom, we produce and market an extensive range of glass containers in a variety of shapes, sizes, colors and weights for the U.K. food, beer, spirits, flavored alcoholic beverages ("FABs"), soft drinks, wine, dairy and cider sectors. We accounted for 49%, 34% and 29% of glass containers produced in the United Kingdom in 2002 in the food, beer and spirits sectors, respectively. We supply a broad range of glass containers to some of the leading European and global food and beverage manufacturers such as Anheuser Busch, Coca-Cola Schweppes Beverages, Diageo, Hillsdown Holdings, Nestlé, Halewood International and Interbrew. In Italy, Abruzzo Vetro produces a range of glass beer bottles which it sells to its single customer, Birra Peroni Industriale S.p.A., a leading Italian brewer.

Our glass container manufacturing sites are modern and technologically advanced, and we believe we have a leading position in the United Kingdom in terms of efficiency measured against manufacturing performance indicators in the glass container industry. We operate a total of four manufacturing sites with nine glass furnaces and 23 production lines in the United Kingdom. We believe that our manufacturing site at Wheatley is the largest food container manufacturing site in the United Kingdom. We also operate one manufacturing site with a single glass furnace and two production lines in Italy. In 2002, we produced approximately 724,000 tonnes of glass, including production from our Italian operations from July 1, 2002.

Through Heye International, we design and supply glass packaging machinery, supply parts for existing glass packaging machinery, provide technical support to users of our equipment and licensees of our technology, and engineer, assemble and supply comprehensive turnkey glass container plants. We offer solutions for all aspects of glass container manufacturing and glass container plant engineering. Heye International is one of only a few companies worldwide providing comprehensive turnkey glass container operations and technology services to the global glass container manufacturing industry. In the last five years, Heye International has provided equipment and technology assistance to leading companies worldwide, such as Anheuser Busch and Heineken, and has undertaken the design and supply of six major glass manufacturing facilities.

We also have glass container operations in Germany through Heye Glas GmbH, a wholly-owned subsidiary of Heye Holding, which we acquired in March 2003. We operate two manufacturing sites with four glass furnaces and 13 production lines, producing a broad range of glass containers for customers such as Ernstthal, Heineken and Interbrew. Heye Glas and certain related subsidiaries of Heye Holding will be classified as Unrestricted Subsidiaries for the purposes of the notes offered hereby. See "Operating and Financial Review and Prospects" and "Unaudited Supplemental Information on the Subsidiary Guarantors".

The aggregated turnover and EBITDA of Ardagh Glass Limited and its subsidiaries for the twelve-month period ended March 31, 2003 were €334.4 million and €79.0 million, respectively.

Competitive Strengths

We believe we have a number of competitive strengths that differentiate us from our competitors, including:

- **Leading Market Position in our Principal Market, the United Kingdom.** We are the leading supplier of glass containers in the United Kingdom with strong market positions in the food, beer and spirits sectors. We believe that our leading U.K. market position provides us with significant economies of scale and that the cash flow from our operations allows us to reinvest consistently in our business to ensure product quality, reliability and the modern infrastructure necessary to meet customer expectations.
- **Proven Product Quality and Design Capabilities.** We continually seek to improve the quality of our products and manufacturing processes through focused investment and rigorous inspection and believe we have achieved industry leading manufacturing performance indicators as a result. We believe that our design capabilities, wide range of machine forming configurations and high degree of flexibility enable us to meet the diverse design needs of our customers and to face new industry challenges.
- **Superior Technology and Manufacturing Capabilities Combined with Strong Operating Expertise.** We believe that we have access to advanced glass manufacturing technology through our acquisition of Heye International and our technology and licensing agreement in the United Kingdom with Owens-Illinois Inc., one of the largest glass container manufacturers in the world. We believe that our U.K. facilities are among the most modern, efficient and technologically advanced in the European glass container industry. We combine our leading equipment technology with a continuing investment in training our personnel and the application of operating expertise to maintain competitive margins and operating efficiencies.
- **Cash Generation and Effective Asset Management.** Over the last few years, we have proven our ability to manage our assets effectively and to generate strong cash flow in challenging market conditions while maintaining high levels of capital investment. In 2002, we generated total cash flow from operating activities of €69.6 million and cash flow from operating activities after capital expenditures of €49.1 million. We believe that our continuous focus upon asset and production management combined with regular asset maintenance will contribute to our future cash generation capability.
- **Low-Cost Producer.** We have consistently focused on decreasing total costs through line staffing reductions, machine line rationalization and investments in advanced technology. As a result of these initiatives, we believe that we have improved productivity and lowered staffing per machine line and are therefore better positioned to withstand downward price pressure.
- **Strong Customer Relationships.** We have strong and long-standing relationships with our customers which include some of the leading European and global food and beverage manufacturers such as Anheuser Busch, Coca-Cola Schweppes Beverages, Diageo, Halewood Distillers, Interbrew and Nestlé. The average tenure of our relationships with our top five customers is more than seven years. In the United Kingdom, we provide a significant amount of the total glass container requirements of many of our customers, including approximately 90%, 45% and 60% of the requirements of Nestlé, Diageo and Anheuser Busch, respectively. We believe that our customers identify us as being reliable and capable of delivering high quality, technologically-advanced products, which is a key purchasing consideration.
- **Relatively High Barriers to Entry.** We believe that strong, long-term customer relationships and the increasing integration of operational efficiencies between established suppliers and their customers make it difficult for potential market entrants to secure a critical customer base and volume of business. The glass container manufacturing industry is characterized by high levels of investment and fixed costs. In addition, the European glass container manufacturing industry has historically been a stable market associated with low growth and average returns.
- **Highly Experienced and Incentivized Management Team.** Our management team consists of experienced professionals with strong backgrounds in the glass container industry in

Ireland, the United Kingdom and other countries. Many of our senior executive officers have spent more than 20 years in the glass container industry and have demonstrated their ability to manage costs and to acquire and successfully integrate new businesses. We believe that our senior management is well incentivized through our share option scheme.

Business Strategy

The principal objective of our business strategy is to increase the value of our glass manufacturing business through growth in our core areas and through opportunistic, strategic expansion. We are pursuing this objective through the following strategies:

- ***Continue to Apply Advanced Technology and Technical Expertise to Improve Quality, Service, Profitability and Cash Flow.*** Through our recently-acquired German technology and manufacturing business, which designs, manufactures and commissions glass container plants, we intend to increase productivity through the continuing development and transfer of expertise and best practices across our operations. Our goal is to be the most profitable glass container producer in the markets in which we operate with a low cost base, highly efficient machinery, strong technological expertise and a highly motivated workforce.
- ***Improve Profitability by Focusing on High Growth Glass-Intensive Segments.*** We focus our marketing efforts and production capacity on relatively high-growth glass segments in the United Kingdom in which we can maintain or achieve competitive pricing levels, such as the premium beer, premium packaged spirits ("PPS") and cook-in-sauces segments. We also focus on segments that we believe are likely to substitute high value-added glass containers from alternative forms of packaging or from refillable glass containers such as the canned food segment and the on-trade soft drinks segment (for on-premises consumption such as in pubs, clubs and restaurants), respectively.
- ***Improve Product Mix and Diversify Customer Base.*** We intend to improve our product mix by continuing to replace our lower margin business with higher margin business as opportunities arise. We also intend to continue to diversify our customer base and selectively pursue business arrangements with customers that will provide us with growth opportunities through their intensive marketing strategies.
- ***Careful Evaluation and Pursuit of Strategic Opportunities.*** We intend to participate in the consolidation of the glass container industry through the careful evaluation, selection and pursuit of strategic opportunities throughout Europe. As with our acquisitions in Italy and Germany, we intend to continue to focus on acquiring businesses in which we believe that we can realize attractive returns on investment and generate significant free cash flow. In addition, by leveraging our Heye International technology and manufacturing business, we intend to explore business opportunities for establishing operations in new markets to meet the geographic and other special needs of current and potential customers.

History and Recent Developments

History. We have been long established as a major participant in the U.K. glass container manufacturing industry with our United Kingdom operations dating back to 1848. Prior to 1999, the United Kingdom operations were owned and managed by a number of global glass container manufacturers, including BTR plc and Owens-Illinois. During the 1990s, significant capital was invested by these prior owners to upgrade the glass container manufacturing facilities that we currently operate. In 1999, Ardagh plc, an Irish publicly-listed company with a glass manufacturing site in Ireland, acquired the U.K. glass container operations that we currently operate from Owens-Illinois. Our U.K. operations have become the leading supplier of glass containers in the United Kingdom.

Acquisition of Abruzzo Vetro. In July 2002, we acquired Consumers Glass S.r.l., an Italian glass container manufacturer (subsequently renamed Abruzzo Vetro S.r.l.), for cash consideration of €2.8 million. Abruzzo Vetro produces a range of glass beer bottles which it sells to its single customer, Peroni, under a long-term supply contract, which is currently the subject of an arbitration proceeding. See "Risk Factors—Risks Relating to Our Business—Our Italian subsidiary, Abruzzo

Vetro, is currently in a contract dispute with its sole customer, Peroni” and “Business—Legal Proceedings”.

The Demerger. Prior to the Demerger, Ardagh plc managed two separate businesses: (1) glass container manufacturing operations outside of Ireland comprising its U.K. and Italian glass container operations; and (2) glass container manufacturing and ancillary operations in Ireland. In July 2002, Ardagh plc’s glass container manufacturing facility in Ireland was closed and the business in Ireland became primarily a property holding company. The board of directors of Ardagh plc believed that these two distinct businesses were undervalued on the Irish Stock Exchange and, following a strategic review, concluded that a demerger of the U.K. and Italian glass container business to an unlisted company was the most effective way of realizing the underlying value of the assets. As a result, the glass manufacturing operations in the United Kingdom and Italy were demerged from Ardagh plc and transferred to Ardagh Glass Limited effective as of February 28, 2003. See “Certain Relationships and Related Party Transactions—The Demerger”.

Acquisition of Heye Holding. In December 2002, Yeoman, currently a 38% shareholder of Ardagh Glass Limited, agreed to acquire the glass container and technology and manufacturing businesses and other assets of Hermann Heye KG, which was then in bankruptcy in Germany. Heye Holding, then a wholly-owned subsidiary of Yeoman, acquired the Heye assets at the request of Ardagh plc, as the bankruptcy administrator had required that the sale be completed by early January 2003 and Ardagh plc, as a public company, could not have met this timetable. On January 6, 2003, we acquired from Yeoman an option to purchase all of the shares in Heye Holding, the newly-formed holding company for these businesses. On March 3, 2003, we exercised this option and acquired Heye Holding for a nominal amount and thereby assumed all of the debt of Heye Holding. See “Operating and Financial Review and Prospects—Overview—Acquisitions” and “Certain Relationships and Related Party Transactions—Heye International Option Agreement”.

The Refinancing

In connection with the acquisitions of Rockware Group Limited in 1999, Abruzzo Vetro in 2002 and Heye Holding in 2003, as well as the Demerger and redemption of a portion of our preferred ordinary shares issued pursuant to the Demerger, Ardagh Glass Limited and its subsidiaries have incurred and assumed debt. See “Description of Other Indebtedness”.

Ardagh Glass Finance B.V. is offering the notes as part of a refinancing plan, which includes the New Anglo Irish Senior Secured Credit Facility entered into on June 26, 2003, to rationalize our financing structure and to take advantage of the opportunity to repurchase the Ardagh Glass (UK) Limited subordinated notes from United Glass Limited, a wholly-owned subsidiary of Owens-Illinois, at a significant discount. See “Use of Proceeds” and “Description of Other Indebtedness—Ardagh Glass (UK) Limited Subordinated Notes”.

Our refinancing plan is designed to allow us to repay a significant portion of this debt and to rationalize our financing structure, although we will continue to have outstanding debt in certain subsidiaries after the completion of our refinancing plan. See “—Corporate and Financing Structure”. We intend to use the proceeds from the issuance of the notes and the New Anglo Irish Senior Secured Credit Facility to repay approximately €251.9 million of debt.

The Issuer

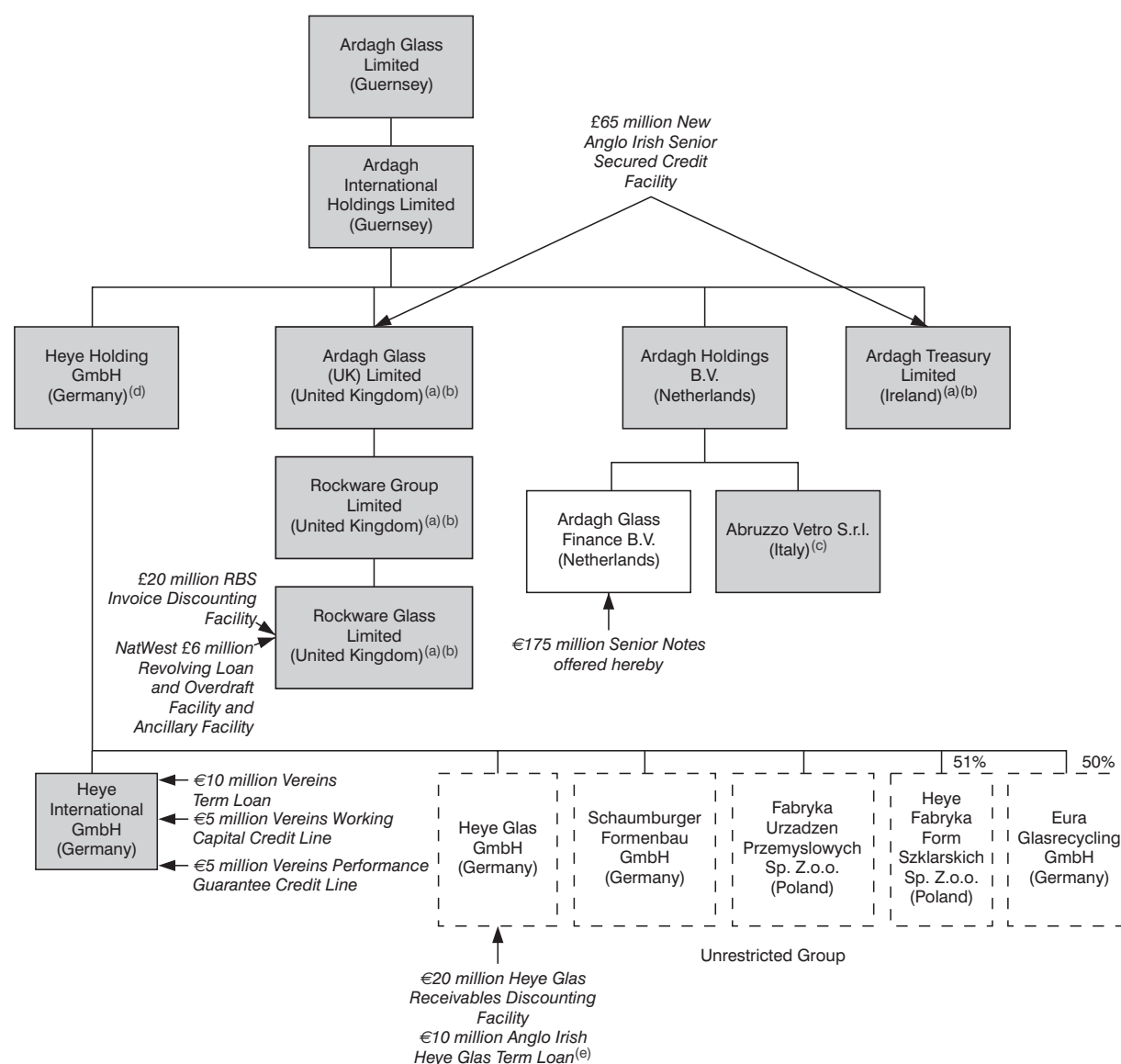
Ardagh Glass Finance B.V., the Issuer, is an indirect, wholly-owned subsidiary of Ardagh Glass Limited, the Parent Guarantor. Ardagh Glass Finance B.V. was incorporated in The Netherlands on June 25, 2003 as a private company with limited liability under the laws of The Netherlands (with registered number 34192108). The Issuer is a finance company that has not engaged in any activities other than those related to its formation. Ardagh Glass Finance B.V.’s registered and principal office is located at Fred. Roeskestraat 123, 1076 EE Amsterdam, The Netherlands, and its telephone number is +31 20 577 1177.

The Guarantors

The Guarantors are Ardagh Glass Limited and the Subsidiary Guarantors listed under “—The Offering—Guarantees”. Ardagh Glass Limited is the holding company for the Ardagh Glass Group.

CORPORATE AND FINANCING STRUCTURE

The following diagram shows the corporate and financing structure of the Ardagh Glass Group immediately following the offering and giving effect to borrowings under the New Anglo Irish Senior Secured Credit Facility and the application of the net proceeds therefrom, as described under “Use of Proceeds”. The principal operating subsidiaries and relevant applicable holding subsidiaries set out below are wholly owned, unless otherwise indicated below. For a summary of the material financing arrangements identified in this diagram, see “Description of Other Indebtedness” and “Description of the Notes”.



The aggregated turnover and EBITDA of Ardagh Glass Limited and the Subsidiary Guarantors (the Restricted Group) for the three-month period ended March 31, 2003 were €73.8 million and €19.3 million, respectively. The aggregated turnover and EBITDA of the Restricted Group represented 73% and 104%, respectively, of the total turnover and EBITDA of Ardagh Glass Limited and all of its subsidiaries for this period.

■ Indicates a guarantor of the notes.

(a) Indicates a guarantor of the New Anglo Irish Senior Secured Credit Facility.

(b) Indicates a guarantor of the Royal Bank of Scotland Invoice Discounting Facility and the NatWest Revolving Loan and Overdraft Facility and Ancillary Facility.

- (c) As of the date of this Offering Circular, Abruzzo Vetro had an aggregate principal amount outstanding of €8.4 million, pursuant to the medium term loan agreement among Abruzzo Vetro Mediocredito Centrale S.p.A. and the other financial institutions named therein. We expect to repay all such amounts outstanding with the proceeds of this offering as soon as practicable following the completion of this offering, and have agreed to do so by December 31, 2003. The subordinated guarantee of the notes to be provided by Abruzzo Vetro will not become effective and enforceable until the repayment of all amounts outstanding under this agreement.
- (d) As of the date of this Offering Circular, Heye Holding had €14 million outstanding in vendor financing arrangements. This €14 million is comprised of (i) vendor loan notes in the aggregate principal amount of €12 million and (ii) a deferred purchased price amount of €2 million. We are currently in the process of negotiating early repayment and termination of these arrangements at a discount.
- (e) Following completion of this offering, Heye Glas expects to enter into a facility agreement with Anglo Irish Bank Corporation Plc in an aggregate principal amount of €10 million. Ardagh Glass Limited and Heye International expect to provide guarantees in respect of the obligations of Heye Glas under this facility, each in an aggregate principal amount of €0.5 million. See “Description of Other Indebtedness—Anglo Irish Heye Glas Term Loan”.

THE OFFERING

The following summary contains basic information about the notes. It may not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this Offering Circular entitled "Description of the Notes" and particularly to those sub-sections to which we have referred you.

| | |
|--------------------------------|---|
| Issuer | Ardagh Glass Finance B.V. |
| Notes Offered | €175 million aggregate principal amount of 8 ⁷ / ₈ % Senior Notes due 2013. |
| Maturity | July 1, 2013. |
| Interest | Interest is payable on January 1 and July 1 of each year, commencing on January 1, 2004. |
| Guarantees | The notes will be guaranteed on a senior basis by Ardagh Glass Limited (the "Parent Guarantor") and on a senior subordinated basis by nine of its wholly-owned subsidiaries, Ardagh International Holdings Limited, Ardagh Treasury Limited, Ardagh Glass (UK) Limited, Rockware Group Limited, Rockware Glass Limited, Heye Holding GmbH, Heye International GmbH, Ardagh Holdings B.V. and Abruzzo Vetro S.r.l. (collectively, the "Subsidiary Guarantors"). The senior subordinated guarantee of the notes to be provided by Abruzzo Vetro S.r.l. will not become effective and enforceable until the repayment of all amounts outstanding under the medium term loan agreement among Abruzzo Vetro S.r.l., Mediocredito Centrale S.p.A. and the other financial institutions named therein. We expect to repay all such amounts outstanding with the proceeds of this offering as soon as practicable following the completion of this offering, and have agreed to do so by December 31, 2003. In addition, the senior subordinated guarantees of the notes to be provided by Heye Holding GmbH and Heye International GmbH will only be valid insofar as the obligations thereunder can be fulfilled without violating certain mandatory provisions of German company law aimed at preserving the capital of German limited liability companies. These provisions will limit the liability of each of Heye Holding GmbH and Heye International GmbH under its senior subordinated guarantee to the amount of its net assets less the amount of its registered capital at the time a demand for payment is made under such guarantee. See "Description of the Notes—The Guarantees" and "Description of Other Indebtedness". As of March 31, 2003, approximately 85.1% of the unaudited consolidated amount of our total assets were owned by the Subsidiary Guarantors. |
| Ranking | <p>The notes will be general unsecured obligations of the Issuer and will:</p> <ul style="list-style-type: none"> ● rank senior in right of payment to any existing and future unsecured debt of the Issuer that is subordinated in right of payment to the notes; ● rank equally in right of payment to any existing and future unsecured debt of the Issuer that is not subordinated in right of payment to the notes; and ● effectively be subordinated in right of payment to all existing and future secured debt of the Issuer, to the extent |

of the assets securing such debt (which will include any refinancing or replacement and certain additional amounts as described in “Description of the Notes”).

The Parent Guarantor’s guarantee of the notes will be the general unsecured obligation of the Parent Guarantor and will:

- rank senior in right of payment to any and all of the Parent Guarantor’s existing and future debt that is subordinated in right of payment to its guarantee;
- rank equally in right of payment with all of the Parent Guarantor’s existing and future unsecured debt that is not subordinated in right of payment to its guarantee;
- effectively be subordinated in right of payment to all existing and future secured debt of the Parent Guarantor to the extent of the assets securing such debt and effectively subordinated to all existing and future debt of the Parent Guarantor’s subsidiaries; and
- **not** be subject to the restrictions on enforcement applicable to each Subsidiary Guarantor’s guarantee. See “Description of the Notes—Ranking of the Notes and the Guarantees; Subordination”.

Each Subsidiary Guarantor’s guarantee of the notes will be a general unsecured obligation of the Subsidiary Guarantor that granted such guarantee and will:

- be subordinated in right of payment to the prior payment in full in cash of all obligations in respect of all existing and future Senior Debt of such Subsidiary Guarantor, including its obligations as a guarantor of or borrower under the New Anglo Irish Senior Secured Credit Facility, the Royal Bank of Scotland Invoice Discounting Facility Agreement and the NatWest Revolving Loan and Overdraft Facility and its hedging arrangements, as the case may be;
- rank equally in right of payment with all existing and future unsecured debt that is not subordinated (and is not senior) in right of payment to its guarantee;
- rank senior in right of payment to all existing and future debt of such Subsidiary Guarantor that is subordinated in right of payment to its guarantee; and
- be subject to certain restrictions on enforcement, including a standstill period of up to 179 days following an event of default under the notes. The obligations under the guarantees will not become due during this standstill period. See “Description of the Notes—Ranking of the Notes and the Guarantees; Subordination”.

At March 31, 2003, on a pro forma basis after giving effect to the offering of the notes and the application of the proceeds thereof as described under “Use of Proceeds” and after excluding intercompany balances:

- on an unconsolidated basis, the Issuer would have had total debt of €175 million (all of which is represented by the notes) and no trade payables or deferred taxes;
- on an unconsolidated basis, the Parent Guarantor would have had no outstanding debt and no trade payables or deferred taxes;
- on a consolidated basis, the Subsidiary Guarantors would have had (1) total debt ranking senior to their guarantees of €111.2 million, substantially all of which would have been secured, (2) no debt ranking equally with the guarantees and (3) €60.9 million of trade payables and €28.4 million of deferred taxes; and
- the Unrestricted Group would have had total secured debt of €8.3 million and €7.0 million of trade payables.

Optional Redemption At any time prior to July 1, 2008, the Issuer may redeem the notes at 100% of their principal amount plus accrued and unpaid interest, if any, and any other amounts payable thereon to the date of redemption, plus the Applicable Redemption Premium, as defined under “Description of the Notes—Optional Redemption—Optional Redemption prior to July 1, 2008”.

At any time on or after July 1, 2008, the Issuer may also redeem all or part of the notes at the redemption prices listed under “Description of the Notes—Optional Redemption—Optional Redemption on or after July 1, 2008”.

At any time prior to July 1, 2006, the Issuer may redeem up to 35% of the aggregate principal amount of notes with the net cash proceeds of certain equity offerings at the redemption price listed under “Description of the Notes—Optional Redemption—Optional Redemption prior to July 1, 2006 upon Public Equity Offering”.

Restrictive Covenants The Indenture governing the notes will contain covenants that restrict the ability of Ardagh Glass Limited and certain of its subsidiaries to:

- incur more debt;
- pay dividends and make distributions of certain other payments;
- create liens;
- enter into sale and leaseback transactions;
- enter into transactions with affiliates; and
- transfer or sell assets.

For a more detailed description of these covenants, see “Description of the Notes—Certain Covenants”.

Transfer Restrictions We have not registered the notes under the Securities Act. You may only offer or sell notes in a transaction exempt from or not subject to the registration requirements of the Securities Act. See “Transfer Restrictions”.

Use of Proceeds We intend to use the net proceeds from this offering, borrowings under the New Anglo Irish Senior Secured Credit Facility and the

application of the net proceeds therefrom to (1) repurchase certain outstanding subordinated notes issued by Ardagh Glass (UK) Limited, the holding company for our U.K. glass container business, (2) repay outstanding borrowings under the Existing Senior Secured Credit Facility, (3) repay Heye Holding's vendor loan notes, (4) repay outstanding borrowings under the Existing Anglo Irish Credit Facility of Ardagh Glass Limited, (5) repay the Abruzzo Vetro credit facility, (6) repay borrowings outstanding under the facility agreement between Ardagh Glass Limited and Yeoman International Holdings S.A. (which is currently a 38% shareholder of Ardagh Glass Limited), (7) pay for transaction fees and expenses and (8) fund our general corporate purposes. See "Use of Proceeds".

Trustee and Principal Paying Agent

The Bank of New York.

Listing

Application has been made to list the notes on the Luxembourg Stock Exchange.

Governing Law

New York law.

Risk Factors

You should carefully consider the information under the caption "Risk Factors" and the other information included in this Offering Circular before deciding whether to invest in the notes.

Closing Conditions

The closing of the offering of the notes is conditioned on (1) the repayment of outstanding borrowings under the Existing Senior Secured Credit Facility, under the Existing Anglo Irish Credit Facility and under the Yeoman Credit Facility and (2) the closing of the New Anglo Irish Senior Secured Credit Facility. Certain outstanding subordinated notes issued by Ardagh Glass (UK) Limited will be repaid by Ardagh Glass Limited or its subsidiaries on or as soon as practicable after the closing of the offering of the notes.

SUMMARY FINANCIAL DATA AND OTHER DATA

The following table sets forth our summary financial data and other data for the periods ended and as at the dates indicated below. For a detailed discussion of the presentation of financial data, see “Presentation of Financial and Other Data”.

In this table we refer to, and present information for, activities currently undertaken by Ardagh Glass Limited and its subsidiaries that, prior to the Demerger, were undertaken by Ardagh plc or companies controlled by Ardagh plc. Ardagh Glass Limited was formed on December 17, 2002, as a holding company for the glass container business that was demerged from Ardagh plc and transferred to Ardagh Glass Limited effective as of February 28, 2003. Prior to such date, Ardagh Glass Limited did not engage in any activities other than those related to its formation and was a subsidiary of Ardagh plc. The financial statements and other financial information and data assume the existence of Ardagh Glass Limited throughout each of the periods covered by such financial statements and financial information and data and (except, as explained below, for the unaudited interim aggregated financial statements for the three-month period ended March 31, 2003) that it was the parent company of the relevant subsidiaries as of the applicable acquisition dates by Ardagh plc. For additional information regarding the Demerger, see “Certain Relationships and Related Party Transactions—The Demerger”.

We have derived the summary combined financial data for the financial years ended December 31, 2000, 2001 and 2002 and as at December 31, 2001 and 2002 from the audited combined financial statements of Ardagh Glass Limited and its subsidiaries included elsewhere in this Offering Circular.

We have derived the unaudited interim combined financial information and the unaudited interim aggregated financial information of Ardagh Glass Limited and its subsidiaries for the three-month periods ended and as at March 31, 2002 and 2003 from (1) the unaudited interim combined financial statements for the three-month period ended and as at March 31, 2002, and (2) the aggregation of the unaudited interim consolidated financial statements for the one-month period ended and as at March 31, 2003 and the unaudited interim combined financial statements for the two-month period ended February 28, 2003, respectively, of Ardagh Glass Limited and its subsidiaries included elsewhere in this Offering Circular. **Although the Ardagh Glass Group did not exercise its option from Yeoman to acquire the shares of Heye Holding until March 3, 2003, the unaudited interim aggregated financial information for the three-month period ended and as at March 31, 2003 presented in this Offering Circular includes the results of operations of Heye Holding and its subsidiaries since January 1, 2003 because our current senior executive officers managed all aspects of the business and operations of Heye Holding and its subsidiaries during this period.** The results of operations for the three-month periods ended March 31, 2002 and 2003 are not necessarily indicative of the operating results to be expected for the full fiscal year.

The unaudited aggregated financial information of Ardagh Glass Limited and its subsidiaries for the twelve-month period ended March 31, 2003 consists of the audited combined financial statements and other data presented for the year ended December 31, 2002, as adjusted by deducting the equivalent information in the unaudited interim combined financial statements of Ardagh Glass Limited and its subsidiaries for the three-month period ended March 31, 2002, and aggregating the equivalent information in the unaudited interim aggregated financial statements of Ardagh Glass Limited and its subsidiaries for the three-month period ended March 31, 2003.

Unless otherwise indicated, the unaudited interim aggregated financial information for the three-month period ended and as at March 31, 2003 presented in this Offering Circular includes the results of operations of both the Restricted and Unrestricted Groups. For information relating to the performance of only the Restricted Group in the three-month period ended and as at March 31, 2003, see “Operating and Financial Review and Prospects” and “Unaudited Supplemental Information on the Subsidiary Guarantors”. The combined financial statements for all periods prior to January 1, 2003 include only the results of operations of the Restricted Group, as we did not acquire the subsidiaries in the Unrestricted Group until the first quarter of 2003.

In the opinion of management, the unaudited interim financial statements and information of Ardagh Glass Limited and its subsidiaries for the three-month periods ended and as of March 31, 2002 (combined) and 2003 (aggregated) and for the unaudited aggregated twelve-month period ended and as at March 31, 2003 have been prepared on the same basis, except for differences between the consolidated and combined methods of compiling financial statements, as the audited combined financial statements of Ardagh Glass Limited and its subsidiaries and contain all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial position for the periods indicated.

The financial statements contained herein were prepared in accordance with U.K. GAAP, which differs in certain significant respects from U.S. GAAP. These differences, as they apply to us, are described in "Certain Differences Between U.K. GAAP and U.S. GAAP". This table should be read in conjunction with "Operating and Financial Review and Prospects" and the financial statements and related notes and other financial data included elsewhere in this Offering Circular. Historical results are not necessarily indicative of future expected results.

| | Audited Combined Year ended and as at December 31, | | | Unaudited Combined Three Months ended and as at March 31, 2002(1) | Unaudited Aggregated Three Months ended and as at March 31, 2003(2) | Unaudited Aggregated Twelve Months ended and as at March 31, 2003(3) |
|---|--|---------|---------|--|--|---|
| | 2000 | 2001 | 2002 | | | |
| <i>(in € millions, except ratios and where indicated)</i> | | | | | | |
| Profit and Loss Account Data: | | | | | | |
| Turnover | 280.2 | 266.9 | 289.7 | 55.9 | 100.6 | 334.4 |
| Cost of sales | (234.9) | (226.5) | (244.1) | (49.3) | (83.8) | (278.6) |
| Gross profit | 45.3 | 40.4 | 45.6 | 6.6 | 16.8 | 55.8 |
| Administrative expenses | (12.6) | (13.0) | (12.7) | (3.1) | (8.1) | (17.7) |
| Operating profit before exceptional items . . . | 32.7 | 27.4 | 32.9 | 3.5 | 8.7 | 38.1 |
| Exceptional item—profit on disposal of fixed assets | — | 6.3 | — | — | — | — |
| Profit on ordinary activities after exceptional items before interest and taxation | 32.7 | 33.7 | 32.9 | 3.5 | 8.7 | 38.1 |
| Net interest payable and similar charges . . . | (28.2) | (21.6) | (21.0) | (5.2) | (5.3) | (21.1) |
| Profit on ordinary activities before taxation . . | 4.5 | 12.1 | 11.9 | (1.7) | 3.4 | 17.0 |
| Tax on profit of ordinary activities | (3.6) | 0.1 | (0.9) | 0.4 | (0.2) | (1.5) |
| Retained profit for the financial period | 0.9 | 12.2 | 11.0 | (1.3) | 3.2 | 15.5 |
| Other Data: | | | | | | |
| Tonnes of glass sold ('000s) | 623.0 | 634.0 | 722.2 | 134.0 | 241.7 | 829.9 |
| Gross margin(4) | 16.2% | 15.1% | 15.7% | 11.8% | 16.7% | 16.7% |
| EBITDA(5) | 72.6 | 66.1 | 73.5 | 13.0 | 18.5 | 79.0 |
| EBITDA margin(5) | 25.9% | 24.8% | 25.4% | 23.3% | 18.4% | 23.6% |
| Depreciation | 35.7 | 34.5 | 36.5 | 8.5 | 8.8 | 36.8 |
| Amortization | 4.2 | 4.2 | 4.1 | 1.0 | 1.0 | 4.1 |
| Total capital expenditure | 43.7 | 37.1 | 20.5 | 5.5 | 8.2 | 23.2 |
| Net borrowings(6) | 286.3 | 273.3 | 243.2 | 284.5 | 271.2 | 271.2 |
| Ratio of net borrowings to EBITDA | 3.9x | 4.1x | 3.3x | N/A | N/A | 3.4x |
| Ratio of EBITDA to total net interest payable and similar charges | 2.6x | 3.1x | 3.5x | 2.5x | 3.5x | 3.7x |
| Balance Sheet Data: | | | | | | |
| Cash | 24.9 | 4.6 | 29.9 | 4.6 | 18.6 | 18.6 |
| Working capital(7) | 30.0 | 35.6 | 40.4 | 47.4 | 85.3 | 85.3 |
| Total assets | 458.4 | 438.1 | 436.3 | 443.6 | 446.8 | 446.8 |
| Total borrowings(8) | 311.2 | 277.9 | 273.1 | 289.1 | 289.8 | 289.8 |
| Total shareholders' funds | 46.8 | 60.5 | 70.3 | 58.9 | 40.5 | 40.5 |
| Pro Forma Data:(9) | | | | | | |
| Net borrowings | | | | | | 258.5 |
| Ratio of net borrowings to EBITDA | | | | | | 3.3x |
| Net interest payable and similar charges . . . | | | | | | 21.5 |
| Ratio of EBITDA to total net interest payable and similar charges | | | | | | 3.7x |

- (1) The unaudited interim combined financial statements for the three-month period ended and as at March 31, 2002 includes only the results and financial position of the U.K. glass container manufacturing activities. The operations in Italy and Germany had not been acquired as at March 31, 2002.
- (2) The unaudited interim aggregated financial information for the three-month period ended and as at March 31, 2003 is derived from the aggregation of the unaudited interim consolidated financial statements for the one-month period ended and as at March 31, 2003 and the unaudited interim combined financial statements for the two-month period ended February 28, 2003 and reflects the activity of all subsidiaries from January 1, 2003.
- (3) The unaudited aggregated financial information of Ardagh Glass Limited and its subsidiaries for the twelve-month period ended and as at March 31, 2003 consists of the audited combined financial statements and other data presented for the year ended and as at December 31, 2002, as adjusted by deducting the equivalent information in the unaudited interim combined financial statements of Ardagh Glass Limited and its subsidiaries for the three-month period ended and as at March 31, 2002, and aggregating the equivalent information in the unaudited interim aggregated financial information of Ardagh Glass Limited and its subsidiaries for the three-month period ended and as at March 31, 2003.

The unaudited aggregated financial information for the twelve-month period ended and as at March 31, 2003 includes the results of operations for the Restricted and Unrestricted Group. We acquired the Unrestricted Group in the first

quarter of 2003. Turnover and EBITDA for the Unrestricted Group included in these totals was €26.8 million and €(0.8) million, respectively, for the three-month period ended March 31, 2003.

- (4) Gross margin is calculated as gross profit divided by turnover.
- (5) EBITDA is operating profit before depreciation, amortization, exceptional items, interest and taxation. EBITDA margin is calculated as EBITDA divided by turnover. EBITDA and EBITDA margin are presented because we believe that they are frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry. However, other companies may calculate EBITDA and EBITDA margin in a different manner than we do. EBITDA and EBITDA margin are not measurements of financial performance under U.K. GAAP 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) on ordinary activities as indicators of our operating performance or any other measures of performance derived in accordance with U.K. GAAP.

The reconciliation of operating profit to EBITDA is as follows:

| | Audited Combined Year ended December 31, | | | Unaudited Combined Three Months ended March 31, 2002(1) | Unaudited Aggregated Three Months ended March 31, 2003(2) | Unaudited Aggregated Twelve Months ended March 31, 2003(3) |
|---|--|-------------|-------------|---|---|--|
| | 2000 | 2001 | 2002 | | | |
| | (in € millions) | | | | | |
| Operating profit before exceptional items . . . | 32.7 | 27.4 | 32.9 | 3.5 | 8.7 | 38.1 |
| Add back depreciation and amortization . . . | 39.9 | 38.7 | 40.6 | 9.5 | 9.8 | 40.9 |
| EBITDA | <u>72.6</u> | <u>66.1</u> | <u>73.5</u> | <u>13.0</u> | <u>18.5</u> | <u>79.0</u> |

- (6) Net borrowings equals total borrowings less cash.
- (7) Working capital is made up of stocks, trade debtors, other debtors, prepayments, trade creditors, other tax and social security payable, accruals and deferred income and pallet deposits. This definition excludes certain minor items included in debtors and creditors in the financial statements.
- (8) Total borrowings includes all bank borrowings as well as vendor loan notes, subordinated loan notes and deferred consideration loan notes, less unamortized debt issuance costs.
- (9) Pro forma annual interest payable and similar charges based on the refinancing as set out under "Capitalization" is set out below:

| | Interest Rate (%) | Amount (in € millions) | Interest |
|--|-------------------------|---------------------------|--------------|
| Notes offered hereby | 8.875 | 175.0 | 15.5 |
| New Anglo Irish Senior Secured Credit Facility(10) | 4.75 | 94.3 | 4.5 |
| Vereins Term Loan(10) | 6.0 | 9.9 | 0.6 |
| Heye Glas Receivables Discounting Facility(10) | 5.25 | 8.0 | 0.4 |
| Overdrafts and revolving credit lines(10)(11) | 5.0 | 7.3 | 0.4 |
| Amortization of €9.1 million debt issuance costs over 10 years | | | 0.9 |
| | | | <u>22.3</u> |
| Cash(11) | 3.0 | (26.9) | <u>(0.8)</u> |
| | | | <u>21.5</u> |

- (10) We estimate that a 0.25% change in variable interest rates in respect of these facilities and credit lines would result in a €0.2 million change in interest expense on an annual basis.
- (11) Management believes that amounts shown above for overdraft and revolving credit lines and cash are indicative of the average balances for the twelve-month period ended March 31, 2003. However, these are not necessarily indicative of such average balances to be expected for any financial year.

RISK FACTORS

An investment in the notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this Offering Circular, in deciding whether to invest in the notes. The occurrence of any of the events discussed below could materially adversely affect our business, results of operations or financial condition. If these events occur, the trading prices of the notes could decline, and we may not be able to pay all or part of the interest or principal on the notes, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This Offering Circular contains “forward-looking” statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Offering Circular. See “Forward-Looking Statements”.

Risks Relating to our Debt and the Notes

Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations under the notes.

We have a substantial amount of debt and significant debt service obligations. As of March 31, 2003 as adjusted to give effect to this offering, borrowings under the New Anglo Irish Senior Secured Credit Facility, and the application of the net proceeds therefrom, as described under “Use of Proceeds”, we would have had (1) total debt of €285.4 million (net of debt issuance costs of €9.1 million), of which €175 million would have been debt incurred in this offering, which would have been 51.4% of our total capitalization, and (2) secured debt of €119.5 million. We have €119.5 million of debt which will mature prior to the maturity of the notes. In addition, we may borrow an additional €42.3 million under our existing credit facilities.

Our substantial debt could have important negative consequences for us and to you as a holder of the notes. For example, our substantial debt could:

- require us to dedicate a large portion of our cash flow from operations to fund payments 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 more difficult for us to satisfy our obligations with respect to the notes and our other 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 have attempted to hedge a portion of our exposure to variable interest rates by entering into interest rate swaps, we cannot assure you that we will continue to 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. As of March 31, 2003, as adjusted to give effect to this offering and the application of the net proceeds therefrom and borrowings under the New Anglo Irish Senior Secured Credit Facility, and as described under “Use of Proceeds”, we would have had €119.5 million of variable-rate debt. We have entered into hedging transactions for 33.5% of our variable rate exposure for the year to June 30, 2004.

Our credit facilities contain financial covenants which we could fail to meet.

The New Anglo Irish Senior Secured Credit Facility and certain of our other new and existing credit facilities will require certain of Ardagh Glass Limited’s subsidiaries to satisfy specified financial

tests and maintain specified financial ratios and covenants regarding a minimum level of EBIT to total net senior debt interest payable, a minimum level of EBIT to total net cash interest payable, a minimum tangible net worth and a maximum amount of capital expenditures. See “Description of Other Indebtedness—New Anglo Irish Senior Secured Credit Facility”.

The ability of Ardagh Glass Limited’s subsidiaries to comply with these ratios and to meet these tests may be affected by events beyond their control and we cannot assure you that its subsidiaries will continue to meet these tests. The failure of Ardagh Glass Limited’s subsidiaries to comply with these obligations could lead to a default under these credit facilities unless we can obtain waivers or consents in respect of any breaches of these obligations under these credit facilities. We cannot assure you that these waivers or consents will be granted. A breach of any of these covenants or the inability to comply with the required financial ratios could result in a default under these credit facilities. In the event of any default under these credit facilities, the lenders under that facility will not be required to lend any additional amounts to us and could elect to declare all outstanding borrowings, together with accrued interest, fees and other amounts due thereunder, to be immediately due and payable. In the event of a default the relevant lenders could also require us to apply all available cash to repay the borrowings or prevent us from making debt service payments on the notes, either of which would be an event of default under the notes. If the debt under our credit facilities or the notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay such debt in full.

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

Subject to the restrictions in our senior secured credit facilities, in the Indenture governing the notes and in other outstanding debt, we may be able to incur substantial additional debt in the future, which could also be secured. For example, the Indenture allows Ardagh Glass Limited and the Restricted Subsidiaries to grant liens on any of their property or assets to secure any debt ranking senior to the guarantees and certain other debt that, in each case, may be incurred under the “Limitation on Debt” covenant in the Indenture described in “Description of the Notes—Certain Covenants—Limitation on Debt”. Although the terms of these credit facilities and the Indenture 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 “—Risks Relating to Our Business—Our expansion strategy may adversely affect our business, financial condition and results of operations”.

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 the notes and to meet our other debt service obligations or to refinance our debt depends on our future operating and financial performance and ability to generate cash. This will be affected by our ability to implement successfully 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, including the notes, 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, including the notes. See “Operating and Financial Review and Prospects—Liquidity and Capital Resources”.

We expect to be able to repay the principal amount outstanding under the notes offered hereby when the notes mature in July 2013. If we are unable to do so, we expect to refinance such principal amount with new debt. We may, however, be unable to refinance such principal amount on terms satisfactory to us or at all.

Restrictions imposed by the New Anglo Irish Senior Secured Credit Facility, certain of our other credit facilities and the Indenture governing the notes limit our ability to take certain actions.

The New Anglo Irish Senior Secured Credit Facility, certain of our other credit facilities and the Indenture governing the notes limit our flexibility in operating our business. For example, these agreements restrict the ability of Ardagh Glass (UK) Limited and certain of its subsidiaries to, among other things:

- borrow money;
- pay dividends or make other distributions;
- create certain liens;
- make certain asset dispositions;
- make certain loans or investments;
- issue or sell share capital of our subsidiaries;
- enter into transactions with affiliates; or
- merge, consolidate, or sell, lease or transfer all or substantially all of our assets.

We cannot assure you that the operating and financial restrictions and covenants in the New Anglo Irish Senior Secured Credit Facility, certain of our other credit facilities and the Indenture, will not adversely affect our ability to finance our future operations or capital needs or engage in other business activities that may be in our interest. In addition, management believes that the future expansion of our glass container packaging business is likely to require participation in the consolidation of the glass industry in Europe by the acquisition of existing businesses. We cannot guarantee that we will be able to participate in such consolidation or that the operation and financial restrictions and covenants in the New Anglo Irish Senior Secured Credit Facility, certain of our other credit facilities and the Indenture will permit us to do so.

In addition to limiting our flexibility in operating our business, a breach of the covenants in the Indenture governing the notes could cause a default under the terms of our other financing agreements, including the New Anglo Irish Senior Secured Credit Facility, causing all the debt under those agreements to be accelerated. If this were to occur we can make no assurances that we would have sufficient assets to repay our debt.

We may be unable to repurchase the notes as required upon a change of control.

If Ardagh Glass Limited experiences a change of control, we would be required to make an offer to repurchase all outstanding notes at 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase. However, we may be unable to do so because:

- we might not have enough available funds, particularly since a change of control could in certain circumstances cause part or all of our other debt to become due and payable; and
- the agreements governing the New Anglo Irish Senior Secured Credit Facility and other debt would prohibit payment pursuant to the notes or the guarantees, unless we were able to obtain a waiver or refinance such debt.

See “Description of the Notes—Purchase of Notes upon a Change of Control”.

Ardagh Glass Finance B.V.’s ability to pay principal and interest on the notes may be affected by our organizational structure. Ardagh Glass Finance B.V. is dependent upon payments from other members of the Ardagh Glass Group to fund payments to you on the notes, and such other members might not be able to make such payments in some circumstances.

Ardagh Glass Finance B.V. does not itself conduct any business operations and does not have any assets or sources of income of its own. As a result, Ardagh Glass Finance B.V.’s ability to make payments on the notes is dependent directly upon interest or other payments it receives from other members of the Ardagh Glass Group. Initially, the proceeds of the notes offered hereby will be loaned to other members of the Ardagh Glass Group pursuant to intercompany notes. The

Indenture does not require the maintenance of these intercompany notes. Accordingly, you should only rely on the guarantees of the notes, and not these intercompany notes, to provide credit support in respect of payments of principal or interest on the notes. The ability of other members of the Ardagh Glass Group to make payments to Ardagh Glass Finance B.V. will depend upon their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these “Risk Factors”. Furthermore, the New Anglo Irish Senior Secured Credit Facility contains certain restrictions on the borrowers thereunder, Ardagh Glass (UK) Limited and Ardagh Treasury Limited, from making certain distributions or payments of capital or income to its members. As a result, the amounts that Ardagh Glass Finance B.V. expects to receive from other members of the Ardagh Glass Group may not be forthcoming or sufficient to enable Ardagh Glass Finance B.V. to service its obligations on the notes.

Ardagh Glass Limited and certain of its subsidiaries have guaranteed the notes. Ardagh Glass Limited is a holding company with no assets or sources of income of its own and thus is dependent on dividends and other distributions from its subsidiaries. The remaining Guarantors are either intermediate holding companies or operating subsidiaries of Ardagh Glass Limited. For considerations relating to the guarantees, see “—Your right to receive payment under the Subsidiary Guarantors’ guarantees is contractually subordinated to Senior Debt”.

Your right to receive payment under the Subsidiary Guarantors’ guarantees is contractually subordinated to Senior Debt.

Ardagh Glass Limited (the “Parent Guarantor”) and certain of its subsidiaries (the “Subsidiary Guarantors”) have guaranteed the notes. The obligations of each Subsidiary Guarantor under its guarantee of the notes is contractually subordinated in right of payment to the prior payment in full in cash of all obligations in respect of Senior Debt of such Subsidiary Guarantor. This Senior Debt includes, in respect of a Subsidiary Guarantor that is a borrower under or a guarantor of the New Anglo Irish Senior Secured Credit Facility and certain other credit facilities, such Subsidiary Guarantor’s obligations thereunder and under its hedging arrangements. As at March 31, 2003, on a pro forma basis after giving effect to the completion of the offering of the notes, with borrowings under the New Anglo Irish Senior Secured Credit Facility and the application of the net proceeds therefrom, as described in “Use of Proceeds”, all of the Guarantors would have had outstanding €111.2 million of Senior Debt, all of which would have ranked senior in right of payment to the guarantees of the notes. Although the Indenture contains restrictions on the ability of the Guarantors to incur additional debt, any additional debt incurred may be substantial and senior to the guarantees of the notes. For a complete summary of the terms of, and subordination provisions relating to, the guarantees, see “Description of the Notes—Ranking of the Notes and the Guarantees; Subordination”.

Upon any payment or distribution to creditors of a Subsidiary Guarantor in respect of an insolvency event, the holders of Senior Debt of such Subsidiary Guarantor will be entitled to be paid in full from the assets of such Subsidiary Guarantor before any payment may be made on the notes or pursuant to such Subsidiary Guarantor’s guarantee of the notes. Until the Senior Debt of a Subsidiary Guarantor is paid in full, any distribution to which holders of the notes would be entitled but for the subordination provisions shall instead be made to holders of Senior Debt of a Subsidiary Guarantor as their interests may appear. As a result, in the event of insolvency of a Subsidiary Guarantor, holders of Senior Debt of such Subsidiary Guarantor may recover more, ratably, than the holders of notes in respect of the notes or the Subsidiary Guarantor’s guarantee in respect thereof.

In addition, the subordination provisions relating to the Subsidiary Guarantors’ guarantees provide that under certain circumstances the Subsidiary Guarantors may be prohibited from making payments on the notes pursuant to the guarantee and provide for a standstill period of up to 179 days following an event of default under the notes.

The subordinated guarantee of the notes to be provided by Abruzzo Vetro S.r.l., a wholly-owned subsidiary of Ardagh Glass Limited, will not become effective and enforceable until the repayment of all amounts outstanding under the medium term loan agreement among Abruzzo Vetro S.r.l., Mediocredito Centrale S.p.A. and the other financial institutions named therein. We expect to repay all such amounts outstanding with the proceeds of this offering as soon as practicable following the completion of this offering, and have agreed to do so by December 31, 2003.

The notes and the guarantees are unsecured and the claims of secured creditors will have priority.

The notes and the guarantees are unsecured obligations of the Issuer and the Guarantors, respectively. Debt under the New Anglo Irish Senior Secured Credit Facility and various of our other facilities is secured by liens on the property and assets of material operating subsidiaries of Ardagh Glass Limited. In addition, subject to the restrictions in our senior secured credit facilities, in the Indenture governing the notes and in other outstanding debt, we may be able to incur substantial additional secured debt. The secured creditors of the Issuer and the Guarantors will have priority over the assets securing their debt. In the event that any of such secured debt becomes due or a secured lender proceeds against the assets that secure the debt, the assets would be available to satisfy obligations under the secured debt before any payment would be made on the notes or under any of the guarantees. Any assets remaining after repayment of our secured debt may not be sufficient to repay all amounts owing under the notes.

As at March 31, 2003, on a pro forma basis after giving effect to the completion of the offering of the notes and the use of proceeds as described in "Use of Proceeds", Ardagh Glass Limited and the Subsidiary Guarantors would have had outstanding €111.2 million of secured debt.

You may face foreign exchange risks by investing in the notes.

The notes are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the notes entails foreign exchange-related risks due to, among other things, possible significant changes in the value of the euro relative to the currency by reference to which you measure your investment returns because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the notes below their stated coupon rates and could result in a loss to you when the return on the notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the notes. See "Taxation".

An active trading market may not develop for the notes.

The notes are new securities for which there is currently no existing market. Although we have made an application to list the notes on the Luxembourg Stock Exchange, we cannot assure you that the notes will become or will remain listed. We cannot assure you as to the liquidity of any market that may develop for the notes, the ability of holders of the notes to sell them or the price at which the holders of the notes may be able to sell them. The liquidity for any market for the notes will depend on the number of holders of the notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the notes, has been subject to disruptions that have caused substantial price volatility. We cannot assure you that if a market for the notes were to develop, such a market would not be subject to similar disruptions. We have been informed by the initial purchasers that they intend to make a market for the notes after the offering is completed. However, the initial purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the notes will develop or, if one does develop, that it will be maintained.

The notes are subject to restrictions on transfer.

The notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. You may not offer the notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. We have not undertaken to register the notes or to effect any exchange offer for the notes in the future. Furthermore, we have not registered the notes under any other country's securities laws. It is your

obligation to ensure that your offers and sales of the notes within the United States and other countries comply with applicable securities laws. See “Transfer Restrictions”.

Fraudulent transfer statutes may limit your rights as a noteholder.

The Issuer’s obligations under the notes are guaranteed by the Guarantors, and each of the guarantees may be subject to review under the bankruptcy laws of the relevant jurisdiction in which each of the Guarantors operate. It is possible that creditors of the Guarantors may challenge the guarantees (among other obligations between members of the Ardagh Glass Group) as a fraudulent transfer or conveyance. If so, such laws may permit a court, if it makes certain findings, to:

- avoid all or a portion of the Guarantors’ obligations under the guarantees;
- subordinate the Guarantors’ obligations under the guarantees to their other existing and future debt, entitling other creditors to be paid in full before any payment is made under the guarantees;
- direct that holders of the notes return any amounts paid under a guarantee to the relevant Guarantor or to a fund for the benefit of its creditors; and
- take other action detrimental to you, including invalidating the guarantees.

In that event, if the Issuer cannot satisfy its obligations under the notes we cannot assure you that you would ever be repaid. In addition, the liability of each Guarantor under the Indenture will be limited to the amount that will result in its guarantee not constituting a fraudulent conveyance or improper corporate distribution and there can be no assurance as to what standard a court would apply in making a determination as to what would be the maximum liability of each Guarantor.

Under such bankruptcy and fraudulent transfer laws, in order to take any of those actions, courts will typically need to find that, at the time the guarantees were issued, the guarantor:

- issued the guarantee with the intent of hindering, delaying or defrauding current or future creditors; or
- received less than fair consideration or reasonably equivalent value for incurring the debt represented by the guarantees on the basis that the guarantees were incurred for our benefit, and only indirectly for the benefit of the Guarantors, or some other basis; and
 - was insolvent or was rendered insolvent by reason of the issuance of the guarantee;
 - was engaged, or about to engage, in a business or transaction for which the guarantor’s assets were unreasonably small; or
 - intended to incur, or believed the guarantor would incur, debts beyond its ability to pay such debts as they mature.

Many of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer statutes.

Different jurisdictions define “insolvency” in various ways. However, a guarantor generally would be considered insolvent at the time it issued the guarantee if:

- its liabilities exceeded its assets, at a fair valuation;
- it cannot pay its debts as they fall due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including the probable liability related to contingent liabilities, as they become absolute or matured.

We cannot assure you (1) which standard a court would apply in order to determine whether a Guarantor was “insolvent” as of the date the guarantees were issued; (2) that, regardless of the method of valuation, a court would not determine that a Guarantor was insolvent on that date; or (3) that a court would not determine, regardless of whether or not a Guarantor was insolvent on the

date the guarantees were issued, that the payments constituted fraudulent transfers on another ground.

Enforcing your rights as a noteholder or under the guarantees across multiple jurisdictions may prove difficult.

The notes will be issued by Ardagh Glass Finance B.V., which is organized under the laws of The Netherlands, and guaranteed by Ardagh Glass Limited, which is organized under the laws of Guernsey, and the Subsidiary Guarantors, each of which is organized under the laws of one of The Netherlands, Germany, Italy or the United Kingdom. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Germany, Guernsey, Italy, The Netherlands and the United Kingdom. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the notes and the Guarantors' guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of Ardagh Glass Finance B.V.'s and the Guarantors' jurisdictions of organization may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the notes and the guarantees in these jurisdictions or limit any amounts that you may receive.

The laws of each of the jurisdictions in which the Subsidiary Guarantors are organized limit the ability of these subsidiaries to guarantee debt of a sister company. These limitations arise under various provisions or principles of corporate law which include provisions requiring a sister guarantor to receive adequate corporate benefit from the financing, rules governing preservation of share capital, thin capitalization and fraudulent transfer principles. If these limitations were not observed, the guarantees of the notes of these Subsidiary Guarantors would be subject to legal challenge. In these jurisdictions, the guarantees of the notes will contain language limiting the amount of debt guaranteed so that applicable local law restrictions will not be violated. In addition, the senior subordinated guarantees of the notes to be provided by Heye Holding GmbH and Heye International GmbH will only be valid insofar as the obligations thereunder can be fulfilled without violating certain mandatory provisions of German company law aimed at preserving the capital of German limited liability companies. These provisions will limit the liability of each of Heye Holding GmbH and Heye International GmbH under its senior subordinated guarantee to the amount of its net assets less the amount of its registered capital at the time a demand for payment is made under such guarantee. Accordingly, if you were to enforce the guarantees of the notes of the Subsidiary Guarantors in these jurisdictions, your claims may be limited. Furthermore, although we believe that the guarantees of the notes of these Subsidiary Guarantors are enforceable (subject to such local law restrictions), there can be no assurance that a third-party creditor would not challenge these guarantees of the notes and prevail in court.

The insolvency laws of The Netherlands and other local insolvency laws may not be as favorable to you as U.S. bankruptcy laws or those of another jurisdiction with which you are familiar.

The Issuer and one of the Subsidiary Guarantors are incorporated in The Netherlands, the Parent Guarantor and one of the Subsidiary Guarantors are incorporated in Guernsey, two of the Subsidiary Guarantors are incorporated in Germany, one of the Subsidiary Guarantors is incorporated in Ireland, one of the Subsidiary Guarantors is incorporated in Italy, and the remaining three Subsidiary Guarantors are incorporated in England and Wales. The insolvency laws of The Netherlands and some of these other jurisdictions may not be as favourable to your interests as the laws of the United States or other jurisdictions with which you are familiar.

The following is a brief description of certain aspects of insolvency law in Guernsey, The Netherlands, Germany, Ireland, Italy and England and Wales. In the event that any one or more of

the Issuer, the Subsidiary Guarantors or any other of the Company's subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Guernsey

Both the Parent Guarantor, Ardagh Glass Limited, and Ardagh International Holdings Limited, one of the Subsidiary Guarantors, are incorporated under the laws of the island of Guernsey. As a result, any insolvency proceedings applicable to either company may be governed by Guernsey insolvency law.

Guernsey insolvency laws generally recognize the priority of secured creditors over unsecured creditors. In addition, in the event of an insolvent winding up of a Guernsey company there are some unsecured claims which are given preference over other unsecured claims (such as the claims under the notes). The claims which are given preference include, among others, amounts due to the Administrator of Income Tax, to employees and liabilities incurred in connection with a winding up, and are in some cases subject to limits as to time or amount.

Under Guernsey insolvency law, if a company goes into liquidation, a liquidator may apply to the court to have certain transactions overturned if they are deemed fraudulent preferences. We are of the view that the Guarantees granted by Ardagh Glass Limited and Ardagh International Holdings Limited in respect of the notes will not be issued on terms which would amount to a fraudulent preference or have the effect of perpetrating a fraud.

The Netherlands

The Issuer, Ardagh Glass Finance B.V., and Ardagh Holdings B.V., one of the Subsidiary Guarantors, is incorporated under the laws of The Netherlands. Any insolvency proceedings applicable to either of them may be governed by Dutch insolvency laws. Dutch insolvency laws differ significantly from the insolvency laws of the United States and may make it more difficult for holders of the notes to recover the amount in respect of the notes or of Ardagh Holdings B.V.'s guarantee of the notes than they would have recovered in a liquidation or bankruptcy proceeding in the United States. There are three corporate insolvency regimes under Dutch law: (1) emergency measures (*noodregeling*) and (2) moratorium of payment (*surseance van betaling*), both of which are intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern, and (3) bankruptcy (*faillissement*), which is primarily designed to liquidate and distribute the assets of a debtor to its creditors.

Unlike Chapter 11 proceedings under the U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims, during Dutch emergency measures and moratorium of payment proceedings, certain secured creditors (including the senior lenders as secured creditors under the senior credit facilities) and preferential creditors may seek to satisfy their claims by proceeding against the assets that secure their claims or to which they have preferential rights. Therefore, a recovery under Dutch law could involve a sale of the assets of Ardagh Glass Finance B.V. or Ardagh Holdings B.V. in a manner that does not reflect their respective going concern value. Consequently, Dutch insolvency laws could preclude or inhibit a restructuring and could reduce any recovery you might obtain in an insolvency proceeding.

In connection with Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on the basis of the relative priority of the claims of those creditors and, to the extent claims of certain creditors have equal priority, in proportion to the amount of such claims. Certain parties, such as secured creditors (including senior lenders as secured creditors under senior credit facilities), will benefit from special rights. For example, secured creditors such as pledgees and mortgagees may enforce their rights separately from bankruptcy. In addition, any claims you may have may be limited depending on the date they become due and payable. All unsecured, pre-bankruptcy claims are submitted to a receiver (*curator*) for verification, and the receiver makes a determination as to the existence, ranking and value of the claim and whether and to what extent it should be admitted in the bankruptcy proceedings.

Creditors that wish to dispute the verification of their claims by the receiver will need to commence a court proceeding.

Although no interest is payable in respect of unsecured claims as of the date of a bankruptcy, if the net present value of a claim of a holder needs to be determined, such determination will be made by taking into account the agreed payment date and interest rate.

Germany

Heye Holding GmbH and Heye International GmbH are both Subsidiary Guarantors and companies incorporated in Germany. Consequently, in the event of an insolvency of either company, insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law.

Under German law insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor (i.e. where its liabilities exceed the value of its assets) or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). In addition, the debtor can file for insolvency proceedings if it is imminently at risk to be unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). The insolvency proceedings are court controlled and the court opens the insolvency proceedings if certain formal requirements are met and if there are sufficient assets to cover at least the costs of the proceedings. The court appoints an insolvency administrator who has full power to dispose of the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets.

All creditors, whether secured or unsecured, who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened. Secured creditors are generally not entitled to enforce their security interests outside the insolvency proceedings. However, secured creditors have certain preferential rights. The enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets and (ii) realising the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts are distributed among the unsecured creditors. If Heye Holding GmbH and Heye International GmbH grant security over their assets such security may result in a preferred treatment of creditors secured by such security. The proceeds resulting from the collateral may not be sufficient to satisfy unsecured creditors under the guarantees granted by Heye Holding GmbH and Heye International GmbH after the secured creditors have been satisfied. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) which can be submitted by the debtor or the insolvency administrator and which requires the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Ireland

Ardagh Treasury Limited, one of the Subsidiary Guarantors, is incorporated under the laws of Ireland and any insolvency proceedings applicable to it may be governed by Irish insolvency law.

Irish insolvency laws generally recognize the priority of secured creditors over unsecured creditors. In addition, in the event of an insolvent winding up of an Irish company there are some unsecured claims which are given priority over other unsecured claims, including the claims under Ardagh Treasury Limited's guarantee of the notes. The claims which are given priority include, among others, amounts due to the Irish Revenue Commissioners, to employees and liabilities incurred in connection with a winding up or during an examinership of an Irish company, and are in some cases subject to limits as to time or amount.

Under Irish insolvency law, if a company goes into liquidation, a liquidator may apply to the court to have certain transactions overturned if they are deemed fraudulent preferences. We are of the view that Ardagh Treasury Limited's guarantee of the notes will not be issued on terms which would amount to a fraudulent preference or have the effect of perpetrating a fraud. In addition, there is a court protection procedure, known as examination, to facilitate the survival of Irish companies in financial difficulties. During examination, the rights of creditors are suspended so that

no enforcement action or other legal proceedings can be commenced without the approval of the examiner or the relevant Irish court.

If Ardagh Treasury Limited is placed in examinership, you may not be able to enforce your rights under its guarantee of the notes.

Italy

Abruzzo Vetro S.r.l., one of the Subsidiary Guarantors, is incorporated under the laws of Italy and it may be subject to Italian laws governing creditors rights and bankruptcy and restructuring proceedings. Italian creditors' rights and insolvency laws are generally considered to be more favorable to debtors than the regimes of certain other jurisdictions, such as the United States, England and The Netherlands. In Italy, the courts play a central role in the insolvency process and out-of-court restructurings are infrequent. Moreover, the enforcement of security interests by creditors in Italy can be time consuming. The two primary aims of the Italian regime are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold.

Under Italian law, the state of insolvency (*insolvenza*) of a company must be determined and declared by a court. Insolvency occurs at a time when a debtor is no longer able to regularly meet its obligations as they fall due. This must be a permanent, and not a temporary, status.

Unlike jurisdictions like the United States, options in Italy to restructure outside the judicial process are not frequently used. Restructuring generally takes place through the formal judicial process because of the more favorable conditions for the debtor and the fact that informal arrangements put in place as a result of a non-judicial restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency and possibly challenged as voidable transactions.

Prior to, or upon the declaration of insolvency, a company has the option to seek an arrangement with its creditors (*concordato preventivo*) under court supervision, in order to avoid a declaration of bankruptcy and the initiation of liquidation proceedings.

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (*fallimento*) for the liquidation of a debtor can be made by the debtor, a creditor, courts or a public administrator. The request must be approved by an insolvency court. Upon the commencement of a bankruptcy proceeding:

- Subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period;
- The administration of the debtor and the management of its assets pass from the debtor to the receiver; and
- Any act made by the debtor after a declaration of bankruptcy with respect to a creditor is ineffective.

The bankruptcy proceeding is carried out and supervised by a court-appointed receiver, a deputy judge and a creditors committee. The receiver is not a representative of the creditors, and the creditors committee generally does not have significant influence over the bankruptcy proceedings. The receiver is responsible for the liquidation of the assets of the debtor for the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. Italian insolvency law provides for priority to the payment of certain preferential creditors, including employees and the Italian treasury.

The statutory priority assigned to creditors under Italian insolvency law is different than priorities in the United States, the United Kingdom and certain other European jurisdictions. In Italy, the highest priority claim (after the costs of the proceedings are paid) are the claims of preferential creditors (*crediti prededucibili*), which include the claims of the Italian tax authorities and social security administrators and claims for employee wages. The next priority is secured creditors with mortgages and pledges and then, unsecured creditors.

England

A number of the Subsidiary Guarantors are companies incorporated under English law. Accordingly, insolvency proceedings with respect to these English subsidiaries may proceed under, and be governed by, English insolvency law. The procedural and substantive provisions of English insolvency law generally are more favorable to secured creditors than comparable provisions of U.S. law. These provisions afford debtors and unsecured creditors only limited protection from the claims of secured creditors. It will generally not be possible for the Issuer's English subsidiaries or unsecured creditors of those English subsidiaries to prevent secured creditors with security interests that are superior to the security interests of holders of notes from enforcing their security to repay the debts due to them. The lenders under the New Anglo Irish Senior Secured Credit Facility and various other facilities have liens on the assets of material operating subsidiaries of Ardagh Glass Limited. Our secured creditors will have priority over the assets securing their debt. As a result, your ability to realize claims against us with respect to your notes if any of the English Subsidiary Guarantors become insolvent may be more limited than under U.S. and other laws.

In addition, under English insolvency law, the Subsidiary Guarantor's liabilities in respect of the notes may also, in the event of insolvency or similar proceedings, rank junior to some of the Subsidiary Guarantor's other debts that are entitled to priority under English law. For the time being, these debts entitled to priority may include (a) amounts owed to United Kingdom Inland Revenue, (b) amounts owed to United Kingdom Customs & Excise, (c) amounts owed in respect of United Kingdom national insurance contributions, (d) amounts owed in respect of occupational pension schemes, (e) certain amounts owed to employees and (f) liquidation expenses.

Any interest accruing under or in respect of the notes in respect of any period after the commencement of liquidation proceedings would only be recoverable by holders of the notes from any surplus remaining after payment of all other debts proved in such liquidation and accrued and unpaid interest up to the date of the commencement of the proceedings.

A liquidator or administrator of one of our English incorporated Subsidiary Guarantors could apply to the court to rescind the issuance of its guarantee if such liquidator or administrator believed that issuance of such guarantee constituted a transaction at less than market value. Under English insolvency law, the liquidator or administrator of a company may, among other things, apply to the court to rescind a transaction entered into by a company, if such company was insolvent (as defined in the U.K. Insolvency Act 1986) at the time of, or immediately after, the transaction and enters into a formal insolvency process within two years of the completion of the transaction. A transaction might be subject to such rescission if it involved a gift by a company or if a company received consideration of significantly less value than the benefit given by such company. A court generally will not intervene, however, if a company entered into the transaction in good faith for the purpose of carrying on its business and that at the time it did so there were reasonable grounds for believing the transaction would benefit such company.

We believe that each guarantee given by a Subsidiary Guarantor will not be provided in a transaction at less than fair value and that each such guarantee will be provided in good faith for the purposes of carrying on the business of each Subsidiary Guarantor and its subsidiaries and that there are reasonable grounds for believing that the transactions will benefit each such Subsidiary Guarantor. There can be no assurance, however, that the provision of the guarantees by the Subsidiary Guarantors will not be challenged by a liquidator or administrator or that a court would support our analysis.

You may be unable to serve process on us or our directors and officers in the United States and enforce U.S. judgments based on the notes.

The Issuer is a limited liability company under the laws of The Netherlands, and the Guarantors are incorporated, among other places, under the laws of England, Italy and Germany. All of the directors and executive officers of the Issuer and the Guarantors live outside the United States. All of the assets of the Issuer and the Guarantors, and the assets of their directors and executive officers, are located outside the United States. As a result, it may not be possible for you to serve process on such persons or them in the United States or to enforce judgments obtained in U.S. courts against them based on the civil liability provisions of the securities laws of the United States.

In addition, Dutch, English, German and Italian counsels have each informed us that it is questionable whether a Dutch, English, German or Italian court would accept jurisdiction and impose civil liability if proceedings were commenced in The Netherlands, the United Kingdom, Germany or Italy predicated solely upon U.S. federal securities laws. See “Service of Process and Enforcement of Judgments”.

We do not present separate financial statements for each Subsidiary Guarantor.

We have not presented in this Offering Circular separate financial statements for each Subsidiary Guarantor of the notes, and we are not required to do so in the future under the Indenture.

Certain considerations relating to book-entry interests.

Unless and until notes in definitive registered form, or definitive registered notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of notes. The common depositary for Euroclear and Clearstream Banking (or its nominee) will be the sole holder of the global notes representing the notes. After payment to the common depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream Banking, as applicable, and if you are not a participant in Euroclear or Clearstream Banking, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture governing the notes. See “Book-Entry; Delivery and Form”.

Unlike the holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream Banking. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any request actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the notes, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream Banking. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream Banking will be adequate to ensure the timely exercise of rights under the notes. See “Book-Entry; Delivery and Form”.

Risks Relating to Our Business

We face intense competition from other glass container producers, as well as from makers of alternative forms of packaging.

We are subject to intense competition from other glass container producers against whom we compete on the basis of price, quality, customer service, reliability of delivery and marketing. 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. Our principal competitors in the United Kingdom include: United Glass Limited, a subsidiary of Owens-Illinois; Rexam Glass Barnsley, a subsidiary of Rexam plc; and Allied Glass Containers Limited.

In addition to competing directly with other large, well-established manufacturers in the glass container industry, we compete indirectly with manufacturers of other forms of rigid packaging, principally metal cans and plastic containers, on the basis of quality, price, service and consumer preference. We also compete indirectly with manufacturers of non-rigid packaging alternatives, including flexible pouches and aseptic cartons, in serving the packaging needs of juice customers. We believe that the use of glass containers for alcoholic and non-alcoholic beverages is subject to consumer taste. In addition, the association of glass containers with premium items exposes glass containers to economic variations. Therefore, if economic conditions are poor, we believe that consumers may be less likely to prefer glass containers over other forms of packaging. We cannot assure you that our products will continue to be preferred by our customers' end-users and that consumer preference will not shift from glass containers to non-glass containers. A material shift in

consumer preference away from glass containers, or competitive pressures from our direct and indirect competitors, could result in a decline in sales volume or pricing pressure that would have a material adverse effect on our business, results of operations and financial condition.

Higher energy costs and interrupted energy supplies may have a material adverse effect on our business, financial condition and our results of operations.

We use natural gas and electrical power to manufacture our products. These power sources are vital to our operations, and we rely on a continuous power supply to conduct our business. We have no way of predicting to what extent energy prices will rise in the future. If energy costs substantially increase in the future, we could experience a significant increase in operating costs, which would have a material adverse effect on our business, financial condition and results of operations.

In addition, certain locations in which we have operations, such as Italy, have experienced power shortages. Frequent power interruptions may have a material adverse effect on our operations.

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

Our 10 largest customers accounted for approximately 64% of our net turnover for the year ended December 31, 2002. We believe our relationships with these customers are good, but we cannot assure you that we will be able to maintain these relationships. We typically sell most of our glass containers directly to customers under one to three-year arrangements. Although these arrangements have provided, and we expect they will continue to provide, the basis for a long-term partnership with our customers, they may not be binding and there can be no assurance that our customers will not cease purchasing our products. If our customers unexpectedly reduce the amount of glass containers they purchase from us, or cease purchasing our glass containers altogether, our revenues could decrease and our inventory levels could increase, either of which could have an adverse effect on our financial condition and operating results. Anheuser Busch may change licensees as a result of SABMiller's recent purchase of a controlling interest in Peroni. If this occurs, Peroni would nonetheless remain obligated to purchase all of Abruzzo Vetro's output under the long-term supply contract we have with Peroni, though there can be no assurance that this change in ownership will not affect our relationship with Peroni. 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 from the United Kingdom to locations in continental Europe or elsewhere. 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, financial condition and results of operations.

Our Italian subsidiary, Abruzzo Vetro, is currently in a contract dispute with its sole customer, Peroni.

We are involved in arbitration proceedings relating to our supply contract with Peroni, the only customer of our Italian business. Under this contract, which expires in 2009, Peroni is obligated to purchase all of the glass output produced at Abruzzo Vetro's plant in Montorio al Vomano at prices determined by a formula in the contract. The principal issue in the arbitration, which has been in dispute since early 2002, relates to our selling prices. In January 2003, we initiated arbitration proceedings to resolve the issue as provided for in the contract.

In February 2003, Peroni sought to terminate the contract (which our management currently believes, and our Italian legal counsel has advised us, that Peroni is not entitled to do) within 90 days if we did not agree to its price. However, Peroni has subsequently participated in the arbitration proceedings and has agreed to allow the question of whether they could terminate the contract to be decided by the arbitrators. Peroni has accepted and continues to accept glass containers produced by us.

Although we believe that there is no merit to Peroni's price contentions, we have indicated to them and the arbitration panel that we would supply Peroni with the entire glass output produced at Montorio al Vomano at the prices determined by the arbitration panel. The magnitude of the pricing disagreement between Peroni and us is such that, if Peroni is successful in the arbitration proceedings with respect to its interpretation of the pricing provisions of the contract, it would not have a material adverse effect on our business, financial condition or results of operations, taken as a whole. However, in the unlikely event that the arbitration panel determines that Peroni is entitled to terminate the contract, and if in fact Peroni chooses to terminate and if we were unable to replace the Peroni business with other business, the termination of the contract could have a material adverse effect on our business, financial condition and results of operations, taken as a whole.

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.

Many of our largest customers have acquired companies with similar or complementary product lines. This consolidation has increased the concentration of our net sales with our largest customers. 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 glass container suppliers. If, following the consolidation of one of our customers with another company, a competitor were to be the main supplier of glass containers to the consolidated company this could have a material adverse effect on our business, financial condition or results of operations.

Our expansion strategy may adversely affect our business, financial condition and results of operations.

We aim over the longer term to capitalize on strategic opportunities to expand our glass container activities. We believe that such future expansion is likely to require participation in the consolidation of the industry in Europe through the 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 glass container businesses, we may need to contemplate further increases in our leverage in the future in connection with any acquisitions of these businesses. 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 currently face these integration risks as we continue the process of integrating the recently-acquired businesses of Heye International and Heye Glas. If we are unable to successfully complete the integration of these businesses, we may not realize the expected benefits of these acquisitions, and our overall business could suffer as a result of the diversion of management attention and other resources from our existing operations.

Our profitability could be affected by varied seasonal demands.

Demand for our products is typically strongest during the summer months and during the holidays in December because of the seasonal nature of our customers in the beer, spirits and non-alcoholic beverage sectors. Unseasonably cool weather during the summer months can reduce demand for certain beverages packaged in our containers, which would have an adverse effect on our results of operations for that year. In addition, we generally schedule shutdowns of our furnaces for rebuilding and repairs of machinery in the first quarter. If demand for glass containers should unexpectedly rise during such a shutdown, we would not have the ability to fulfill such demand and may lose potential revenue. These shutdowns and seasonal sales patterns adversely affect profitability during the first quarter.

Our profitability could be affected by the availability 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, could have a material adverse effect on our business, financial condition and results of operations.

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

Our operations and properties in the United Kingdom, Italy and Germany are subject to extensive laws, ordinances, regulations and other legal requirements relating to environmental protection, including legal requirements governing investigation and clean-up of contaminated properties as well as water discharges, air emissions, waste management and workplace health and safety. Such legal requirements frequently change and are different in each jurisdiction. Our operations and properties in the United Kingdom, Italy and Germany must comply with these legal requirements. In addition, we are required to obtain and maintain permits in connection with our glass-making operations. These requirements may have a material adverse effect on our business, financial condition and results of operations.

We have incurred, and expect to incur, costs for our operations to comply with such legal requirements, and these costs could increase in the future. Many such legal requirements provide for substantial fines, orders (including orders to cease operations) and criminal sanctions for violations. Certain environmental laws provide for strict, joint and several liability for investigation and remediation of spills and other releases of hazardous substances. Such laws may impose liability on owners and operators of contaminated facilities and companies that arranged for disposal of waste. These legal requirements may apply to conditions at properties that we presently own or operate or that we formerly owned or operated, as well as at other properties for which we may be responsible, including those at which waste attributable to us was disposed. A significant order or judgment against us, the loss of a significant permit or license or the imposition of a significant fine may have a material adverse effect on our business, financial condition and results of operations.

A number of governmental authorities in the United Kingdom, Italy and Germany have enacted, or are considering, legal requirements that would mandate certain rates of recycling and the use of recycled materials. Increased competition for the supply of recycled glass may have a material adverse effect on our business, financial condition and results of operations.

Organized strikes or work stoppages by unionized employees may have a material adverse effect on our business, financial condition and results of operations.

Some of our operating companies are party to collective bargaining agreements with trade unions that, at May 31, 2003, covered approximately 90% of our union-affiliated employees in the United Kingdom, excluding all of our employees at the Worksop site who are not covered by a collective bargaining agreement, and approximately 55% of our union-affiliated employees in Italy. We are currently negotiating a new collective bargaining agreement with our employees at Heye International and Heye Glas, which we expect will be entered into shortly, though there can be no assurance that this will occur. Approximately 73% of our employees in Germany are unionized. Upon the expiration of any collective bargaining agreement, such as in Germany, 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.

Currency, interest rate fluctuations and commodity prices may have a material impact on our business, financial condition and results of operations.

Our reporting currency is the euro. However, a substantial portion of our assets, liabilities, turnover and expenses is denominated in pounds. Fluctuations in the value of the pound 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. In 2002, the depreciation of the pound against the euro decreased our U.K. turnover when translated into euro by approximately 1.1%. Currency fluctuations can also have a significant impact on our balance sheet, particularly shareholders' equity, when we translate the financial statements of our U.K. subsidiaries into euro. For example, as at December 31, 2002 and March 31, 2003, our shareholders' equity was reduced by €4.3 million and €2.8 million, respectively, due to the translation of the financial statements of our U.K. subsidiaries.

In addition to currency translation risk we are subject to currency transaction risk. In order to provide a "natural" hedge, we currently have our borrowings that relate to our U.K. operations in pounds. Interest payments in pounds help to offset our exposure to fluctuations in pre-tax profits, as measured in euro, due to currency fluctuation, while pound-denominated debt is matched by pound-denominated assets. Our policy is, where practical, to match net investments in foreign currencies with borrowings in the same currency. In relation to operational exposures, our policy is to place all excess foreign currency cash flow on currency deposit until such time as these cash flows are required to make payments to foreign currency creditors.

Upon the issuance of the notes offered hereby, we will replace some of our pound borrowings with euro-denominated debt. We currently estimate we will have approximately €90 million aggregate principal amount of borrowings which will be mismatched by pound assets. We intend to actively manage this exposure through the deployment of assets and liabilities throughout the Ardagh Glass Group and, when necessary, by entering 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.

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 use swaps to manage this risk, but our financial condition and results of operations may nevertheless be materially adversely affected by sustained increases in interest rates.

In addition, we are exposed to movements in the price of natural gas. We purchase all of our natural gas requirements in the spot markets using, where possible, surplus liquidity to purchase natural gas in advance of actual requirements when the prevailing spot price is attractive. 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. If the spot price of natural gas rises unexpectedly, and we have not purchased natural gas in advance of our usage requirements, our earnings and cash flows could be adversely effected.

For a further discussion of these matters and the measures we have taken to seek to protect our business against these risks, see "Operating and Financial Review and Prospects—Quantitative and Qualitative Disclosures About Market Risk".

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. In July 2002, we acquired Abruzzo Vetro and, in March 2003, we acquired Heye Holding. These acquisitions have had a positive effect on our results of operations in subsequent periods. Furthermore, our net operating income is typically higher in the second half of the calendar year due to the seasonality effects described above. Thus, for all of these reasons, a period-to-period comparison of our results of operations may not be meaningful.

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 financial condition.

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 or that such interruptions will not have an adverse impact on our operating results. 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 result of such expenditures and loss of revenues.

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

We depend on our senior management. Although we do not anticipate that we will have to replace any of our senior management team in the near future, the loss of services of any of the members of our 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 we cannot assure you that we would be able to locate or employ such qualified personnel on terms acceptable to us or at all.

One shareholder beneficially owns approximately 38% of our shares.

Currently, Yeoman beneficially owns approximately 38% of the outstanding preferred ordinary shares of Ardagh Glass Limited. Paul Coulson (who beneficially owns approximately 27% of Yeoman's share capital) is currently Chairman of the board of directors of Ardagh Glass Limited and a member of the board of directors of Yeoman. Wolfgang Baertz is currently a member of the board of directors of Ardagh Glass Limited and Yeoman, and Brendan Dowling is currently a member of the board of directors of Ardagh Glass Limited and Yeoman International Group Limited, a wholly-owned subsidiary of Yeoman International Holdings S.A. As a result of their ownership and positions, Yeoman and Messrs. Coulson, Baertz and Dowling are each able to significantly influence all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. See "Management", "Principal Shareholders" and "Certain Relationships and Related Party Transactions".

USE OF PROCEEDS

We expect that the net proceeds from the issuance of the notes will be approximately €167.5 million, after deducting the initial purchasers' discount and the estimated offering expenses payable by us. The closing of the offering of the notes and the closing of the New Anglo Irish Senior Secured Credit Facility are each conditional on the other closing occurring. See "Description of Other Indebtedness".

The table below summarizes the expected sources and uses of the proceeds from this offering, together with borrowings under the New Anglo Irish Senior Secured Credit Facility, based upon our pro forma capitalization as of March 31, 2003 as if the transactions set forth below had occurred on March 31, 2003.

Sources and Uses (in € millions)(1)

| <u>Sources:</u> | | <u>Uses:</u> | |
|---------------------------------------|---------------------|--|---------------------|
| Notes offered hereby | 175.0 | Repurchase of Ardagh Glass (UK) | |
| New Anglo Irish Senior Secured Credit | | Limited subordinated notes(2) | 145.0 |
| Facility | 94.3 | Repayment of Existing Senior Secured | |
| | | Credit Facility | 64.5 |
| | | Repayment of Heye Holding vendor | |
| | | loan notes and deferred purchase | |
| | | price(3) | 14.0 |
| | | Repayment of Abruzzo credit facility(4) . | 9.4 |
| | | Repayment of Yeoman Credit | |
| | | Facility(5)(6) | 6.0 |
| | | Repayment of Existing Anglo Irish Credit | |
| | | Facility(6) | 13.0 |
| | | Transaction fees and expenses(7) | 9.1 |
| | | General corporate purposes | 8.3 |
| Total sources | <u>269.3</u> | Total uses | <u>269.3</u> |

(1) Represents the euro equivalent of all sterling-denominated obligations calculated based on the March 31, 2003 balance sheet translation rate of £1.00 = €1.45.

(2) Represents the aggregate consideration (at a discount of €32.4 million to the €177.4 million principal amount outstanding plus accrued and unpaid interest at March 31, 2003) to be paid by Ardagh Glass Limited or its designee in respect of two subordinated loan notes issued to United Glass Limited, a wholly-owned subsidiary of Owens-Illinois, pursuant to a note purchase agreement dated April 11, 2003, between Ardagh Glass Limited and Owens-Illinois. See "Description of Other Indebtedness—Ardagh Glass (UK) Limited Subordinated Notes—Purchase Agreement with Owens-Illinois Group and United Glass".

(3) Represents (a) a vendor loan note in the aggregate principal amount of €10 million due in January 2008, (b) a vendor loan note in the aggregate principal amount of €2 million due in January 2008 and (c) a deferred purchase price amount of €2 million payable in January 2004, pursuant to vendor financing arrangements agreed upon in connection with the acquisition of the assets of Heye Holding by Ardagh Glass Limited. Each of the vendor loan notes bears interest at a rate of 6% per annum. We are currently in the process of negotiating early repayment and termination of these arrangements at a discount. In the event that we do not reach agreement to repay this debt on favorable terms, we would expect to use the allocated portion of the net proceeds of the offering of the notes for general corporate purposes. See "Description of Other Indebtedness—Heye Holding Vendor Loan Notes".

(4) Represents the aggregate principal amount of the credit facility outstanding pursuant to the medium term loan agreement among Abruzzo Vetro S.r.l., Mediocredito Centrale S.p.A. and the other financial institutions named therein. We expect to repay all such amounts outstanding with the proceeds of this offering as soon as practicable following the completion of this offering and have agreed to do so by December 31, 2003. The subordinated guarantee of the notes to be provided by Abruzzo Vetro will not become effective and enforceable until the repayment of all amounts outstanding under this agreement. See "Description of Other Indebtedness—Medium Term Loan Agreement with Mediocredito Centrale S.p.A.".

(5) Represents the €5 million aggregate principal amount (before accrued interest and break costs) of the term loan outstanding pursuant to the Yeoman Credit Facility between Ardagh Glass Limited and Yeoman International Holdings S.A., currently a 38% shareholder of Ardagh Glass Limited. See "Description of Other Indebtedness—Yeoman International Holdings Facility Agreement", "Principal Shareholders" and "Certain Relationships and Related Party Transactions".

- (6) The repayment of each of the Yeoman Credit Facility and of the €12 million aggregate principal amount (before accrued interest and break costs) outstanding under the Existing Anglo Irish Credit Facility will require the payment of up to €1 million of break costs associated with the early repayment of each such credit facility. See “Description of Other Indebtedness—Yeoman International Holdings Facility Agreement” and “Description of Other Indebtedness—Existing Anglo Irish Bank Corporation Facility Agreement”.
- (7) Represents our estimate of the total underwriting, legal, accounting and other fees and expenses related to the issuance of the notes, the arrangement of the New Anglo Irish Senior Second Credit Facility and the other refinancing transactions described above. Of this total amount, approximately €7.5 million represents (a) the discount payable by Ardagh Glass Finance B.V. to the initial purchasers in connection with the offering of the notes, (b) legal, accounting and other professional fees payable in connection with the offering and (c) certain other fees and expenses related to the offering.

CAPITALIZATION

The following table shows our unaudited combined total cash and capitalization as at March 31, 2003, which has been prepared in accordance with U.K. GAAP: (1) on a historical basis, (2) as adjusted to give effect to the repurchase of preferred ordinary shares of Ardagh Glass Limited in connection with the Demerger, which occurred, after March 31, 2003, as described under “Certain Relationships and Related Party Transactions—The Demerger” and (3) as adjusted to give effect to this offering, the borrowings under the New Anglo Irish Senior Secured Credit Facility and the application of the net proceeds therefrom, as described under “Use of Proceeds”. The information set out below should be read in conjunction with “Operating and Financial Review and Prospects” and our financial statements, together with the notes thereto and our unaudited financial statements included elsewhere in this Offering Circular.

| | At March 31, 2003 | | | |
|--|-------------------|-------------------------|----------------------------|--------------|
| | Historical(1) | Demerger Adjustments | Refinancing Adjustments | As Adjusted |
| | | (in € millions)(2) | | |
| Cash | <u>18.6(3)</u> | <u>—(4)</u> | <u>8.3</u> | <u>26.9</u> |
| Short-term debt | | | | |
| Overdrafts and revolving credit lines | 7.3 | — | — | 7.3 |
| Existing Senior Secured Credit Facility— short-term | 24.8 | — | (24.8) | — |
| Abruzzo credit facility | 1.9 | — | (1.9) | — |
| Vereins term loan | 1.8 | — | — | 1.8 |
| Heye Glas Receivables Discounting Facility . . . | 8.0 | — | — | 8.0 |
| Heye Holding vendor loan note | 2.0 | — | (2.0) | — |
| Total short-term debt | <u>45.8</u> | <u>—</u> | <u>(28.7)</u> | <u>17.1</u> |
| Long-term debt | | | | |
| Ardagh Glass (UK) Limited loan note | 146.7 | — | (146.7) | — |
| Ardagh Glass (UK) Limited deferred consideration note | 30.7 | — | (30.7) | — |
| Heye Holding vendor loan note and deferred purchase price | 12.0 | — | (12.0) | — |
| Existing Credit Facility—long-term | 39.7 | — | (39.7) | — |
| Vereins term loan | 8.1 | — | — | 8.1 |
| Abruzzo credit facility | 7.5 | — | (7.5) | — |
| New Anglo Irish Senior Secured Credit Facility . | — | — | 94.3 | 94.3 |
| Yeoman credit facility | — | 5.0 | (5.0) | — |
| Existing Anglo Irish credit facility | — | 12.0 | (12.0) | — |
| Notes offered hereby | — | — | 175.0 | 175.0 |
| Debt issuance costs(5) | (0.7) | — | (8.4) | (9.1) |
| Total long-term debt | <u>244.0</u> | <u>17.0</u> | <u>7.3</u> | <u>268.3</u> |
| Net debt | <u>271.2</u> | <u>17.0</u> | <u>(29.7)</u> | <u>258.5</u> |
| Called up share capital | — | — | — | — |
| Share premium account | 38.1 | (15.0)(6) | — | 23.1 |
| Profit and loss account | 2.4 | — | 29.6(7) | 32.0(8) |
| Total shareholders’ funds | <u>40.5</u> | <u>(15.0)</u> | <u>29.6</u> | <u>55.1</u> |
| Total capitalization | <u>330.3</u> | <u>2.0</u> | <u>8.2</u> | <u>340.5</u> |

(1) There has been no significant change in the combined financial position of Ardagh Glass Limited and its subsidiaries since March 31, 2003, except as disclosed in the “Adjustments” columns above and as discussed under “Operating and Financial Review and Prospects”.

(2) The sterling-denominated bank loans and loan notes being repaid, repurchased or retired out of the proceeds of this offering and the borrowings under the New Anglo Irish Senior Secured Credit Facility have been translated into euro at the exchange rate on March 31, 2003 of £1.00 = €1.45.

- (3) During the three-month period ended March 31, 2003, €2.0 million was loaned by the Restricted Group to the Unrestricted Group. Since March 31, 2003, an additional €4.2 million was loaned by the Restricted Group to the Unrestricted Group. See “Certain Relationships and Related Party Transactions—Unrestricted Group Loans”.
- (4) There was no net cash effect from the debt incurred in connection with the Demerger in an aggregate principal amount of €17 million under the two credit facilities entered into by Ardagh Glass Limited with Anglo Irish Bank Corporation Plc and Yeoman International Holdings S.A., currently a 38% shareholder of Ardagh Glass Limited. The full amount available under these facilities was borrowed by Ardagh Glass Limited after March 31, 2003. €15.4 million of this amount was used to purchase shares of Ardagh Glass Limited in connection with the completion of the Demerger and the remaining €1.6 million was used to pay for costs related to the Demerger. These credit facilities will be repaid contemporaneously with the completion of this offering.
- (5) Under U.K. GAAP, debt issuance costs are deducted from the related debt amounts for the purposes of balance sheet presentation and are amortized over the life of the debt.
- (6) The decrease in the share premium account represents the difference between €0.4 million realized as a result of the shares of Ardagh Glass Limited issued to Anglo Irish Bank Corporation Plc in consideration for the payment of costs of arranging the debt under the credit facilities of Ardagh Glass Limited in connection with the Demerger, which debt was incurred after March 31, 2003, and the €15.4 million cost of canceling shares of Ardagh Glass Limited for cash purchased in the Demerger since March 31, 2003.
- (7) The increase in the profit and loss account represents the €32.4 million discount from the face amount owed in respect of the Ardagh Glass (UK) Limited subordinated notes reduced by a write-off of €0.5 million in respect of unamortized after-tax issue costs for the retirement of the Existing Senior Secured Credit Facility, by the €2.0 million break costs associated with the debt incurred in connection with the Demerger, and by after tax costs of €0.3 million associated with such Demerger debt. See “Description of Other Indebtedness—Ardagh Glass (UK) Limited Subordinated Notes”.
- (8) As of March 31, 2003, on a historical basis and as adjusted to give effect to this offering, the borrowings under the New Anglo Irish Senior Secured Credit Facility and the application of the net proceeds therefrom, as described under “Use of Proceeds” and the Demerger Adjustments and the Refinancing Adjustments columns above, we had (a) reserves of €32.0 million on an as adjusted basis and (b) no issued or outstanding cumulative warrants or convertible notes.

EXCHANGE RATES

The table below sets forth the period end, the average, high and low exchange rates (representing, for any day, the average of an afternoon selling and buying rate on such day) for pounds sterling, expressed in euro per £1.00, for the years indicated. Since the euro did not exist prior to January 1, 1999, we cannot provide exchange rate information in respect of the euro for 1998.

| Year ended December 31, | Euro per pounds(1) | | | |
|-------------------------|--------------------|------------|--------|--------|
| | Period Ending | Average(2) | High | Low |
| 1999 | 1.6081 | 1.5653 | 1.6096 | 1.4048 |
| 2000 | 1.5938 | 1.6446 | 1.7520 | 1.5665 |
| 2001 | 1.6348 | 1.6151 | 1.6420 | 1.5342 |
| 2002 | 1.5342 | 1.5890 | 1.6419 | 1.5342 |

(1) Source: Bank of England.

(2) The average buying rates for euro on the last business day of each month during the applicable period.

The table below sets forth the period end, high and low exchange rates, expressed in euro per pounds, for each of the six months prior to the date of this Offering Circular.

| Month | Euro per pounds(1) | | |
|--|--------------------|--------|--------|
| | Period Ending | High | Low |
| January 2003 | 1.5312 | 1.5405 | 1.5071 |
| February 2003 | 1.4613 | 1.5271 | 1.4613 |
| March 2003 | 1.4484 | 1.4828 | 1.4467 |
| April 2003 | 1.4326 | 1.4626 | 1.4326 |
| May 2003 | 1.3933 | 1.4305 | 1.3824 |
| June 2003 | 1.4371 | 1.4528 | 1.3913 |
| July 2003 (through July 3, 2003) | 1.4511 | 1.4511 | 1.4333 |

(1) Source: Bank of England.

The euro per pounds exchange rate on July 3, 2003 was £1.00 = €1.4511.

Our inclusion of such translations is not meant to suggest that the pounds amounts actually represent such euro amounts or that such amounts could have been converted into euro at such rate or any other rate. For a discussion of the impact of the exchange rate fluctuations on our financial condition and results of operations, see “Operating and Financial Review and Prospects”. We did not use the rates listed above in the preparation of our financial statements.

SELECTED FINANCIAL DATA AND OTHER DATA

The following table sets forth selected historical financial data and other data for the periods ended and as of the dates indicated below. For a detailed discussion of the presentation of financial data, see “Presentation of Financial and Other Data”.

In this table we refer to, and present information for, activities currently undertaken by Ardagh Glass Limited and its subsidiaries that, prior to the Demerger, were undertaken by Ardagh plc or companies controlled by Ardagh plc. Ardagh Glass Limited was formed on December 17, 2002, as a holding company for the glass container business that was demerged from Ardagh plc and transferred to Ardagh Glass Limited effective as of February 28, 2003. Prior to such date, Ardagh Glass Limited did not engage in any activities other than those related to its formation and was a subsidiary of Ardagh plc. The financial statements and financial information and data assume the existence of Ardagh Glass Limited throughout each of the periods covered by such financial statements and (except, as explained below, for the unaudited interim aggregated financial statements for the three-month period ended March 31, 2003) that it was the parent company of the relevant subsidiaries as of the applicable acquisition dates by Ardagh plc. For additional information regarding the Demerger, see “Certain Relationships and Related Party Transactions—The Demerger”.

The selected combined financial data for the years ended December 31, 2000, 2001 and 2002 and as at December 31, 2001 and 2002 were derived from the audited combined financial statements of Ardagh Glass Limited and its subsidiaries included elsewhere in this Offering Circular.

The unaudited interim combined financial information and the unaudited interim aggregated financial information of Ardagh Glass Limited and its subsidiaries as at and for the three-month periods ended March 31, 2002 and 2003 have been derived from (1) the unaudited interim combined financial statements for the three-month period ended March 31, 2002, and (2) the aggregation of the unaudited interim consolidated financial statements for the one-month period ended March 31, 2003 and the unaudited interim combined financial statements for the two-month period ended February 28, 2003, respectively, of Ardagh Glass Limited and its subsidiaries included elsewhere in this Offering Circular. **Although the Ardagh Glass Group did not exercise its option from Yeoman to acquire the shares of Heye Holding until March 3, 2003, the unaudited interim aggregated financial information for the three-month period ended March 31, 2003 presented in this Offering Circular includes the results of operations of Heye Holding and its subsidiaries since January 1, 2003 because our current senior executive officers managed all aspects of the business and operations of Heye Holding and its subsidiaries during this period.** Results for interim periods are not necessarily indicative of results for the full year.

The unaudited aggregated financial information of Ardagh Glass Limited and its subsidiaries for the twelve-month period ended March 31, 2003 consists of the audited combined financial statements and other data presented for the year ended December 31, 2002, as adjusted by deducting the equivalent information in the unaudited interim combined financial statements of Ardagh Glass Limited and its subsidiaries for the three-month period ended March 31, 2002, and aggregating the equivalent information in the unaudited aggregated interim financial statements of Ardagh Glass Limited and its subsidiaries for the three-month period ended March 31, 2003.

Unless otherwise indicated, the unaudited interim aggregated financial information for the three-month period ended and as at March 31, 2003 presented in this Offering Circular includes the results of operations of both the Restricted and Unrestricted Groups. For information relating to the performance of only the Restricted Group in the three-month period ended and as at March 31, 2003, see “Operating and Financial Review and Prospects” and “Unaudited Supplemental Information on the Subsidiary Guarantors”. The combined financial statements for all periods prior to January 1, 2003 include only the results of operations of the Restricted Group, as we did not acquire the subsidiaries in the Unrestricted Group until the first quarter of 2003.

In the opinion of management, the unaudited interim financial statements and information of Ardagh Glass Limited and its subsidiaries for the three-month periods ended and as of March 31, 2002 (combined) and 2003 (aggregated) and for the unaudited aggregated twelve-month period ended and as at March 31, 2003 have been prepared on the same basis, except for differences

between the consolidated and combined methods of compiling financial statements, as the audited combined financial statements of Ardagh Glass Limited and its subsidiaries and contain all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial position for the periods indicated.

The financial statements contained herein were prepared in accordance with U.K. GAAP, which differs in certain significant respects from U.S. GAAP. These differences, as they apply to us, are described in “Certain Differences Between U.K. GAAP and U.S. GAAP”. This table should be read in conjunction with other information contained under “Operating and Financial Review and Prospects” and the financial statements and related notes and other financial data included elsewhere in this Offering Circular. Historical results are not necessarily indicative of future expected results.

| | Audited Combined Year ended and as at December 31, | | | Unaudited Combined Three Months ended and as at March 31, 2002(1) | Unaudited Aggregated Three Months ended and as at March 31, 2003(2) | Unaudited Aggregated Twelve Months ended and as at March 31, 2003(3) |
|---|--|---------|---------|--|--|---|
| | 2000 | 2001 | 2002 | | | |
| <i>(in € millions, except ratios and where indicated)</i> | | | | | | |
| Profit and Loss Account Data: | | | | | | |
| Turnover | 280.2 | 266.9 | 289.7 | 55.9 | 100.6 | 334.4 |
| Cost of sales | (234.9) | (226.5) | (244.1) | (49.3) | (83.8) | (278.6) |
| Gross profit | 45.3 | 40.4 | 45.6 | 6.6 | 16.8 | 55.8 |
| Administrative expenses | (12.6) | (13.0) | (12.7) | (3.1) | (8.1) | (17.7) |
| Operating profit before exceptional items . . . | 32.7 | 27.4 | 32.9 | 3.5 | 8.7 | 38.1 |
| Exceptional item—profit on disposal of fixed assets | — | 6.3 | — | — | — | — |
| Profit on ordinary activities after exceptional items before interest and taxation | 32.7 | 33.7 | 32.9 | 3.5 | 8.7 | 38.1 |
| Net interest payable and similar charges . . . | (28.2) | (21.6) | (21.0) | (5.2) | (5.3) | (21.1) |
| Profit on ordinary activities before taxation . . | 4.5 | 12.1 | 11.9 | (1.7) | 3.4 | 17.0 |
| Tax on profit of ordinary activities | (3.6) | 0.1 | (0.9) | 0.4 | (0.2) | (1.5) |
| Retained profit for the financial period | 0.9 | 12.2 | 11.0 | (1.3) | 3.2 | 15.5 |
| Other Data: | | | | | | |
| Tonnes of glass sold ('000s) | 623.0 | 634.0 | 722.2 | 134.0 | 241.7 | 829.9 |
| Gross margin(4) | 16.2% | 15.1% | 15.7% | 11.8% | 16.7% | 16.7% |
| EBITDA(5) | 72.6 | 66.1 | 73.5 | 13.0 | 18.5 | 79.0 |
| EBITDA margin(5) | 25.9% | 24.8% | 25.4% | 23.3% | 18.4% | 23.6% |
| Depreciation | 35.7 | 34.5 | 36.5 | 8.5 | 8.8 | 36.8 |
| Amortization | 4.2 | 4.2 | 4.1 | 1.0 | 1.0 | 4.1 |
| Capital expenditure | | | | | | |
| Furnace rebuilds | 5.1 | 5.6 | 1.7 | 1.7 | — | — |
| Moulds | 6.4 | 5.8 | 6.5 | 2.1 | 1.4 | 6.3 |
| Machinery and equipment | 32.2 | 25.7 | 12.3 | 1.7 | 6.8 | 16.9 |
| Total capital expenditure | 43.7 | 37.1 | 20.5 | 5.5 | 8.2 | 23.2 |
| Net borrowings(6) | 286.3 | 273.3 | 243.2 | 284.5 | 271.2 | 271.2 |
| Ratio of net borrowings to EBITDA | 3.9x | 4.1x | 3.3x | N/A | N/A | 3.4x |
| Ratio of EBITDA to total net interest payable and similar charges | 2.6x | 3.1x | 3.5x | 2.5x | 3.5x | 3.7x |
| Ratio of earnings to fixed charges(7) | 1.2x | 1.5x | 1.5x | 0.7x | 1.6x | 1.8x |
| Cash Flow Data: | | | | | | |
| Cash flow from operating activities | 71.1 | 61.9 | 69.6 | 0.9 | (7.2) | 61.5 |
| Cash flow from investments and servicing of finance | (13.5) | (12.9) | (7.0) | (1.6) | (0.9) | (6.3) |
| Cash flow from taxation | (2.2) | (1.1) | (2.8) | — | (0.7) | (3.5) |
| Cash flow from capital expenditure and financial investment | (43.7) | (19.3) | (20.5) | (5.5) | (8.2) | (23.2) |
| Cash flow from management of liquid resources | (1.9) | (23.6) | 19.0 | (11.6) | (7.8) | 22.8 |
| Cash flow from financing | (13.7) | (52.1) | (18.2) | (5.4) | 2.9 | (9.9) |

| | Audited Combined Year ended and as at December 31, | | | Unaudited Combined Three Months ended and as at March 31, 2002(1) | Unaudited Aggregated Three Months ended and as at March 31, 2003(2) | Unaudited Aggregated Twelve Months ended and as at March 31, 2003(3) |
|--|--|-------|-------|--|--|---|
| | 2000 | 2001 | 2002 | | | |
| <i>(in € millions, except ratios and where indicated)</i> | | | | | | |
| Balance Sheet Data: | | | | | | |
| Cash | 24.9 | 4.6 | 29.9 | 4.6 | 18.6 | 18.6 |
| Working capital(8) | 30.0 | 35.6 | 40.4 | 47.4 | 85.3 | 85.3 |
| Total assets | 458.4 | 438.1 | 436.3 | 443.6 | 446.8 | 446.8 |
| Total borrowings(9) | 311.2 | 277.9 | 273.1 | 289.1 | 289.8 | 289.8 |
| Total shareholders' funds | 46.8 | 60.5 | 70.3 | 58.9 | 40.5 | 40.5 |
| Pro Forma Data:(10) | | | | | | |
| Net borrowings | | | | | | 258.5 |
| Ratio of net borrowings to EBITDA | | | | | | 3.3x |
| Net interest payable and similar charges | | | | | | 21.5 |
| Ratio of EBITDA to total net interest payable and similar charges | | | | | | 3.7x |

- (1) The unaudited interim combined financial statements for the three-month period ended and as at March 31, 2002 includes only the results and financial position of the U.K. glass container manufacturing activities. The operations in Italy and Germany had not been acquired as at March 31, 2002.
- (2) The unaudited interim aggregated financial information for the three-month period ended and as at March 31, 2003 is derived from the aggregation of the unaudited interim consolidated financial statements for the one-month period ended and as at March 31, 2003 and the unaudited interim combined financial statements for the two-month period ended February 28, 2003 and reflects the activity of all subsidiaries from January 1, 2003.
- (3) The unaudited aggregated financial information of Ardagh Glass Limited and its subsidiaries for the twelve-month period ended and as at March 31, 2003 consists of the audited combined financial statements and other data presented for the year ended and as at December 31, 2002, as adjusted by deducting the equivalent information in the unaudited interim combined financial statements of Ardagh Glass Limited and its subsidiaries for the three-month period ended and as at March 31, 2002, and aggregating the equivalent information in the unaudited interim aggregated financial information of Ardagh Glass Limited and its subsidiaries for the three-month period ended and as at March 31, 2003.

The unaudited aggregated financial information for the twelve-month period ended and as at March 31, 2003 includes the results of operations for the Restricted and Unrestricted Group. We acquired the Unrestricted Group in the first quarter of 2003. Turnover and EBITDA for the Unrestricted Group included in these totals was €26.8 million and €(0.8) million, respectively, for the three-month period ended March 31, 2003.

- (4) Gross margin is calculated as gross profit divided by turnover.
- (5) EBITDA is operating profit before depreciation, amortization, exceptional items, interest and taxation. EBITDA margin is calculated as EBITDA divided by turnover. EBITDA and EBITDA margin are presented because we believe that they are frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry. However, other companies may calculate EBITDA and EBITDA margin in a different manner than we do. EBITDA and EBITDA margin are not measurements of financial performance under U.K. GAAP 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) on ordinary activities as indicators of our operating performance or any other measures of performance derived in accordance with U.K. GAAP.

The reconciliation of operating profit to EBITDA is as follows:

| | Audited Combined Year ended December 31, | | | Unaudited Combined Three Months ended March 31, 2002(1) | Unaudited Aggregated Three Months ended March 31, 2003(2) | Unaudited Aggregated Twelve Months ended March 31, 2003(3) |
|---|--|-------------|-------------|---|---|--|
| | 2000 | 2001 | 2002 | | | |
| <i>(in € millions)</i> | | | | | | |
| Operating profit before exceptional items | 32.7 | 27.4 | 32.9 | 3.5 | 8.7 | 38.1 |
| Add back depreciation and amortization | 39.9 | 38.7 | 40.6 | 9.5 | 9.8 | 40.9 |
| EBITDA | <u>72.6</u> | <u>66.1</u> | <u>73.5</u> | <u>13.0</u> | <u>18.5</u> | <u>79.0</u> |

- (6) Net borrowings equals total borrowings less cash.
- (7) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of profit on ordinary activities before taxation plus fixed charges. Fixed charges consist of gross interest on all debt and one-third of property rental expense, which is used as an estimate of the interest factor of the property rental expenses.

- (8) Working capital is made up of stocks, trade debtors, other debtors, prepayments, trade creditors, other tax and social security payable, accruals and deferred income and pallet deposits. This definition excludes certain minor items included in debtors and creditors in the financial statements.
- (9) Total borrowings includes all bank borrowings as well as vendor loan notes, subordinated loan notes and deferred consideration loan notes, less unamortized debt issuance costs.
- (10) Pro forma annual interest payable and similar charges based on the refinancing as set out under "Capitalization" is set out below:

| | Interest Rate | Amount | Interest |
|--|--------------------------|------------------------|-----------------|
| | (%) | (in € millions) | |
| Notes offered hereby | 8.875 | 175.0 | 15.5 |
| New Anglo Irish Senior Secured Credit Facility(11) | 4.75 | 94.3 | 4.5 |
| Vereins Term Loan(11) | 6.0 | 9.9 | 0.6 |
| Heye Glas Receivables Discounting Facility(11) | 5.25 | 8.0 | 0.4 |
| Overdrafts and revolving credit lines(11)(12) | 5.0 | 7.3 | 0.4 |
| Amortization of €9.1 million debt issuance costs over 10 years | | | 0.9 |
| | | | <u>22.3</u> |
| Cash(12) | 3.0 | (26.9) | <u>(0.8)</u> |
| | | | <u>21.5</u> |

- (11) We estimate that a 0.25% change in variable interest rates in respect of these facilities and credit lines would result in a €0.2 million change in interest expense on an annual basis.
- (12) Management believes that amounts shown above for overdraft and revolving credit lines and cash are indicative of the average balances for the twelve-month period ended March 31, 2003. However, these are not necessarily indicative of such average balances to be expected for any financial year.

UNAUDITED SUPPLEMENTAL INFORMATION ON THE SUBSIDIARY GUARANTORS

Our obligations under the notes have been guaranteed by Ardagh Glass Limited and the Subsidiary Guarantors. As at the date of this Offering Circular, all of the Subsidiary Guarantors are classified as Restricted Subsidiaries, and all of the other (non-guarantor) subsidiaries are Unrestricted Subsidiaries. The following table, prepared in accordance with U.K. GAAP, sets forth the turnover, EBITDA, operating profit, and the assets and total borrowings of the Subsidiary Guarantors by jurisdiction and the other (non-guarantor) subsidiaries (in absolute terms and expressed as a percentage of our combined turnover, EBITDA, operating profit, and the assets and total borrowings) along with, in each case, intercompany eliminations at the dates, and for the periods indicated. For this purpose, the United Kingdom, Ireland and Guernsey have been combined. This table should be read in conjunction with “Operating and Financial Review and Prospects” and our financial statements and related notes thereto.

| Year ended and as at December 31, 2002 | | | | | | | | | | | | | |
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Profit and loss account data:

| | | |
|--|--------|-------|
| Turnover | 289.7 | (0.0) |
| Gross profit | 45.6 | 0.0 |
| Operating profit | 32.9 | (4.1) |
| Net interest payable and similar charges | (21.0) | 0.0 |
| Retained profit for the financial period | 11.0 | 0.0 |
| EBITDA | 73.5 | (0.0) |

Balance Sheet data:

| | | |
|-------------------------------------|---------|---------|
| Tangible fixed assets | 220.3 | 0.0 |
| Cash | 29.9 | 0.0 |
| Net working capital | 40.4 | 0.0 |
| Total assets | 884.6 | (448.3) |
| Total borrowings | (273.1) | 0.0 |
| Total shareholders' funds | 482.5 | (412.2) |

- (1) Includes Ardagh International Holdings Limited, Ardagh Glass (UK) Limited, Rockware Glass Limited and Ardagh Treasury Limited (excluding the Parent Guarantor, Ardagh Glass Limited).
- (2) Includes Heye Holding GmbH and Heye International GmbH.
- (3) Abruzzo Vetro S.r.l.
- (4) Ardagh Holdings B.V.
- (5) Since December 18, 2002, Ardagh International B.V. has been in voluntary liquidation. Its assets are only intercompany balances due from Ardagh International Holdings Limited and Ardagh Holdings B.V., which will be written off on completion of the liquidation process. If this liquidation had been completed as at December 31, 2002, the total assets of the Guarantors would have increased by €33.9 million.

| Three months ended and as at March 31, 2003 | | | | | | | | | | | | | |
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Profit and loss account data:

Turnover
Gross profit
Operating profit
Net interest payable and similar charges
Retained profit for the financial period
EBITDA

Balance sheet data:

Tangible fixed assets
Cash
Net working capital
Total assets
Total borrowings
Total shareholders' funds

- (1) Includes Ardagh International Holdings Limited, Ardagh Glass (UK) Limited, Rockware Glass Limited and Ardagh Treasury Limited (excluding the Parent Guarantor, Ardagh Glass Limited).
- (2) Includes Heye Holding GmbH and Heye International GmbH.
- (3) Abruzzo Vetro S.r.l.
- (4) Ardagh Holdings B.V.
- (5) Since December 18, 2002, Ardagh International B.V. has been in voluntary liquidation. Its assets are only intercompany balances due from Ardagh International Holdings Limited and Ardagh Holdings B.V., which will be written off on completion of the liquidation process. If this liquidation had been completed as at March 31, 2003, the total assets of the Guarantors would have increased by €33.8 million.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to our combined financial statements and the related notes thereto included in this Offering Circular beginning on page F-3. The following discussion should also be read in conjunction with “Presentation of Financial and Other Data” and “Selected Financial Data and Other Data”. Except for the historical information contained herein, the discussions in this section contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below. See “Forward-Looking Statements” and “Risk Factors”.

Although the Ardagh Glass Group did not exercise its option from Yeoman to acquire the assets of Heye Holding until March 3, 2003, the unaudited interim aggregated financial information for the three-month period ended March 31, 2003 presented in this Offering Circular includes the results of operations of Heye Holding and its subsidiaries since January 1, 2003 because our current senior executive officers managed all aspects of the business and operations of Heye Holding and its subsidiaries since that date.

Unless otherwise indicated, the unaudited interim aggregated financial information for the three-month period ended and as at March 31, 2003 presented in this Offering Circular includes the results of operations of both the Restricted and Unrestricted Groups. For information relating to the performance of only the Restricted Group in the three-month period ended and as at March 31, 2003, see “Operating and Financial Review and Prospects” and “Unaudited Supplemental Information on the Subsidiary Guarantors”. The combined financial statements for all periods prior to January 1, 2003 includes only the results of operations of the Restricted Group, as we did not acquire the subsidiaries in the Unrestricted Group until the first quarter of 2003.

References to “FY 2002” are to our fiscal year ending December 31, 2002, “FY 2001” are to our fiscal year ended December 31, 2001 and references to “FY 2000” are to our fiscal year ended December 31, 2000.

Overview

General

We are the leading supplier of glass containers in the United Kingdom with a 34% share of U.K. glass container production by volume in 2002. We have operated a glass container manufacturing business in Italy since our acquisition in July 2002 of Consumers Glass, which we have renamed Abruzzo Vetro. We are also a leading provider of technology and manufacturing equipment to the glass manufacturing industry through Heye International, a wholly-owned subsidiary of Heye Holding, which we acquired in March 2003. We also have glass container operations in Germany through Heye Glas, which is a wholly-owned subsidiary of Heye Holding.

In the United Kingdom, we are the leading glass container manufacturer, producing approximately 680,000 tonnes, or 2.4 billion glass containers, annually. In the three months ended March 31, 2003, our U.K. glass container business generated approximately 56% of our turnover. Substantially all of our U.K. glass container business’s sales are to customers in the United Kingdom. Unit sale prices vary by product and are dependent on the type of container (standard or specialized), the specifications of the container (size, shape, weight and color) and competitive pressures.

Demerger

Ardagh Glass Limited was formed on December 17, 2002, as a holding company for the glass container manufacturing business that was demerged from Ardagh plc effective as of February 28, 2003. Prior to the Demerger, Ardagh Glass Limited did not engage in any activities other than those related to its formation and was a wholly-owned subsidiary of Ardagh plc. For additional information regarding the Demerger, see “Certain Relationships and Related Party Transactions—The Demerger”. The combined and aggregated financial statements of Ardagh Glass Limited and its subsidiaries that are presented in this Offering Circular assume the existence of Ardagh Glass Limited throughout each of the periods covered by such financial statements and (except, as explained above, for the three-month period ended and as at March 31, 2003) that it was the parent company of the relevant subsidiaries as of the applicable acquisition dates by Ardagh plc.

Accordingly, the combined financial statements and other financial information and data included in this Offering Circular present information for activities of Ardagh Glass Limited and its subsidiaries that, prior to the Demerger, were undertaken by Ardagh plc or companies controlled by Ardagh plc. The financial statements and other financial information and data contained in this Offering Circular do not include the glass container manufacturing and ancillary operations of Ardagh plc in Ireland prior to the Demerger. See “Presentation of Financial and Other Data”.

Acquisitions

Our acquisition strategy has been to participate in the consolidation of the European glass industry through the careful evaluation, selection and pursuit of strategic opportunities throughout Europe. In line with this strategy, in July 2002, we acquired a glass container manufacturing business in Italy for €2.8 million. In the three-month period ended March 31, 2003, this business produced approximately 19,000 tonnes and generated approximately 5% of our turnover. The entire output of our Italian business is sold to a single customer, Peroni, pursuant to a long-term supply contract, which is the subject of an arbitration proceeding. See “Business—Legal Proceedings”.

In December 2002, Yeoman, currently a 38% shareholder of Ardagh Glass Limited, agreed to acquire the glass container, technology and manufacturing businesses and other assets of Hermann Heye KG, which was then in bankruptcy in Germany. Heye Holding, then a wholly-owned subsidiary of Yeoman, acquired the Heye assets at the request of Ardagh plc, as the bankruptcy administrator had required that the sale be completed by early January 2003, and Ardagh plc, as a public company, could not have met this timetable. The consideration for the acquisition was comprised of (1) a €10 million loan provided by Vereins, which was secured on the assets of Heye International, a company formed to operate the business and assets of the glass technology and manufacturing equipment business, (2) vendor loan notes and deferred payments consideration of €14 million and (3) the purchase by Rockware Glass Limited of €10 million of finished stock from Heye Glas, the company formed to operate the business and assets of the glass container operation. Heye Holding incurred transaction costs of €1.5 million in respect of the acquisition.

On January 6, 2003, we acquired from Yeoman an option to purchase all of the shares of Heye Holding, the newly-formed holding company for these businesses. On March 3, 2003, we exercised this option and acquired Heye Holding for a nominal amount and thereby assumed all of the debt of Heye Holding. See “Certain Relationships and Related Party Transactions”.

Heye Holding is the holding company for two distinct businesses located in Germany: (1) Heye International, a technology and manufacturing equipment business, and (2) Heye Glas, a glass container manufacturing business. Heye International and Heye Glas generated approximately 12% and approximately 27%, respectively, of our turnover in the three-month period ended March 31, 2003. Heye Glas and certain related subsidiaries of Heye Holding will be classified as members of the Unrestricted Group for purposes of the notes offered hereby. See “—Performance of the Restricted Group” and “Unaudited Supplemental Information on the Subsidiary Guarantors”.

Currency Risk

Our results of operations are affected by changes in currency exchange rates, principally between the pound and the euro. The functional currency of our U.K. operations is the pound, while our reporting currency is the euro. Fluctuations in the value of the pound with respect to the euro have had, and may continue to have, a significant impact on our financial condition and results of operations. In FY 2002, the depreciation of the pound against the euro decreased our turnover when translated into euro by approximately 1.1%. Currency fluctuations also have a significant impact on our balance sheet, particularly shareholders’ equity, when we translate the financial statements of our U.K. subsidiaries into euro, which is done on a monthly basis. As at December 31, 2002 and March 31, 2003, our shareholders’ equity was reduced by €4.3 million and €2.8 million, respectively, due to the translation of the financial statements of our U.K. subsidiaries.

In addition to currency translation risk, we are subject to currency transaction risk. In order to provide a “natural” hedge, we currently have our borrowings that relate to our U.K. operations in pounds. Interest payments in pounds help to offset our exposure to fluctuations in our pre-tax profits, as measured in euro, due to currency fluctuations, while pound-denominated debt is offset by pound-denominated assets. Our policy is, where practical, to match net investments in foreign

currencies with borrowings in the same currency. In relation to operational exposures, our policy is to place all excess foreign currency cash flow on currency deposit until such time as these cash flows are required to make payments to foreign currency creditors.

On the issuance of the notes offered hereby, we currently estimate that we will have approximately €90 million aggregate principal amount of borrowing that will be mismatched by pound assets. We intend to actively manage this exposure through the deployment of assets and liabilities throughout the Ardagh Glass Group and, when necessary, by entering into hedging arrangements that will substantially protect us from income and balance sheet exposure due to fluctuations in the exchange rate between the pound and the euro.

Seasonality

Due principally to the seasonal nature of the beverage industry, in which demand is stronger during the summer and during periods of warm weather, as well as during the holidays in December, our shipment volume of glass containers is typically lower in the first quarter. Accordingly, we build inventory in the first quarter in anticipation of these seasonal demands. In addition, we generally schedule shutdowns of our plants for rebuilding and repairs of machinery in the first quarter. These planned shutdowns and seasonal sales patterns adversely affect profitability in our glass manufacturing operations during our first quarter of the year. Our working capital requirements are greatest at the end of the first quarter and during the second quarter of the year.

Turnover

Glass Container Manufacturing. In the three-month period ended March 31, 2003, we generated approximately 88% of our turnover from the sale of glass beverage and food containers. Our turnover is primarily affected by shipment volume and price, as well as by changes in currency translation rates between the pound and the euro.

Glass Technology and Manufacturing Equipment. In the three-month period ended March 31, 2003, we generated approximately 12% of our turnover from our glass technology and manufacturing equipment business, Heye International. Its principal sources of revenue are component sales, which comprises equipment used in glass container manufacturing plants (69%), spare parts (18%), technical assistance agreements, whereby we license our glass technology to glass companies worldwide (7%) and service support for installed equipment (6%). While our turnover generated by component sales varies based upon customer demand for our turnkey projects, the turnover from spare parts, technical assistance agreements and service support typically remains relatively stable.

Turnover is reduced by sales incentives that are recorded by estimating expense based on our historical experience. Our normal credit terms in the glass container business provide for up to 30 days credit from the date of the monthly statement to customers, although longer credit terms are provided for by our customer contract in Italy. Normal credit terms in our Heye International business are 30 days, except that we require prepayment on a staged basis for major assembly projects. We perform ongoing credit evaluation of our customers and maintain allowances for potential credit losses based on historical experience.

Cost of Sales

Glass Containers. The elements of our cost of sales of our glass container manufacturing business include (1) variable costs, such as natural gas and electricity, raw materials (including the cost of cullet), packaging materials, decoration, freight and other distribution costs, and (2) fixed costs, such as labor and other plant-related costs including depreciation, maintenance, sales, marketing and administration costs. Our variable costs typically constitute approximately 40% and fixed costs approximately 60% of our total cost of sales for our glass container manufacturing business. As a high percentage of our cost of sales are fixed costs, our results of operations are significantly dependent upon volumes.

Glass Technology and Manufacturing Equipment. The majority of the cost of sales of Heye International are variable costs, such as costs relating to purchasing materials, including components and spare parts, and subcontractor service costs. The fixed costs of Heye International principally include labor, rent and travel costs.

Critical Accounting Policies

We prepare our financial statements in accordance with U.K. GAAP. A summary of our significant accounting policies is contained in our combined financial statements beginning on page F-6. In applying many accounting principles, we need to make assumptions, estimates and judgments, which are often subjective and may be affected by changing circumstances or changes in our analysis. Material changes in these assumptions, estimates and judgments have the potential to materially alter our results of operations. We have identified below those of our accounting policies that we believe could potentially produce materially different results if we were to change our underlying assumptions, estimates and judgments.

Revenue Recognition

Glass Containers. Most of our sales of glass containers are generally unconditional sales that are recorded when product is delivered and invoiced to our customers.

Glass Technology and Manufacturing Equipment. Certain large project sales of Heye International are recorded on a percentage-of-completion basis where they relate to turnover earned from long-term construction contracts. Under this methodology, we compare the total costs incurred to date to the total estimated costs for the contract and record that proportion of the total contract turnover in the period. Contract costs include materials, labor and other direct costs related to contract performance. Provisions are established for estimated losses, if any, on uncompleted contracts in the period in which such losses are determined. Amounts representing changes to contract orders, claims or other items are included in sales only when customers have approved them. A significant number of estimates are used in these computations. We did not account for any of our turnover in the three-month period ended March 31, 2003 in this manner. Turnover generated from large project sales is variable and this may impact future periods.

Most sales by Heye International relating to spare parts and equipment are recorded when product is delivered and invoiced to customers. Sales relating to technical assistance agreements are generally recognized on an accruals basis over the financial year. Sales from Heye International relating to service support are generally recorded on a monthly basis based on manpower time.

Pension liabilities

We operate a funded pension scheme in the United Kingdom providing benefits based on final pensionable pay. The assets of the scheme are held separately from our funds, being invested with professional investment managers. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with us.

The determination of pension surpluses or deficits involves significant estimates. The most significant estimates are the discount rate used to calculate the actuarial present value of benefit obligations, the rate of increases in salaries and the expected long-term rate of return on assets used in calculating the pension surplus for the year. We have assumed that salary increases would average 4% per annum. We use an expected long-term rate of return that is based on past performance of the various plans' assets and an estimate of the future performance of the assets. For FY 2002, the average expected long-term rate of return for the defined benefit pension scheme was 7.5% per annum pre-retirement and 6% per annum post-retirement, that salary increases would average 4% per annum and that present and future pensions would increase at a rate of 3% per annum.

Future effects on reported results of operations depend on economic conditions and investment performance. For example, a one-half percentage point change in the actuarial assumption regarding the expected rate of return on assets could result in a change of approximately €0.6 million in pre-tax pension charge for the full year. In addition, changes in external factors, including the fair values of plan assets and the discount rate used to calculate the actuarial present value of benefit obligations, could result in the possible balance sheet recognition of additional pension liabilities.

Following the Demerger a full actuarial valuation on the basis of Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Pension Costs" was completed effective as of February 28, 2003. The result of this actuarial valuation was that a pension deficit of €22.6 million

was estimated at this date. This deficit arose primarily as a result of declining equity markets in recent years. We have recognized this deficit on our balance sheet with a consequent adjustment to our total shareholders' funds.

Our annual pension charge for FY 2002 was €3.8 million (FY 2001: €1.4 million). The increase reflects the increased funding contributions of €4.8 million per annum we put in place in July 2002. We are currently reviewing a proposal from our actuaries to further increase our funding by €1.2 million on an annualized basis in 2003.

Goodwill

Goodwill represents the difference between the fair value of consideration paid for acquired businesses and the fair value of their underlying assets. Goodwill is recorded in the balance sheet as either an asset or liability and amortized over its estimated useful life, which will not exceed 20 years. If we would be required to record a significant write-down of goodwill, the charge would have a material adverse effect on our reported results of operations and net worth.

Performance of the Restricted Group

The following table shows selected profit and loss line items and the EBITDA of the Restricted and Unrestricted Groups based on the aggregated results for the three-month period ended March 31, 2003.

| | Three Months ended March 31, 2003 | | | | |
|--|-----------------------------------|-----|--------------------|------|------------------------|
| | Restricted Group | | Unrestricted Group | | Aggregated Group Total |
| | (in € millions) | (%) | (in € millions) | (%) | (in € millions) |
| Turnover | 73.8 | 73 | 26.8 | 27 | 100.6 |
| Gross profit | 13.8 | 82 | 3.0 | 18 | 16.8 |
| Operating profit before exceptional items . . . | 9.5 | 109 | (0.8) | (9) | 8.7 |
| Net interest payable and similar charges . . . | (5.1) | 96 | (0.2) | 4 | (5.3) |
| Retained profit for the financial period | 4.1 | 128 | (0.9) | (28) | 3.2 |
| EBITDA | 19.3 | 104 | (0.8) | (4) | 18.5 |

Results of Operations

Three-month periods ended March 31, 2003 and 2002

Although the Ardagh Glass Group did not exercise its option from Yeoman to acquire the shares of Heye Holding until March 3, 2003, the unaudited interim aggregated financial information for the three-month period ended March 31, 2003 presented in this Offering Circular includes the results of operations of Heye Holding and its subsidiaries since January 1, 2003 because our current senior executive officers managed all aspects of the business and operations of Heye Holding and its subsidiaries during this period.

You should note that the first quarter is generally less meaningful to operations than annual results. Due to the seasonality of the glass container industry, shipment volume is typically lower in the first quarter and we build inventory during this period. In addition, we generally schedule shutdowns of our plants for rebuilding and repairs of machinery in the first quarter. As a result, there are generally negative cash flows and greater working capital requirements in the first quarter. In addition, it may be difficult to compare our results of operations for the three-month period ended and as at March 31, 2003 and the three-month period ended and as at March 31, 2002 because of the acquisitions of Abruzzo Vetro and Heye Holding.

Turnover. Turnover increased by €44.7 million, or 80.0%, to €100.6 million in the three-month period ended March 31, 2003 from €55.9 million in the three-month period ended March 31, 2002. €5.9 million of this increase was attributable to turnover generated by Abruzzo Vetro, and €38.8 million of this increase was attributable to turnover generated by Heye Holding, of which €26.8 million was largely attributable to turnover generated by our unrestricted subsidiary, Heye Glas. Excluding these acquisitions, turnover in the three-month period ended March 31, 2003 was unchanged at €55.9 million from the three-month period ended March 31, 2002. Although our turnover in pound terms of our U.K. operations increased by 6.6% for the three-month period ended

March 31, 2003 from the three-month period ended March 31, 2002 due principally to a combination of higher prices and shipment volumes, this was offset by a fall in the value of the pound relative to the euro of 6.4%. Turnover of our Restricted Subsidiaries was €73.8 million in the three-month period ended March 31, 2003.

Cost of Sales. Cost of sales increased by €34.5 million, or 70.0%, to €83.8 million in the three-month period ended March 31, 2003 from €49.3 million in the three-month period ended March 31, 2002. Of this increase in cost of sales, €5.3 million was attributable to Abruzzo Vetro, and €32.1 million of this increase was attributable to Heye Holding, of which €23.7 million was largely attributable to Heye Glas. Excluding Abruzzo Vetro and Heye Holding, cost of sales in the three-month period ended March 31, 2003 was €46.4 million, or 83.0% of U.K. turnover, as compared with €49.3 million, or 88.2% of U.K. turnover, in the three-month period ended March 31, 2002. This decline in cost of sales was due to the depreciation of the pound against the euro. The improvement in the margin principally reflects productivity improvements, increased shipment volumes and the impact of price increases. Excluding the impact of currency fluctuations and the acquisitions, U.K. cost of sales as a percentage of turnover decreased by 5.2%.

Gross Profit. Gross profit increased by €10.2 million, or 154.5%, to €16.8 million in the three-month period ended March 31, 2003 from €6.6 million in the three-month period ended March 31, 2002 due to the factors described above. Abruzzo Vetro and Heye Holding contributed €0.6 million and €6.7 million of this increase, respectively.

Administrative Expenses. Administrative expenses consist of selling and general administrative expenses. Administrative expenses increased by €5.0 million, or 161.3%, to €8.1 million in the three-month period ended March 31, 2003 as compared with €3.1 million in the three-month period ended March 31, 2002. This increase was due principally to expenses relating to the acquisition of the Heye Holding business, which accounted for €4.4 million of the increase, Abruzzo Vetro, which accounted for €0.2 million and central overheads of Ardagh Glass Limited, which accounted for €0.6 million. Translation of pounds into euro at a lower exchange rate in the three-month period ended March 31, 2003 compared to the three-month period ended March 31, 2002 accounted for the decline in administrative expenses in the United Kingdom.

Operating Profit. Operating profit before exceptional items increased by €5.2 million, or 148.6%, to €8.7 million in the three-month period ended March 31, 2003 from €3.5 million in the three-month period ended March 31, 2002 due to the factors described above. Operating profit of our Restricted Subsidiaries was €9.5 million in the three-month period ended March 31, 2003.

Net Interest Payable and Similar Charges. Net interest payable and similar charges remained stable at €5.3 million in the three-month period ended March 31, 2003 as compared with €5.2 million in the three-month period ended March 31, 2002. Heye Holding accounted for €0.5 million and Abruzzo Vetro €0.2 million, respectively, of this expense in the three-month period ended March 31, 2003. Reduced borrowings in our U.K. operations combined with the translation effect of the depreciating pound against the euro resulted in a lower interest charge when the impact of these acquisitions are removed.

Tax on Profit on Ordinary Activities. Tax on profit of ordinary activities was €0.2 million in the three-month period ended March 31, 2003 as compared with a €(0.4) million credit in the three-month period ended March 31, 2002. This increase was due principally to increased profitability and a small tax charge in Italy.

Retained Profit. Retained profit increased by €4.5 million to €3.2 million in the three-month period ended March 31, 2003 from €(1.3) million in the three-month period ended March 31, 2002 for the reasons stated above. Heye Holding and Abruzzo Vetro accounted for €1.8 million and €0.2 million of this increase, respectively.

Years ended December 31, 2002 and 2001

Turnover. Turnover increased by €22.8 million, or 8.5%, to €289.7 million in FY 2002 from €266.9 million in FY 2001. Of this increase in turnover, €12.2 million was attributable to the acquisition of Abruzzo Vetro. The remainder of this increase was due principally to our U.K. glass manufacturing business increasing turnover by €10.6 million, or 4.0%, to €277.5 million in FY 2002 from €266.9 million in FY 2001. This increase in turnover in the United Kingdom was due to an

increase in volume of glass containers sold in 2002, particularly in the food, beer and FABs sectors, offset by an average price decline due primarily to contractual commitments entered into in previous years. The increase in turnover was offset partially by the depreciation of the pound against the euro. Excluding the impact of currency fluctuations, our U.K. turnover increased by 5.2%.

Cost of Sales. Cost of sales increased by €17.6 million, or 7.8%, to €244.1 million, or 84.3% of turnover, in FY 2002 from €226.5 million, or 84.9% of turnover, in FY 2001. This slight improvement in margin principally reflected the impact of the acquisition of Abruzzo Vetro. Excluding the impact of currency fluctuations, our U.K. cost of sales increased by 4.8%.

Gross Profit. Gross profit increased by €5.2 million, or 12.9%, to €45.6 million in FY 2002 from €40.4 million in FY 2001 due to the factors described above. The acquisition of Abruzzo Vetro contributed €2.3 million of this increase in gross profit in FY 2002.

Administrative Expenses. Administrative expenses remained relatively stable at €12.7 million in FY 2002 as compared with €13.0 million in FY 2001. Although the acquisition of Abruzzo Vetro increased our administrative expenses, this increase was offset by the depreciation of the pound against the euro.

Operating Profit. Operating profit before exceptional items increased by €5.5 million, or 20.1%, to €32.9 million in FY 2002 from €27.4 million in FY 2001 due to the factors described above.

Exceptional Item—Profit on Disposal of Fixed Assets. In FY 2001, we realized a gain of €6.3 million as a result of the sale of our purpose-built warehouse in Wheatley, England to a financial institution from whom we leased back the facility. We did not record any exceptional items in FY 2002.

Profit on Ordinary Activities before Interest and Taxation. Profit on ordinary activities before interest and taxes decreased by €0.8 million, or 2.4%, to €32.9 million in FY 2002 from €33.8 million in FY 2001. Abruzzo Vetro contributed €1.8 million to pre-tax profit in FY 2002. The decline in profit for FY 2002, excluding the effect of the acquisition of Abruzzo Vetro, was due to the depreciation of the pound against the euro.

Net Interest Payable and Similar Charges. Net interest payable and similar charges decreased by €0.6 million, or 2.8%, to €21.0 million in FY 2002 from €21.6 million in FY 2001. This decrease was due principally to lower outstanding borrowings under the Existing Senior Secured Credit Facility and lower variable rate interest rates, offset partially by interest payments attributable to Abruzzo Vetro of €0.4 million in FY 2002.

Tax on Profit on Ordinary Activities. Tax on profit of ordinary activities was €0.9 million in FY 2002 as compared with a €(0.1) million credit in FY 2001. This increase was due principally to higher taxable profits in FY 2002 and tax attributable to Abruzzo Vetro of €0.2 million, offset partially by the sale of unutilized tax losses for €0.7 million.

Retained Profit. Retained profit decreased by €1.2 million, or 9.8%, to €11.0 million in FY 2002 from €12.2 million in FY 2001 for the reasons stated above.

Years ended December 31, 2001 and 2000

Turnover. Turnover decreased by €13.3 million, or 4.7%, to €266.9 million in FY 2001 from €280.2 million in FY 2000. Excluding the impact of currency fluctuations, our turnover decreased by 2.8%. This decrease was due to reduced turnover in the United Kingdom due to the switch by a major soft drinks customer to alternative forms of packaging. Sales volume declined by 0.9% and prices by 1.7% as lost volumes were partially recovered at the expense of overall margins. The depreciation of the pound against the euro increased this decline.

Cost of Sales. Cost of sales decreased by €8.4 million, or 3.6%, to €226.5 million, or 84.9% of turnover, in FY 2001 from €234.9 million, or 83.8% of turnover, in FY 2000. This decline in margin principally reflected pricing pressure as lower margin business replaced business lost to alternative forms of packaging. Excluding the impact of currency fluctuations, our cost of sales decreased by 1.6%.

Gross Profit. Gross profit decreased by €4.9 million, or 10.8%, to €40.4 million in FY 2001 from €45.3 million in FY 2000 due to the factors described above.

Administrative Expenses. Administrative expenses increased by €0.4 million, or 3.2%, to €13.0 million in FY 2001 as compared with €12.6 million in FY 2000. This increase was due mainly to a general increase in costs and translation of pounds into euro.

Operating Profit. Operating profit before exceptional items decreased by €5.3 million, or 16.2%, to €27.4 million in FY 2001 from €32.7 million in FY 2000 due to the factors described above.

Exceptional Item—Profit on Disposal of Fixed Assets. In FY 2001, we realized a gain of €6.3 million as a result of the sale of our purpose-built warehouse in Wheatley to a financial institution from whom we leased back the facility. We did not record any exceptional items in FY 2000.

Profit on Ordinary Activities before Interest and Taxation. Profit on ordinary activities before interest and taxes increased by €1.0 million, or 3.1%, to €33.7 million in FY 2001 from €32.7 million in FY 2000. This increase was due entirely to the profit on the sale and leaseback transaction described above, offset in part by the other factors above.

Net Interest Payable and Similar Charges. Net interest payable and similar charges decreased by €6.6 million, or 23.4%, to €21.6 million in FY 2001 from €28.2 million in FY 2000. This was due principally to lower outstanding borrowings under the Existing Senior Secured Credit Facility, offset by accrued interest on our loan notes and deferred financing notes. In addition, a charge of €3.1 million in FY 2000 arose from the write off of deferred financing costs on the refinancing of our bank debt, which did not arise in FY 2001.

Tax on Profit on Ordinary Activities. Tax on profit of ordinary activities was €(0.1) million credit in FY 2001 as compared with €3.6 million in FY 2000. This decrease was due principally to the utilization of capital gains tax losses and adjustments to tax charges for previous periods.

Retained Profit. Retained profit increased by €11.3 million to €12.2 million in FY 2001 from €0.9 million in FY 2000 for the reasons stated above.

Liquidity and Capital Resources

Cash Requirements Related to Operations

Immediately following the offering, our principal sources of cash will be (1) cash generated from operations and (2) external financing, including borrowings under revolving credit facilities. Our principal funding arrangements include borrowings available under the Royal Bank of Scotland Invoice Discounting Agreement, the NatWest Revolving Loan and Overdraft Facility Agreement, the NatWest Ancillary Facility and the Vereins Working Capital and Performance Guarantee Credit Lines. These and other sources of external financing are described further under “Description of Other Indebtedness”.

The following table sets forth certain information reflecting our ability to make principal and interest payments in respect of our existing debt (“repayment capacity”).

| Cash Flow Operating Measure | Year ended December 31, | | | Three Months ended March 31, | |
|---|----------------------------|-------------|-------------|------------------------------------|---------------|
| | 2000 | 2001 | 2002 | 2002 | 2003 |
| | (in € millions) | | | | |
| EBITDA(1) | 72.6 | 66.1 | 73.5 | 13.0 | 18.5 |
| (Increase)/decrease in working capital(2) | (1.2) | (5.6) | (4.8) | (11.8) | (25.6) |
| Gross purchase of fixed assets(3) | (43.7) | (37.1) | (20.5) | (5.5) | (8.2) |
| Taxation paid | (2.2) | (1.1) | (2.8) | — | (1.6) |
| Total | <u>25.5</u> | <u>22.3</u> | <u>45.4</u> | <u>(4.3)</u> | <u>(16.9)</u> |

(1) EBITDA is operating profit before depreciation, amortization, exceptional items, interest and taxation. EBITDA is presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry. However, other companies may calculate EBITDA in a different manner than we

do. EBITDA is not measurements of financial performance under U.K. GAAP 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) on ordinary activities as indicators of our operating performance or any other measures of performance derived in accordance with U.K. GAAP.

- (2) The increase in working capital is derived from the working capital amounts set out under “Selected Financial Data and Other Data”.
- (3) Represents cash consideration paid in respect of purchase of fixed assets excluding the cash proceeds from the sale of fixed assets. These amounts exclude fixed assets acquired in connection with the Abruzzo Vetro and Heye Holding acquisitions.

During the three-month period ended March 31, 2003, our EBITDA less working capital changes was €(7.1) million, as compared with €1.2 million for the three-month period ended March 31, 2002. The €(7.1) million reflected operating profit plus depreciation and amortization of €18.5 million, offset by an increase of €(25.6) million in working capital. A substantial portion of the increase in working capital resulted from the need to finance stock and debtors at Heye Glas, which had effectively limited stocks and no working capital when acquired in January 2003. We also purchased tangible fixed assets of €8.2 million, and paid interest and tax of €1.6 million during this period. As a result, we had repayment capacity in the three-month period ended March 31, 2003 of €(16.9) million. In the three-month period ended March 31, 2002, which is not affected by the acquisitions of Abruzzo Vetro and Heye Holding, we had repayment capacity of €(4.3) million. This was due principally to the seasonality of the glass container industry in which volumes are typically lower in the first calendar quarter and inventory builds up during this period.

During FY 2002, our EBITDA less working capital changes was €68.7 million, as compared with €60.5 million in FY 2001. We used cash during FY 2002 to purchase tangible fixed assets (€20.5 million) and to meet tax payments (€2.8 million). As a result, we had repayment capacity of €45.4 million, which we used to reduce bank borrowings and to increase our cash balance.

As of March 31, 2003, based on our current expectations, we believe that cash flow from our operating activities together with borrowings under existing committed lines of credit and the net proceeds of this offering will be adequate to fund our current debt service obligations as they become due, working capital needs (other than future acquisitions) and anticipated capital expenditures. Our future operating performance and ability to service our existing and future debt will be subject to future economic conditions and financial, business and other factors, many of which are beyond our control. See “Risk Factors—Risks Relating to Our Business”.

Our borrowing and working capital needs are typically higher in the second calendar quarter due to the seasonality of our business. We expect that our principal use of funds over the next 12 months will be to:

- fund operating expenses and working capital;
- service debt, including servicing the interest payable on the notes offered hereby and external borrowings; and
- undertake scheduled plant maintenance, furnace rebuilds and capital improvements.

External Financings

New Anglo Irish Senior Secured Credit Facility. Ardagh Glass (UK) Limited and Ardagh Treasury Limited have entered into a facility agreement dated June 26, 2003, with Anglo Irish Bank Corporation Plc pursuant to which Anglo Irish Bank Corporation Plc will make available funds up to an aggregate principal amount of £65 million, all of which is expected to be drawn upon completion of the offering of the notes. The New Anglo Irish Senior Secured Credit Facility will replace the Existing Senior Secured Credit Facility. The facility will be secured by a guarantee and debenture granted by and over the assets of each of Ardagh Glass (UK) Limited and Ardagh Treasury Limited and their respective subsidiaries. See “Description of Other Indebtedness—New Anglo Irish Senior Secured Credit Facility”. The closing of the New Anglo Irish Senior Secured Credit Facility is conditional on the closing of the offering of the notes. See “Description of Other Indebtedness—New Anglo Irish Senior Secured Credit Facility”.

The Royal Bank of Scotland Invoice Discounting Agreement. The Royal Bank of Scotland Commercial Services Limited has made available to Rockware Glass Limited an invoice discounting

facility of up to an aggregate principal amount of £20 million. This facility is available to Rockware Glass Limited until September 30, 2003 at which time the parties intend to renegotiate the facility. As of March 31, 2003, there were no borrowings outstanding under this facility. See “Description of Other Indebtedness—Royal Bank of Scotland Invoice Discounting Agreement”.

NatWest Revolving Loan and Overdraft and Ancillary Facilities. Rockware Glass Limited has also entered into a facility agreement dated March 6, 2001, with National Westminster Bank PLC pursuant to which National Westminster Bank PLC makes available a revolving loan facility of up to £4 million and an overdraft and ancillary facilities of up to £2 million. As of March 31, 2003, an aggregate amount of £1 million remained available to be drawn under these facilities. See “Description of Other Indebtedness—NatWest Revolving Loan and Overdraft Facility Agreement” and “—NatWest Ancillary Facility”.

Vereins Term Loan. In connection with the acquisition of the main operating divisions of Hermann Heye KG in Germany, we entered into a credit facility dated December 20, 2002 with Vereins- und Westbank AG, pursuant to which Heye International borrowed an aggregate principal amount of €10 million. Payments of principal and interest under the loan are repayable in equal semi-annual installments and we expect to make the final payment on May 15, 2008. See “Description of Other Indebtedness—Vereins Term Loan”.

Vereins Working Capital and Performance Guarantee Credit Lines. Heye International has two lines of credit with Vereins- und Westbank AG, each in an aggregate principal amount of €5 million. One line of credit may be utilized to enhance its short-term working capital and the other may be utilized to guarantee payments relating to Heye International’s project business. These lines of credit expire on November 30, 2003. As of March 31, 2003, an aggregate amount of €10 million was available under these two lines of credit. See “Description of Other Indebtedness—Vereins Working Capital and Performance Guarantee Credit Lines”.

As of March 31, 2003, after giving effect to the repayment in full of the Existing Senior Secured Credit Facility and borrowings under the New Anglo Irish Senior Secured Credit Facility, we would have had €161.6 million of committed credit facilities, of which €119.5 million was borrowed.

We are currently scheduled to make principal payments in respect of the outstanding debt in amounts of approximately €8.7 million during 2003 and approximately €13.8 million during 2004. Some of our committed credit lines are subject to certain financial covenants, including EBIT to senior debt interest, cash flow to debt service and minimum tangible net worth ratios. Our ability to comply with these covenants will depend on our operating performance and level of indebtedness.

Off-Balance Sheet Items

We do not engage in off-balance sheet financing activities, and do not have any off-balance sheet debt obligations.

Capital Expenditures

Capital expenditures were €20.5 million in FY 2002, as compared with €37.1 million in FY 2001 and €43.7 million in FY 2000. The high level of capital expenditure in FY 2000 reflected the investment in a purpose-built warehouse in Wheatley, England, which we then sold and leased back from a financial institution in 2001. The lower level of capital spending in FY 2002 reflected the absence of any major furnace overhaul or rebuild.

Based on existing operations and current conditions, we expect to incur capital expenditures in FY 2003 of approximately €29 million including approximately €6.5 million relating to capital expenditures by subsidiaries in the Unrestricted Group to be funded by borrowings by the Unrestricted Group. We expect to direct our capital expenditures on capital replacement, equipment upgrades and efficiency projects. However, actual capital expenditures incurred during 2003 will depend on a number of factors, including plant maintenance and furnace rebuilds, general economic conditions and growth prospects. We expect that we will fund such expenditures from operating cash flow after providing for interest and tax payments.

Debt

Contractual Obligations and Commercial Commitments

Contractual Obligations. The table below provides certain information concerning scheduled payments under our contractual obligations, after giving effect to the offering of the notes, borrowings under the New Anglo Irish Senior Secured Credit Facility and the application of the net proceeds therefrom:

| | Payments Due by Period | | | | Total |
|--|------------------------|--------------|--------------|------------------|--------------|
| | Less than 1 year | 1-2 years | 3-5 years | After 5 years | |
| | (in € millions) | | | | |
| New Anglo Irish Senior Secured Credit Facility | 10.4 | 15.7 | 28.7 | 39.5 | 94.3 |
| Notes offered hereby | — | — | — | 175.0 | 175.0 |
| Other debt(1) | 17.1(1) | 1.8 | 5.4 | 0.9 | 25.2 |
| | <u>27.5</u> | <u>17.5</u> | <u>34.1</u> | <u>215.4</u> | <u>294.5</u> |
| Unamortized debt issuance costs: | | | | | (9.1) |
| Total after U.K. GAAP adjustments | | | | | <u>285.4</u> |

(1) Represents (a) €4.4 million under the Royal Bank of Scotland Invoice Discounting Agreement, (b) €2.6 million payable pursuant to a medium term loan agreement among Abruzzo Vetro, Mediocredito Centrale S.p.A. and the other financial institutions named therein, (c) €1.8 million relating to scheduled payments of principal and interest under the Vereins Term Loan, and (d) €8.3 million due under the Heye Glas Receivables Discounting Facility. Of these amounts, €15.3 million represents outstanding balances under revolving credit facilities as at March 31, 2003 which are available upon repayment. For additional information relating to our debt, see "Description of Other Indebtedness" and note 13 to the audited combined financial statements beginning on page F-13.

Commercial Commitments. At December 31, 2002, our annual commitments for principal payments under non-cancellable operating leases were as follows:

| | Land and buildings €'000 | Other €'000 |
|--------------------------------------|--------------------------------|----------------|
| Operating leases which expire: | | |
| Within 1 year | — | 130 |
| Within 2–5 years inclusive | 193 | 564 |
| After 5 years | <u>1,574</u> | <u>—</u> |
| | <u>1,767</u> | <u>694</u> |

Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk primarily consists of:

- interest rate risk associated with our variable rate debt;
- foreign currency exchange rate risk primarily associated with our operations in the United Kingdom and the issuance of the notes offered hereby; and
- commodity price risk associated with natural gas.

Derivative transactions are only undertaken for the purposes of managing interest rate risk and currency risk. We do not trade in financial instruments. We review and agree objectives and treasury policies for managing each of these risks and they are summarized below.

Interest Rate Risk

We periodically utilize interest rate swap agreements to manage and mitigate our exposure to changes in interest rates. At December 31, 2002, we had an interest rate hedging agreement which matures in December 2004 and sets a maximum limit on interest rates at 6% and an interest rate floor agreement which matures in October 2004 and places a floor on interest rates at 5.1%. The amount capped and floored reduces over time. Pursuant to the New Anglo Irish Senior Secured

Credit Facility, we are obligated to hedge at least 25% of our interest rate exposure. Our current interest rate swap agreement satisfies this obligation.

After giving effect to this offering, borrowings under the New Anglo Irish Senior Secured Credit Facility and the application of the net proceeds therefrom, as of March 31, 2003, we would have had €119.5 million of debt bearing interest at variable rates. Based upon the amount of variable rate debt outstanding, taking into account our interest rate cap and floor agreements, as of December 31, 2002 our net income would decrease by approximately €0.8 million for each one percentage point increase above our interest rate cap in the interest rates applicable to our variable rate debt in 2003. The amount of our variable rate debt may fluctuate significantly as a result of changes in the amount of debt outstanding under our credit facilities from time to time. For additional information concerning the terms of our variable rate debt, see note 28 to our combined financial statements.

Currency Exchange Risk

Our results of operations are affected by changes in currency exchange rates, principally between the pound and the euro. The functional currency of our U.K. operations is the pound, while our reporting currency is the euro. Fluctuations in the value of the pound 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. In FY 2002, the depreciation of the pound against the euro decreased our U.K. turnover when translated into euro by approximately 1.1%. Currency fluctuations also have a significant impact on our balance sheet, particularly shareholders' equity, when we translate the financial statements of our U.K. subsidiaries into euro which is done on a monthly basis. As at December 31, 2002 and March 31, 2003, our shareholders' equity was reduced by €4.3 million and €2.8 million, respectively, due to the translation of the financial statements of our U.K. subsidiaries.

In addition to currency translation risk, we are subject to currency transaction risk. In order to provide a "natural" hedge, we currently have our borrowings that relate to our U.K. operations in pounds. Interest payments in pounds help to offset our exposure to fluctuations in our pre-tax profits, as measured in euro, due to currency fluctuations, while pound-denominated debt is offset by pound-denominated assets. Our policy is, where practical, to match net investments in foreign currencies with borrowings in the same currency. In relation to operational exposures, our policy is to place all excess foreign currency cash flow on currency deposit until such time as these cash flows are required to make payments to foreign currency creditors.

On the issuance of the notes offered hereby, we currently estimate that we will have approximately €90 million aggregate principal amount of borrowings that will be mismatched by pound assets. We intend to actively manage this exposure through the deployment of assets and liabilities throughout the Ardagh Glass Group and, when necessary, by entering into hedging arrangements that will substantially protect us from income and balance sheet exposure due to fluctuations in the exchange rate between the pound and the euro.

Commodity Price Risk

We are exposed to movements in the price of natural gas. We purchase all of our natural gas requirements in the spot markets using, where possible, surplus liquidity to purchase natural gas in advance of actual requirements when the prevailing spot price is attractive. 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. If the spot price of natural gas rises unexpectedly and we have not purchased natural gas in advance of our usage requirements, our earnings and cash flows could be adversely effected.

Changes in Accounting Policies

FRS 17—Retirement Benefits

Financial Reporting Standard 17—"Retirement Benefits", was issued by the Accounting Standards Board in November 2000 and represents a significant change in the method of accounting for pension costs compared with the previous rules as set out in Statement of Standard Accounting Practice 24. Full implementation of the new accounting rules prescribed by FRS 17

have been deferred by the Accounting Standards Board until financial years ending on or after May 31, 2003. We have elected to avail ourselves of the transitional provisions outlined in the standard in preparing the combined financial statements for FY 2002 which permit the application of SSAP 24 for determining pension costs but require the additional disclosure of the impact of the adoption of FRS 17 as at December 31, 2002. These additional FRS 17 disclosures are set out at note 23 to our combined financial statements on page F-19. These disclosures do not necessarily reflect the impact that FRS 17 may have when fully implemented.

FRS 19—Deferred Tax

Financial Reporting Standard 19—“Deferred Tax” introduced a form of full provision for deferred tax which replaced the ‘partial’ provision method in SSAP 15—“Accounting for deferred taxation”. Deferred tax should be provided on timing differences recognized by the balance sheet date, but only when the entity has an obligation to pay more tax in the future as a result of the reversal of those timing differences. The standard applied to accounting periods ending on or after January 23, 2003, but early adoption was encouraged. We have adopted the requirements of FRS 19 early and it has been applied in preparing our combined financial statements for each year in the three year period ended December 31, 2002.

BUSINESS

Overview

We are the leading supplier of glass containers in the United Kingdom with an approximate 34% share of U.K. glass container production by volume in 2002. We have operated a glass container manufacturing business in Italy since our acquisition in July 2002 of Consumers Glass S.r.l., which we have renamed Abruzzo Vetro S.r.l. We are also a leading provider of technology and manufacturing equipment to the glass manufacturing industry through Heye International, a wholly-owned subsidiary of Heye Holding, which we acquired in March 2003.

In the United Kingdom, we produce and market an extensive range of glass containers in a variety of shapes, sizes, colors and weights for the U.K. food, beer, spirits, FABs, soft drinks, wine, dairy and cider sectors. We accounted for 49%, 34% and 29% of glass containers produced in the United Kingdom in 2002 in the food, beer and spirits sectors, respectively. We supply a broad range of glass containers to some of the leading European and global food and beverage manufacturers such as Anheuser Busch, Coca-Cola Schweppes Beverages, Diageo, Hillsdown Holdings, Nestlé, Halewood International and Interbrew. In Italy, Abruzzo Vetro produces a range of glass beer bottles which it sells to its single customer, Peroni, a leading Italian brewer now controlled by SABMiller, under a long-term supply contract, which is currently the subject of an arbitration proceeding. See “—Legal Proceedings”.

Our glass container manufacturing sites are modern and technologically advanced, and we believe we have a leading position in the United Kingdom in terms of efficiency measured against manufacturing performance indicators in the glass container industry. We operate a total of four manufacturing sites with nine glass furnaces and 23 production lines in the United Kingdom. We believe that our manufacturing site at Wheatley is the largest food container manufacturing site in the United Kingdom. We also operate one manufacturing site with a single glass furnace and two production lines in Italy. In 2002, we produced approximately 724,000 tonnes of glass, including production from our Italian operations from July 1, 2002.

Through Heye International, we design and supply glass packaging machinery, supply parts for existing glass packaging machinery, provide technical support to users of our equipment and licensees of our technology, and engineer, assemble and supply comprehensive turnkey glass container plants. We offer solutions for all aspects of glass container manufacturing and glass container plant engineering. Heye International is one of only a few companies worldwide providing comprehensive turnkey glass container operations and technology services to the global glass container manufacturing industry. In the last five years, Heye International has provided equipment and technology assistance to leading companies worldwide, such as Anheuser Busch and Heineken, and has undertaken the design and supply of six major glass manufacturing facilities.

We also have glass container operations in Germany through Heye Glas, a wholly-owned subsidiary of Heye Holding, which we acquired in March 2003. We operate two manufacturing sites with four glass furnaces and 13 production lines, producing a broad range of glass containers for customers such as Ernstthal, Heineken and Interbrew. Heye Glas and certain related subsidiaries of Heye Holding will be classified as Unrestricted Subsidiaries for the purposes of the notes offered hereby. See “Operating and Financial Review and Prospects” and “Unaudited Supplemental Information on the Subsidiary Guarantors”.

The aggregated turnover and EBITDA for Ardagh Glass Limited and its subsidiaries for the twelve-month period ended March 31, 2003 were €334.4 million and €79.0 million, respectively.

Competitive Strengths

We believe we have a number of competitive strengths that differentiate us from our competitors, including:

- **Leading Market Position in our Principal Market, the United Kingdom.** We are the leading supplier of glass containers in the United Kingdom with strong market positions in the food, beer and spirits sectors. Moreover, we have achieved this by focusing on improving our profitability and not on pursuing market share gains at the expense of operating margins. We believe that our leading U.K. market position provides us with

significant economies of scale and that the cash flow from our operations allows us to reinvest consistently in our business to ensure product quality, reliability and the modern infrastructure necessary to meet customer expectations.

- **Proven Product Quality and Design Capabilities.** We continually seek to improve the quality of our products and manufacturing processes through focused investment and rigorous inspection and believe we have achieved industry leading manufacturing performance indicators as a result. For example, since 1999 we have reduced our critical defects by over 50% and increased the number of bottles sold per major complaint by over six times. The quality of our products is recognized by Anheuser Busch who awarded us “select status”. We are one of only two suppliers of glass containers to Anheuser Busch outside the United States that has received this award, which is given only to manufacturers achieving high levels of continuous improvement in quality and service. We believe that our design capabilities, wide range of machine forming configurations and high degree of flexibility enable us to meet the diverse design needs of our customers and to face new industry challenges. For example, we have been able to produce non-round jars on a triple gob machine, which is one of the most efficient machine configurations in the glass industry. An example of our design capabilities is our use of online sleeving capabilities and intricate, highly-detailed embossing using narrow neck press and blow and lightweighting technology to produce shaped containers such as Gordon’s distinctive “D”-shaped gin bottle.
- **Superior Technology and Manufacturing Capabilities Combined with Strong Operating Expertise.** We believe we have access to advanced glass manufacturing technology through our acquisition of Heye International and our technology and licensing agreement in the United Kingdom with Owens-Illinois, one of the largest glass container manufacturers in the world. We believe that our U.K. facilities are among the most modern, efficient and technologically advanced in the European glass container industry. We combine our leading equipment technology with a continuing investment in training our personnel and the application of operating expertise to maintain competitive margins and operating efficiencies, including furnace, melting, production planning, job change, pricing and rejection rate efficiencies.
- **Cash Generation and Effective Asset Management.** Over the last few years, we have proven our ability to manage our assets effectively and to generate strong cash flow in challenging market conditions while maintaining high levels of capital investment. In 2002, we generated total cash flow from operating activities of €69.6 million and cash flow from operating activities after capital expenditures and financial investments of €49.1 million. Between January 2000 and March 2003 we invested an average of €33.7 million per annum to upgrade and maintain our manufacturing sites. We believe that our continuous focus upon asset and production management combined with regular asset maintenance will contribute to our future cash generation capability.
- **Low-Cost Producer.** We have consistently focused on decreasing total costs through line staffing reductions, machine line rationalization and investments in advanced technology. As a result of these initiatives, we believe that we have improved productivity and lowered staffing per machine line and are therefore better positioned to withstand downward price pressure.
- **Strong Customer Relationships.** We have strong and long-standing relationships with our customers which include some of the leading European and global food and beverage manufacturers such as Anheuser Busch, Coca-Cola Schweppes Beverages, Diageo, Halewood Distillers, Interbrew and Nestlé. The average tenure of our relationships with our top five customers is more than seven years. In the United Kingdom, we provide a significant amount of the total glass container requirements of many of our customers, including approximately 90%, 45% and 60% of the requirements of Nestlé, Diageo and Anheuser Busch, respectively. Our customers rely heavily on manufacturers to provide quality products on time and in specified quantities as failure to do so will disrupt their production lines and may have a significant adverse impact on their financial condition. As a result, our customers typically undertake a rigorous selection process prior to choosing a manufacturer. We believe that our customers identify us as being reliable and capable of

delivering high quality, technologically-advanced products, which is a key purchasing consideration.

- **Relatively High Barriers to Entry.** We believe that strong, long-term customer relationships and the increasing integration of operational efficiencies between established suppliers and their customers make it difficult for potential market entrants to secure a critical customer base and volume of business. The glass container manufacturing industry is characterized by high levels of investment and fixed costs (approximately 60% of total costs are fixed). In addition, the European glass container manufacturing industry has historically been a stable market associated with low growth and average returns.
- **Highly Experienced and Incentivized Management Team.** Our management team consists of experienced professionals with strong backgrounds in the glass container industry in Ireland, the United Kingdom and other countries. Many of our senior executive officers have spent more than 20 years in the glass container industry and have demonstrated their ability to manage costs and to acquire and successfully integrate new businesses. We believe that our senior management is well incentivized through our share option scheme.

Business Strategy

The principal objective of our business strategy is to increase the value of our glass manufacturing business through growth in our core areas and through opportunistic, strategic expansion. We are pursuing this objective through the following strategies:

- **Continue to Apply Advanced Technology and Technical Expertise to Improve Quality, Service, Profitability and Cash Flow.** Through our recently-acquired German technology and manufacturing business, which designs, manufactures and commissions glass container plants, we intend to increase productivity through the continuing development and transfer of expertise and best practices across our operations. In addition, in the United Kingdom, we are party to a technology and licensing agreement with Owens-Illinois. Our goal is to be the most profitable glass container producer in the markets in which we operate with a low cost base, highly efficient machinery, strong technological expertise and a highly motivated workforce. We believe that our profitability may be further enhanced through productivity gains from continued machine line upgrades, staffing reductions and continually realigning our product mix.
- **Improve Profitability by Focusing on High Growth Glass-Intensive Segments.** We focus our marketing efforts and production capacity on relatively high-growth glass segments in the United Kingdom in which we can maintain or achieve competitive pricing levels, such as the premium beer, PPS and cook-in-sauces segments. We also focus on segments that we believe are likely to substitute high-value added glass containers from alternative forms of packaging or from refillable glass containers such as the canned food segment and the on-trade soft drinks segment (for on-premises consumption such as in pubs, clubs and restaurants), respectively.
- **Improve Product Mix and Diversify Customer Base.** We intend to improve our product mix by continuing to replace our lower margin business with higher margin business as opportunities arise. We also intend to continue to diversify our customer base and selectively pursue business arrangements with customers that will provide us with growth opportunities through their intensive marketing strategies.
- **Careful Evaluation and Pursuit of Strategic Opportunities.** The European glass container industry is a fragmented industry with the majority of operators being regional producers. Some consolidation has taken place in Germany and we expect this trend to continue there and elsewhere in Europe. We intend to participate in the consolidation process through the careful evaluation, selection and pursuit of strategic opportunities throughout Europe. In July 2002, we acquired glass container manufacturing operations in Italy along with a long-term sales contract for all of our Italian output. This acquisition provides us with a growth platform upon which to expand in the Italian market. As with our acquisitions in Italy and Germany, we intend to continue to focus on acquiring businesses in which we believe we can realize attractive returns on investment and generate significant free cash flow. In addition, by leveraging our Heye International technology and

manufacturing business, we intend to explore business opportunities for establishing operations in new markets to meet the geographic and other special needs of current and potential customers. We also believe that we can develop the Heye International technology and manufacturing business further as new glass container plants are commissioned or existing plants are upgraded and as substitution to modern lightweighting technology, in which we have significant expertise, takes place. We believe that our acquisition activity and development to date demonstrate a clear ambition and ability to expand our operation.

History and Recent Developments

History. We have been long established as a major participant in the U.K. glass container manufacturing industry with our United Kingdom operations dating back to 1848. Prior to 1999, the United Kingdom operations were owned and managed by a number of global glass container manufacturers, including BTR plc and Owens-Illinois. During the 1990s, significant capital was invested by these prior owners to upgrade the glass container manufacturing facilities that we currently operate. In 1999, Ardagh plc, an Irish publicly-listed company with a glass manufacturing site in Ireland, acquired the U.K. glass container operations that we currently operate from Owens-Illinois. Our U.K. operations have become the leading supplier of glass containers in the United Kingdom.

Acquisition of Abruzzo Vetro. In July 2002, we acquired Consumers Glass S.r.l., an Italian glass container manufacturer (subsequently renamed Abruzzo Vetro S.r.l.), for cash consideration of approximately €2.8 million. Abruzzo Vetro produces a range of glass beer bottles which it sells to its single customer, Peroni, under a long-term supply contract, which is currently the subject of an arbitration proceeding. See “—Legal Proceedings”.

The Demerger. Prior to the Demerger, Ardagh plc managed two separate businesses: (1) glass container manufacturing operations outside of Ireland comprising its U.K. and Italian glass container operations; and (2) glass container manufacturing and ancillary operations in Ireland. In July 2002, Ardagh plc’s glass container manufacturing facility in Ireland was closed and the business in Ireland became primarily a property holding company. The board of directors of Ardagh plc believed that these two distinct businesses were undervalued on the Irish Stock Exchange and, following a strategic review, concluded that a demerger of the U.K. and Italian glass container business to an unlisted company was the most effective way of realizing the underlying value of the assets. As a result, the glass manufacturing operations in the United Kingdom and Italy were demerged from Ardagh plc and transferred to Ardagh Glass Limited effective as of February 28, 2003. See “Certain Relationships and Related Party Transactions—The Demerger”.

Acquisition of Heye Holding. In December 2002, Yeoman, currently a 38% shareholder of Ardagh Glass Limited, agreed to acquire the glass container and technology and manufacturing businesses and assets of Hermann Heye KG, which was then in bankruptcy in Germany. Heye Holding, then a wholly-owned subsidiary of Yeoman, acquired the Heye assets at the request of Ardagh plc, as the bankruptcy administrator had required that the sale be completed by early January 2003 and Ardagh plc, as a public company, could not have met this timetable. On January 6, 2003, we acquired from Yeoman an option to purchase all of the shares in Heye Holding, the newly-formed holding company for these businesses. On March 3, 2003, we exercised this option and acquired Heye Holding for a nominal amount and thereby assumed all of the debt of Heye Holding. See “Operating and Financial Review and Prospects—Overview—Acquisitions” and “Certain Relationships and Related Party Transactions—Heye International Option Agreement”.

Glass Container Industry Overview

Glass container producers supply packaging for the food and beverage industries as well as products for pharmaceuticals, toiletries and healthcare products. Food and beverage containers account for approximately 96% of all glass containers produced in the United Kingdom. In the food industry, glass containers are used for a variety of processed and other foods, including baby foods, oils, sauces, condiments, yogurt and preserved foods. In the beverage industry, glass containers are used for beer, spirits, wine and non-alcoholic beverages such as mineral water, fruit juices and carbonated soft drinks.

While plastic and other forms of alternative packaging materials have taken market share from the glass industry, we believe that the effect of substitution from glass to alternative containers in the markets that we serve is substantially complete. We also believe that glass containers will maintain a leading position in the high-end beverage and food segments due primarily to consumer preferences and the premium image of glass containers. Industry surveys commissioned by us have shown that consumers associate glass packaging with quality products and view glass as a hygienic, natural and taste-neutral packaging material that is not associated with hazardous chemicals. Our surveys also have shown that consumers consider glass packaging to be more environmentally responsible due to its high degree of recycleability. In addition, we believe that manufacturers of food and beverages appreciate glass packaging's ability for greater product differentiation compared with other packaging materials.

The U.K. Glass Container Market

Mature and Stable Market. The U.K. glass container market is generally a mature, low-growth and stable market. There are, however, certain high-growth areas such as FABs (including single serving ready-mixed spirits), premium beers and premium spirits. Overall, these high-growth areas have been offset by the long-term decline in the dairy and soft drinks sectors. The following table shows, during the five-year period ended December 31, 2002, total turnover of the U.K. glass container industry and the total number of units and volume in tonnes of glass containers produced in the United Kingdom.

| | 1998 | 1999 | 2000 | 2001 | 2002(1) |
|--|-------|-------|-------|-------|---------|
| Total turnover (in millions of £) | 556 | 536 | 491 | 487 | 525 |
| Total number of glass containers produced (in millions of units) | 6,916 | 6,709 | 6,458 | 6,497 | 7,202 |
| Total volume of glass containers produced (in thousands of tonnes) | 1,852 | 1,664 | 1,720 | 1,712 | 2,005 |

Source: British Glass Manufacturers Confederation.

(1) Data prior to 2002 exclude information on turnover and output by Quinn Glass Limited. Such information has been available only from 2002, when Quinn Glass joined the British Glass Manufacturers Confederation.

Overcapacity Declining. Historically, the U.K. glass container market has been characterized by overcapacity. Furnaces and machinery have relatively long lives of approximately 10 to 12 years and can generate significant cash flow even in situations where margins are inadequate to finance future reinvestment requirements. Although demand for glass containers has experienced only modest growth due in part to the substitution of plastic and other packaging materials for glass, capacity has tended to increase marginally as furnaces are rebuilt and machinery is replaced or upgraded.

In addition, capacity in the U.K. market increased significantly in 1999 with the opening of a heavily grant-aided manufacturing facility in Northern Ireland by Quinn Glass. Although the glass container markets of Ireland and the United Kingdom had historically been independent, the opening of the Quinn Glass manufacturing facility had the effect of linking the markets since the increased output resulting from the new facility created approximately 150% overcapacity in the smaller Irish market. This led to significant volumes of glass containers being shipped by Quinn Glass to customers in the mainland United Kingdom. The closure of Ardagh plc's manufacturing facility in Dublin in 2002 has led to a significant decline in the amount of glass containers being sold into the United Kingdom by Quinn Glass. We believe that the closure of Ardagh plc's plant in Dublin, combined with the earlier plant closure by United Glass Limited in 1999, has had the effect of significantly reducing production entering or being produced in the U.K. glass container market. This has enabled certain producers, including our U.K. glass business, to introduce price increases on recent contract renewals.

Imported Glass Containers Pose Limited Risk. Imported glass containers accounted for 11.3% of the market by number of glass containers produced in 2002 compared to 15.5% in 1999. The market share of imported glass containers in the pharmaceutical, toiletries and healthcare sector is substantially higher than the share in the food and beverage sector. This is because these smaller, specialized containers are not produced by either our U.K. glass container business or the other large U.K. glass container manufacturers. However, imported glass containers represented

approximately 7.5% of total demand for food and beverage containers in the United Kingdom in 2002 compared to 10.2% in 1999, despite the fact that transport and logistics costs inhibit direct import competition. We believe a significant proportion of glass imports in the food and beverage sector are a result of imports by U.K. producers from sister plants abroad. In addition, the relative weakness of the euro in 2001 and in the first half of 2002 led to an increase of filled imported glass containers. This had a negative impact on glass container demand in the United Kingdom. However, the recent strength of the euro has diminished the threat of rising imports of filled glass containers.

Trend Towards Lightweighting. Due to the increase in “lightweighting” of glass containers and the shift towards single serving ready-mixed spirits over the past five-years, growth in output (as measured in tonnes) has been lower than growth in the number of container units during the same period. Lightweighting benefits glass manufacturers due to the decrease in variable costs associated with raw materials and energy and benefits food and beverage producers due to lower transport costs.

Substitution. Growth in the U.K. glass container market has also been adversely affected by the worldwide trend towards substitution of plastic, and to a lesser extent metal cans, for glass bottles in the soft drinks and water sector. However, we believe that the transition to plastic in certain sectors such as food and soft drinks is now largely complete. We also believe that glass remains the preferred packaging choice for food, spirits and premium beer due primarily to consumer preferences and the premium image of glass containers. In addition to their premium image, glass containers provide stronger oxygen and carbon dioxide barriers for longer shelf life, better aesthetic and functional qualities, ease of reclamation and recycling and relative cost advantages in small size containers for small-run products such as specialty beers. In addition, for premium beer products, spirits and wine, value-added packaging is used for product differentiation.

The Italian Glass Container Market

The principal markets for glass containers in Italy are the wine, spirits, soft drinks, food and beer sectors. Output of glass containers has experienced some growth in Italy, despite the pressures from substitute forms of packaging.

The following table shows the total volume of glass containers produced by the Italian glass container market during the five-year period ended December 31, 2002.

| | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total volume of glass containers produced (in thousands of tonnes) | 3,207 | 3,244 | 3,411 | 3,489 | 3,505 |

Source: ISTAT, Assovetro.

The German Glass Container Market

The market for glass containers in Germany has been in decline for a number of years. Weak economic growth, combined with substitution to plastics and other alternative packaging forms for soft drinks and mineral water and substitution to Tetrapak-type packaging in the juice market, has had a negative effect on domestic demand for glass containers in Germany. From 2000 to 2002, domestic demand fell by 13.3%. However, the total volume of glass containers produced in Germany fell by only 3.8% due primarily to increased exports and fewer imports of glass containers.

The German glass container industry has been characterized by overcapacity and low margins, and many plants have been operating unprofitably. The capacity in the German glass container industry has recently been reduced by the closure of a furnace at our facility in Germersheim (85,000 tonnes), the closure of the Budenheim facility by BSN Glasspack (210,000 tonnes) and by a number of other capacity reducing measures by other glass container manufacturers. We estimate that the removal of this capacity has reduced the capacity in the German glass container industry by at least 7.0%. In addition, some consolidation has taken place in the German glass container market, including the acquisition by Rexam plc of Nienburger Glas in 2002 and Lünér Glas in early 2003.

As of January 1, 2003, a mandatory deposit law became effective in Germany. This new law imposes a mandatory deposit of €0.25 for containers under 500ml, or €0.5 for containers above 500ml, on all containers used for carbonated soft drinks, beer and water, which are non-returnable. In order to receive a refund of the deposit, the container must, at present, be returned to the original point of purchase. Retailers have responded by switching to returnable containers (mainly glass for which a developed returnable regime existed). This has increased the demand for glass and reduced the demand for cans and PET containers.

However, an overall switch away from non-returnable glass containers to returnable containers will negatively affect glass volumes in the long term, unless the recent market share gained from plastics and cans is permanently retained. If the deposit tax were to be extended to containers for fruit juices while exempting aseptic cartons, which is under discussion, there would be a possible further negative impact on glass demand. Opposition to the current legislation on the grounds that it is designed, in effect, to provide a measure of protection for German producers of beverages and is uneven in its application has been expressed and may lead to amendments to the legislation.

The market for glass containers in Germany is distributed among food (33.8%), beer (20.5%), wine and sparkling wine (21.7%), soft drinks, including water and juice (14.2%), and spirits (9.8%).

The following table shows certain turnover and production information relating to the German glass container market during the five-year period ended December 31, 2002.

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|--------|--------|--------|--------|--------|
| Total turnover (in millions of €) | 1,402 | 1,411 | 1,433 | 1,476 | 1,504 |
| Total number of glass containers produced (in millions of units) | 17,212 | 17,363 | 17,509 | 17,622 | 17,308 |
| Total volume of glass containers produced (in thousands of tonnes) | 4,323 | 4,358 | 4,257 | 4,268 | 4,164 |

Source: Fachvereinigung Behälterglasindustrie e.V.

Products

We develop, produce and market an extensive range of glass containers in a variety of shapes, sizes, colors and weights in the United Kingdom and Germany. In Italy, we produce five types of beer bottles for our single customer, Peroni. Virtually all of our products are produced to specifications determined by our customers, and we assist them in the design of bottle shapes, in lightweighting and in all aspects of glass container packaging.

Through Heye International, we design and supply glass packaging machinery, supply parts for existing glass packaging machinery, provide technical support to users and licensees of our equipment and undertake projects to engineer, assemble and supply turnkey glass container plants.

United Kingdom

Our U.K. glass container business produced 2,436 million glass containers in 2002 and had total turnover of £174.6 million. Our U.K. glass container business produces glass containers for the food, spirits, beer, FABs and soft drinks sectors. Substantially all of our U.K. glass container turnover is to customers in the United Kingdom.

The following table shows the percentage breakdown of our turnover in the United Kingdom of glass containers by market sector for the year ended December 31, 2002.

| Turnover | Year ended December 31, 2002 (as a percentage) |
|---------------------------|--|
| Food | 29 |
| Spirits | 25 |
| Beer | 19 |
| FABs | 11 |
| Soft Drinks | 5 |
| Other Beverages | 11 |

Food. Sales of glass containers to the food sector represented approximately 29% of our turnover in 2002. Our U.K. glass container business holds a leadership position with an estimated 49% market share by number of glass containers produced in 2002. Traditionally, the food sector has been one of the largest sectors for glass packaging. Following United Glass Limited's closure of its Peasley plant in 1999, we believe that our Wheatley facility is the largest food container manufacturing site in the U.K. glass container industry. The food sector in the United Kingdom is mature and stable, though a few segments such as cooking sauces and ethnic products have experienced relatively higher growth in recent years due to innovative product developments. This growth has been offset by decreases in production of glass containers for coffee. In the long term, we believe that substitution of alternative forms of packaging for glass containers will marginally reduce the share of glass packaging in the food sector.

Spirits. Sales of glass containers to the spirits sector represented approximately 25% of our turnover in 2002. Our U.K. glass container business had an estimated 29% market share by number of glass containers produced in 2002. We estimate that approximately 80% of U.K. production of spirits is exported and 80% of this amount is whiskey which cannot be bottled elsewhere in order for it to retain its premium value. We expect exports to continue to grow due to the development of new markets for whiskey such as Eastern Europe, China and India. We also expect that aggressive overseas marketing and distribution by whiskey manufacturers and increases in exports of whiskey to the European Union will support growth in the exports market.

Beer. Sales of glass containers to the beer sector represented approximately 19% of our turnover in 2002. Our U.K. glass container business had an estimated 34% market share by number of glass containers produced in 2002. Although total U.K. beer production has declined during the last few years, glass beer bottles are a high-growth segment. We estimate that the bottled beer sector has grown annually at an average rate of approximately 11% during the last four years as a result of growth in the premium lager sector and in off-trade turnover, i.e., for consumption off-premises (also known as the "take-home" market). We expect this trend to continue, although at a reduced rate, due to the increasing use of glass for off-trade multi-packs and continued high advertising spending by premium beer producers. Our strategy is to focus on premium beers. We believe that we are well-positioned to compete successfully in the premium beers segment due to our lightweighting skills and our expertise in the pressure-sensitive labeling process used to adhere labels to beer bottles.

FABs. Sales of glass containers to the FABs sector represented approximately 11% of our turnover in 2002. Our U.K. glass container business had an estimated 30% market share by number of glass containers produced in 2002. We estimate that the FABs sector has grown annually at an average rate of approximately 70% during the last four years as a result of growth in the PPS segment, which consists of single serving ready-mixed spirits. We expect moderate growth in this sector due to market saturation and taxation measures directed at the PPS segment. We hold a strong supply position with many key customers in this sector.

Soft Drinks. Sales of glass containers to the soft drinks sector represented approximately 5% of our turnover in 2002. Our U.K. glass container business had an estimated 25% market share by number of glass containers produced in 2002. The adverse effects of substitution of alternative forms of glass packaging in this sector have been partially offset recently by increased demand for one-trip, recyclable bottles for the on-trade, i.e., for consumption in pubs, clubs and restaurants. We expect long-term growth in this sector to be flat. Our strategy is to focus on adult soft drink containers that deliver above-market growth, such as recyclable glass bottles for "mixer"-type soft drinks that are currently provided in returnable glass bottles.

Other Beverages. Products in this category include wine and sparkling wine, cider and dairy. Sales of glass containers to these sectors represented approximately 11% of our turnover in 2002. Turnover of milk in glass containers have been in steady decline as doorstep deliveries have diminished. Innovative packaging is, however, helping to slow the rate of decline. The market for cider has been negatively affected by the growth in PPS. Wine packaging continues to grow, especially in the single serve area. Our U.K. glass container business had an estimated 55% market share by number of glass containers produced in this sector in 2002.

Italy

Our Italian glass business produced 376 million glass containers in 2002 and had turnover of €25.3 million. Our Italian glass container business produces five types of beer bottles for our single customer, Peroni. Four of the bottle types are for Peroni brand beer, and one bottle type is for Budweiser brand beer, which is produced in Italy by Peroni under a license from Anheuser Busch. SABMiller recently purchased a controlling interest in Peroni. Anheuser Busch may change licensees as a result of SABMiller's controlling interest in Peroni. If this occurs, Peroni would nonetheless remain obligated to purchase all of Abruzzo Vetro's output under its long-term supply contract, which is currently the subject of an arbitration proceeding. See "—Legal Proceedings". We believe we supply approximately 50% of the glass packaging requirements of Peroni, which accounts for an estimated 25% of domestic beer sales in Italy.

Germany

Glass Technology and Manufacturing Equipment. Our recently-acquired German glass technology and manufacturing equipment business, Heye International, has significant expertise in the design and construction of glass container manufacturing plants. Heye International's technology, machinery and equipment has been installed in nearly 50 countries. Heye International developed the Narrow Neck Press and Blow ("NNPB") process and continues to be a recognized leader in NNPB technology, which it has offered to its customers through licensing agreements since the 1970s. We license this technology globally, and we believe that this technology serves as a global benchmark in the industry. We also manufacture glass container manufacturing-machinery, including furnaces, glass forming machines and components, supply parts for this equipment and provide technical services to users of our equipment. We are recognized for our leading-edge technology, particularly with regard to advanced lightweight manufacturing technology, which allows for reduction of container weight while maintaining even wall thickness and strength of the product, our oxyfuel furnaces which produce low levels of emissions and our waste heat recovery systems.

Glass Containers. Our recently-acquired German glass container business produces glass containers for various market sectors, principally the beer, wine and sparkling wine, soft drinks, including juice and water, food and spirits sectors. We had an approximate 10% market share by volume of the German glass container market in 2002.

The following table shows the percentage breakdown of our turnover in Germany of glass containers by market sector for the year ended December 31, 2002.

| Turnover | Year ended December 31, 2002 (as a percentage) |
|--|--|
| Beer | 33 |
| Wine and Sparkling Wine | 30 |
| Soft Drinks, Juice and Water | 18 |
| Food | 10 |
| Spirits | 8 |

Beer bottles account for approximately 33% of our turnover in Germany. Our production of beer bottles has increased as a percentage of our total turnover and our production and turnover of glass containers for soft drinks has decreased significantly due to the shift toward plastic containers. We also produce standardized glass containers as well as proprietary items for the wine, sparkling wine, food and local spirits sector. While we produce a number of standardized glass containers for the wine and local spirits sectors, a significant amount of our production is manufactured to the specifications of our customers.

Our Customers

In the United Kingdom and Germany, we typically sell most of our glass containers directly to customers under one- to three-year term arrangements. Although these arrangements may not be legally enforceable, they are seldom broken and they have provided, and we expect they will continue to provide, the basis for long-term partnerships with our customers. Glass containers are typically scheduled for production in response to customers' orders for their quarterly requirements. Customers typically draw down their requirements from stock and may adjust their indicated

requirements as demand for their product varies. Where customers have indicated quarterly requirements (or in the case of smaller volumes, annual requirements) for our production schedule and subsequently find they do not require the glass they requested from us, they typically pay the sales price of the glass less the cullet value.

United Kingdom

Our U.K. glass container business's largest customers include some of the world's leading food and beverage companies. The following table identifies certain of these customers by sector.

| Food | Beers | Soft drinks | Spirits | FABs |
|--------------------|----------------|---------------------|---------------------|---------------------|
| Nestlé | Interbrew | Coca-Cola Schweppes | Diageo | Diageo |
| Hillsdown Holdings | Anheuser Busch | Britvic | William Grant | Halewood Distillers |
| Hazelwood Foods | | | Halewood Distillers | |

As of December 31, 2002, our U.K. glass container business had approximately 230 customers for which it produced over 500 different types of bottles. In 2002, our 10 largest customers accounted for 64% of our turnover. None of these customers or any group of affiliated customers accounted for more than 15% of our U.K. glass container businesses's turnover.

Our U.K. glass container business has strong and long-standing relationships with many of its customers. In the United Kingdom, our relationships with our five largest customers averages more than seven years. Our U.K. glass container business is the main supplier of glass bottles to Diageo in the United Kingdom. It is also regarded as a top supplier under Nestlé's strategic partnership arrangements. We recently participated in the successful redesign of glass packaging for two of Nestlé's leading coffee brands. In addition, we are one of only two suppliers of glass containers to Anheuser Busch outside the United States to be awarded "select status" by Anheuser Busch, the world's largest brewer. This is a prestigious award given to suppliers who achieve high levels of continuous improvement in quality and service.

Italy

We sell our entire output from our Italian glass container business to our single customer, Peroni, pursuant to a long-term supply contract, which expires in 2009. This contract is currently the subject of an arbitration proceeding. See "—Legal Proceedings". Under the terms of the contract, Peroni is required to purchase all of Abruzzo Vetro's output. SABMiller, the world's second largest beer brewer, recently acquired control of Peroni.

Germany

Glass Technology and Manufacturing Equipment. Heye International, our recently-acquired German glass technology and manufacturing equipment business, has an extensive worldwide customer base. In recent years, it has delivered turnkey glass container manufacturing plants in the United States, Australia and Mexico. Our significant customers include Anheuser Busch, Anchor Glass Container Corporation, Heineken, Amcor and FEMSA. It provides technological assistance to numerous companies worldwide and also provides these and other companies with replacement equipment and parts.

Glass Containers. Customers of Heye Glas, our recently-acquired German glass container business, include Heineken, Interbrew and MEK. We believe that our German glass containers business has strong customer relationships, which survived the difficulties surrounding the recent insolvency of Hermann Heye KG, the entity which previously owned and operated our German glass container business. Our 10 largest customers generated approximately 59% of our turnover in Germany for 2002.

In Germany, we produce a wide range of standardized glass containers and proprietary items for the beer, food, wines and local spirits sectors which we sell in part to wholesalers.

Our Competitors

Glass Containers

We compete directly with other manufacturers of glass containers and with other forms of rigid packaging, principally plastic containers and metal cans, in each of our markets on the basis of quality, performance characteristics, price and service. Our products also compete with non-rigid packaging alternatives, including flexible pouches and aseptic cartons.

The degree of the glass container industry's market share of the total packaging industry varies on a country-by-country basis.

United Kingdom. The glass container industry in the United Kingdom is very competitive and relatively concentrated, with three principal competitors—namely, Rockware, our U.K. glass container business; United Glass Limited, a subsidiary of Owens-Illinois; and Rexam Glass Barnsley Ltd., a subsidiary of Rexam plc. Other competitors in the U.K. glass container market include Allied Glass, Quinn Glass and Beatson Clark.

We believe our U.K. glass container business is the market leader with an estimated 34% of U.K. glass container production by volume in 2002. Our market share has remained broadly stable over the past several years.

Although we believe the threat of substitution from non-glass packaging materials is lower in our key U.K. business sectors of food, premium beer and spirits, we may face competition from alternative packaging. The main U.K. producers of plastic containers are Ball Corporation, Crown Holdings, Rexam plc, Graham Packaging, RPC Group and Alpla, and the main U.K. producers of metal containers are Impress, Ball Corporation, Crown Holdings and Rexam plc. The main producer of aseptic cartons is TetraPak.

Italy. We do not face direct competition from other glass container manufacturers in Italy, as our Italian glass container business sells its entire output to Peroni under a long-term supply contract. However, we may face competition if we were to expand our glass container manufacturing operations in Italy, as there are 16 glass container manufacturers in Italy with Avir S.p.A., a subsidiary of Owens-Illinois and Vetri S.p.A., a subsidiary of Compagnie de Saint-Gobain, together accounting for the largest shares of the market. Other competitors in the Italian glass container market include Bormioli Rocco & Figlio S.p.A., Zignago Vetro S.p.A. and Cooperativa Piegarese.

Germany. The German glass container industry is highly competitive due to overcapacity. However, some consolidation has recently taken place and the three main producers of glass containers in Germany are now Rexam plc, Compagnie de Saint-Gobain and BSN Packaging. Heye Glas, our German glass container business, had an estimated 10% market share.

Glass Technology and Manufacturing Equipment

Heye International, our glass container technology and manufacturing equipment business, competes on a worldwide basis. Its main competitor is Owens-Illinois, which also provides turnkey glass container operations and technology services to the global glass manufacturing industry. The other major competitors in the supply of equipment are Emhart Teknologies, a Swiss registered company, and Bottero, an Italian glass machinery supplier, which supply equipment to the glass container industry on a worldwide basis. Typically, Owens-Illinois supplies and licenses its technology to only one glass container manufacturer in a particular country under an exclusive territorial agreement. As a result, this creates opportunities for other suppliers of machinery and technology, including Heye International, since other glass container manufacturers are required to source machinery and technical assistance from other suppliers.

Manufacturing and Production

We operate four manufacturing facilities with nine glass furnaces and 23 production lines in the United Kingdom, one manufacturing facility with a single glass furnace and two production lines in Italy and two manufacturing facilities with four glass furnaces and 13 production lines in Germany. Our manufacturing facilities in the United Kingdom and Italy have an aggregate annual production capacity of 767,000 tonnes of glass and, in 2002, we produced 2,436 million glass

containers totaling 682,000 tonnes of glass in the United Kingdom and 376 million glass containers totaling 81,700 tonnes of glass in Italy. The glass container manufacturing operations that we recently acquired in Germany produced approximately 1,480 million glass containers totalling 392,000 tonnes of glass in 2002 from five furnaces. For 2003, we expect to have capacity of 390,000 tonnes from four furnaces following the closure of a furnace at Germersheim at the end of 2002.

United Kingdom

Overview. We operate four manufacturing facilities with nine glass furnaces and 23 production lines with an annual production capacity of 685,000 tonnes of glass. Actual output of glass produced for sale will depend on a variety of factors, including efficiency and the number of job changes, but averages between approximately 88% and 91% of our glass melting capacity. In 2002, these facilities provided a total of 682,000 tonnes of glass. The following table shows information with respect to our manufacturing facilities in the United Kingdom.

| | No. of Furnaces | No. of Production Lines | Annual Capacity (tonnes) | Principal Market Sectors |
|--------------------------|------------------------|------------------------------------|------------------------------------|---------------------------------|
| Knottingley | 3 | 6 | 200,000 | beer, wine and cider |
| Wheatley (Doncaster) . . | 3 | 10 | 280,000 | food, soft drinks and dairy |
| Worksop | 1 | 2 | 65,000 | food |
| Portland | 2 | 5 | 140,000 | spirits |
| Total | <u>9</u> | <u>23</u> | <u>685,000</u> | |

Our four manufacturing facilities provide us with significant capacity, flexibility and the ability to optimize our production program. Our U.K. facilities are specialized by the end-market sectors they serve. For example, our Wheatley facility in Doncaster is a specialist food container plant and our facility in Portland, Scotland, is almost exclusively dedicated to the spirits sector, mainly producing glass bottles for whiskey. We believe that this has improved our ability to meet customer demand for specific products and provides us with a competitive advantage.

Core Technology. Under a technology and licensing agreement, Owens-Illinois provides us with certain technical information solely for use in the United Kingdom for the manufacture of glass containers. We pay a royalty fee based on the net sales price of each container we manufacture and sell. This agreement expires in 2009, and automatically extends for one-year periods thereafter unless either party serves notice of its intention not to renew at least 90 days prior to expiration. In the event that Owens-Illinois elects not to renew this agreement in 2009, Owens-Illinois will be required upon our request to grant us a non-transferable right and license to use the existing machinery embodying the technical information and will be required to offer to supply us with spare parts for Owens-Illinois machinery on normal commercial terms. Owens-Illinois would not, however, be required to provide us with further upgrades or productivity enhancing modifications. In exchange for this licence, we would be required to pay a reasonable royalty fee based upon the existing value of the technical information, which must be at least as favorable as the royalty fee we currently pay to Owens-Illinois.

In addition, our manufacturing processes are highly-integrated from the batch-mixing stage through to palletization, shrink-wrapping and dispatch stages. We believe that this high level of integration and management control systems provides us with high levels of quality assurance and product traceability, enabling our facilities to identify and rectify problems early.

We are party to a technology and licensing agreement with Owens-Illinois which enables us to benefit from its research and development activities. This agreement was renewed in March 1999 for a period of 10 years.

Our U.K. glass container business has been at the forefront of lightweighting, the major technological development in glass container production during the past decade. Our lightweighting expertise is a competitive strength, which we believe is essential to compete effectively in the glass container industry. We have applied this expertise to produce uniquely-shaped containers for our customers, including William Grant's distinctive triangular-shaped bottle and Gordon's "D"-shaped gin bottle and the Nestle coffee range. We believe our U.K. glass container business is the leader in

the United Kingdom in the sleeving of glass containers. Other secondary decoration facilities include pressure-sensitive labeling and steam sleeving. Steam sleeving is used for containers that require a high level of decoration and graphic content for marketing purposes. We believe that we are the sole provider of on-line sleeving in the United Kingdom.

Investment in Manufacturing Facilities. During the past four years, we have made significant investments totaling £89.5 million, which have been aimed at improving quality, labor and machine productivity and output at our U.K. glass container manufacturing facilities. Our capital improvements have focused on both the hot end (i.e., furnaces and machine lines) and the cold end (i.e., inspection machines and packaging facilities). As a result of these improvements, we believe that we currently have the highest productivity and lowest staffing per machine line in the U.K. glass container industry. Recently we have made significant upgrades to three of our manufacturing facilities in the United Kingdom.

- **Knottingley.** In April 2000, we completed a £14.8 million redesign and rebuild of one of the furnaces at our Knottingley facility, which increased the facility's production capacity by approximately 30% to over two million bottles per week.
- **Doncaster.** In March 2002, we completed a £10.4 million furnace rebuild at our Doncaster facility. The new furnace, which we designed, can handle up to 350 tonnes of glass per day and features a design with greater fuel-efficiency and lower emissions levels. In addition, we introduced a new computerized control system which optimizes the glass-making process.
- **Portland.** In September 2000, we brought online a new glass spirits container production line, which we believe to be the most productive spirit container production line in the United Kingdom. The £3.6 million investment increased the facility's annual production capacity by over 90 million units.

Italy

Our Italian glass container business has one manufacturing facility with a single furnace and two production lines. This facility has an annual production capacity of 82,000 tonnes of glass per year and in 2002 produced a total of 376 million glass containers and 81,700 tonnes of glass. Our Italian glass container business's facility is strategically-located in the industrial area of Montorio Al Vomano, approximately 150 kilometers northeast of Rome, and has favorable access to two major highways running north-south and east-west. The facility operates continuously, subject to any unscheduled disruption and necessary maintenance. The facility's two production lines consist of two high-productivity machines, a 16-section double gob machine and a 12-section triple gob machine, each utilizing NNPB technology. The two production lines produce at a maximum capacity of 318 and 500 bottles per minute, respectively, which is equivalent to 130 and 120 tonnes of glass per day, respectively.

Germany

We operate four furnaces and 13 machine lines at two facilities in Germany with an annual production capacity of 390,000 tonnes of glass.

| | No. of Furnaces | No. of Production Lines | Annual Capacity (tonnes) | Principal Market Sectors(1) |
|------------------------|----------------------------|--|---|--|
| Obernkirchen | 3 | 9 | 280,000 | beer, wine, sparkling wine, soft drinks, food and spirits |
| Germersheim | 1 | 4 | 110,000 | |
| Total | <u>4</u> | <u>13</u> | <u>390,000</u> | |

(1) Both the Obernkirchen and Germersheim facilities are engaged in these sectors.

These facilities produced a total of 392,000 tonnes of glass in 2002 (332,000 tonnes excluding the furnace H, which had a capacity of approximately 85,000 tonnes that was closed at the end of 2002).

Both of our facilities are favorably located and allow us to cost-efficiently target approximately 75% of our potential customer base in Germany. Our Obernkirchen facility is favorably located for

rail and road transport, and our Gernersheim site is in close proximity to three major motorways and one river port. In addition, our Obernkirchen facility is well located for our food, spirits and beer customers, and our Gernersheim facility is favorably located for our beer and wine customers in the Alsace region of France. We believe this gives us a competitive advantage in these segments. Our four furnaces are unit melter furnaces, of which two use advanced oxyfuel melter technology designed by Heye International. We have achieved technical leadership in oxyfuel technology which is characterized by efficient energy consumption and low exhaust emissions. In addition, our melting ovens are equipped with heat recuperation facilities which also results in the reduction of exhaust emissions. Electricity is also generated in Obernkirchen and Gernersheim from the waste heat from the furnaces.

Our production lines consist mostly of high-productivity double gob machines, are equipped with E-timing and support the NNPB production technique. This provides us with a high degree of production flexibility and we are able to produce a variety of bottle forms which allows us to target additional segments through product differentiation.

We believe that we have an opportunity to improve and grow our recently acquired glass container business as a result of stronger management, the recruitment of key individuals and capital expenditures. We currently plan to upgrade our production facilities with an estimated investment of approximately €22 million. The main areas of expenditure are furnace, machine and compressed air upgrades along with investment in inspection and packaging projects. We believe that under new management our glass container business will benefit from the technological expertise of our new management team and Heye International, our glass technology business. Previous management had, we believe, under utilized the skills of Heye International.

Energy, Raw Materials and Suppliers

We use natural gas, electricity and oxygen to fuel our furnaces. We have developed substantial back-up systems which protect our operations in the case of an interruption of our energy sources.

The primary raw materials used in our glass container operations are cullet (crushed recycled glass), sand, soda ash and limestone. We use as much recycled glass as possible in our production process as this enables the other raw materials to melt at lower temperatures, thereby lowering our energy costs. These materials, together with the other raw materials we use to manufacture glass containers, have historically been readily available on the open market in adequate supply from multiple sources, and we are not dependent upon any single supplier. However, for certain raw materials, there may be temporary shortages due to weather or other factors, including disruptions in supply caused by transport or production delays. Prices for sand, limestone and other minerals used in the manufacture of glass containers historically have not been subject to dramatic price fluctuations. Prices for soda ash have experienced temporary sharp increases or decreases in price from time to time in the past.

United Kingdom

We expect slight annual increases in energy and raw materials costs during the next three years. Natural gas accounts for approximately 54% of our U.K. glass container business's energy costs. While natural gas prices in the United Kingdom have experienced recent volatility due to a decrease in supply, we do not anticipate any real increase in natural gas prices, as the U.K. supply is increasingly linked to European natural gas prices which are expected to fall in the short term. We anticipate that electricity costs will increase in line with inflation.

In terms of raw materials, we expect overall prices to continue to increase modestly.

- *Cullet.* While there is an oversupply of green cullet in the United Kingdom, mainly due to the recycling of large amounts of imported wine bottles, there is a shortage of flint cullet produced from recycled jars, as they are recycled less frequently than wine bottles and demanded by other glass manufacturers as well as producers of glass containers. The U.K. government is currently promoting the recycling of this and other scarce forms of cullet. We expect that prices for cullet in the United Kingdom will increase at approximately 2.5% annually. We are actively involved in the promotion of glass recycling. See “—Glass Recycling”.

- *Sand.* The price of sand has decreased in real terms over the last 15 years. We expect that sand prices will increase slightly over the next three years.
- *Soda ash.* We expect soda ash prices, which have experienced 1.5% growth since 1994, to flatten as a result of increased competition in the supply of soda ash in the United Kingdom.
- *Limestone.* The price of limestone increased sharply in 2002 as a result of the introduction of the U.K. government's Aggregates Levy in 2002. We expect that limestone prices will increase in line with inflation in the next three years.

Italy

We expect energy and raw materials costs over the next several years to increase broadly in line with inflation. However, the price of soda, which is usually set in U.S. dollars, may decline due to the recent strength of the euro against the U.S. dollar.

Germany

Our German operations use natural gas and electricity to fuel their furnaces. We expect to reduce our raw material costs over the next few years as a result of increased competition in the supply of energy and some decline in raw material prices.

- *Cullet.* Cullet is supplied to our German operations by three key suppliers. The cost is expected to remain broadly stable.
- *Soda ash.* We source our soda ash from three main suppliers. The cost is expected to be broadly stable although prices may decline due to the recent strength of the euro against the U.S. dollar.
- *Sand.* Sand for our operations is sourced from five main suppliers. The cost is expected to be broadly stable.

Sales and Marketing

In the United Kingdom, we have a central sales and marketing operation targeting national and global customers. These sales activities are supplemented by sales and marketing activities at the plant level. Our sales and marketing activities for Heye Glas are similar to those in the United Kingdom, with most sales and marketing directed from Obernkirchen. We have no sales and marketing activities at our plant in Italy, as we sell our entire output in Italy to Peroni under a long-term contract, which is currently the subject of an arbitration proceeding. See “—Legal Proceedings”. We anticipate that our strategic sales and marketing to global and transnational customers will be increasingly centralized in the United Kingdom, though there will be a continuing need for local sales, marketing and customer relationship activities.

Our sales and marketing activities for Heye International are managed by an experienced team of sales engineers based in Obernkirchen who maintain regular, direct contact with our customers. Their efforts are supplemented by local agents covering some 25 countries.

Distribution

Glass containers are fragile and have a high ratio of bulk to weight. We believe that it is rarely economical to transport glass containers efficiently beyond a 300-400 kilometer range. Because of the significance of transport costs and the increasing importance of timely delivery, glass container manufacturing facilities are generally located close to customers.

In the United Kingdom, transport impacts are minimized by using a network of satellite warehouses operated by national distribution companies. We own four warehouses in the United Kingdom, which are located next to our manufacturing facilities. We also utilize warehouses in a number of other locations throughout the United Kingdom pursuant to fixed short-term contracts.

In Italy, we ship to a number of plants operated by Peroni using third-party transport operators. We store finished product at our manufacturing facilities in Montorio al Vomano and in a 2000 square meter leased warehouse in Veroli under a short-term contract.

In Germany, most of our glass containers are shipped by third-party transport operators to customers within a 200 kilometer range. All shipments are sent directly to our customers' warehouses. Finished product is stored at our plants in Obernkirchen and Garmersheim and, occasionally, on a temporary basis at rented facilities near Obernkirchen.

Intellectual Property

Glass Container Manufacturing

In the United Kingdom, we are party to a technology and licensing agreement with Owens-Illinois and we use a significant amount of machinery and technology supplied by it. In the event of a change of control of Rockware Glass Limited or Rockware Group Limited, Owens-Illinois would be entitled to terminate the technology and licensing agreement. In such an event, Owens-Illinois would be required to continue providing us with parts for existing machinery but would not be required to provide us with further upgrades or productivity-enhancing modifications.

We own a number of U.K. and other patents, primarily for the manufacture of glass containers. We are also licensed under several patents of others. While in aggregate our patents and licenses are of material importance to our business, we do not consider that any patent or group of patents relating to a particular product or process is of material importance to our business as a whole.

In the United Kingdom, we have a number of intellectual property rights, comprising both patented and proprietary technology, that enhance the productivity of our glass forming machines making them more efficient and productive than those used by our competitors. In addition, the efficiency of our glass forming machines is enhanced by our overall approach to cost-efficient manufacturing technology, which extends from batch house, where raw materials are stored, measured and mixed, to warehouse. This technology is proprietary to us through a combination of issued patents, pending applications, copyrights, trade secrets and proprietary know-how.

Glass Technology and Manufacturing Equipment

In Germany, Heye International has a number of patents covering the design of equipment for the manufacture of glass containers. It also has substantial proprietary knowledge of the technology and processes involved in operating a glass container manufacturing facility. It has entered into a large number of agreements to provide technical assistance and technology support to glass container manufacturers for which it receives annual fees.

Seasonality

Demand for particular glass container packaging products such as beer, food and beverages are highly seasonal. In Europe, demand is stronger during the summer months and the holidays in December. Demand may also be affected by factors which influence the demand for products using glass containers, especially beer, such as weather conditions and some specific sporting events, including the World Cup and the Olympics.

Employees

We currently have approximately 2,000 employees, of which approximately 1,070 are located in the United Kingdom and approximately 120 are located in Italy. Our recently-acquired German glass container business and our glass technology and manufacturing business currently have approximately 679 employees and 145 employees, respectively. Our employees are represented by various trade unions and workers' councils in each of the countries in which we operate.

We believe that, overall, our current relations with our employees are good.

Properties and Lease Arrangements

Our glass container manufacturing operations are located principally in the United Kingdom, as well as in Italy and Germany. We believe that our facilities are well maintained and that we generally have sufficient capacity to satisfy demand for our products in the foreseeable future. We continuously evaluate the composition of our manufacturing facilities in light of current and expected market conditions and demand.

We own all of our manufacturing facilities, some of which are owned subject to mortgages, finance leases or similar financial arrangements. Certain of our warehousing facilities are located on premises leased from third parties. The following table provides information about our glass container manufacturing facilities.

| <u>Location</u> | <u>Building Area (square meters)</u> | <u>No. of Furnaces</u> | <u>No. of Production Lines</u> |
|--|--|----------------------------|--|
| United Kingdom | | | |
| Knottingley | 155,000 | 3 | 6 |
| Doncaster (Wheatley) | 50,000 | 3 | 10 |
| Worksop | 27,000 | 1 | 2 |
| Portland | 33,000 | 2 | 5 |
| Doncaster (Wheatley)(1) | 20,000 | — | — |
| Italy | | | |
| Montorio al Vomano | 8,000 | 1 | 2 |
| A.E.R. Service S.r.l.(1) | 2,000 | — | — |
| Germany | | | |
| Obernkirchen | 69,369 | 3 | 9 |
| Germersheim | 43,881 | 1 | 4 |
| Obernkirchen (Heye International)(2) | 18,673 | — | — |
| Obernkirchen(1) | 56,807 | — | — |

(1) Warehouse leased from third parties.

(2) Leased from third party.

Research and Development

Research and development constitutes an important part of our activities. We support a significant research and development effort, particularly in the United Kingdom and at Heye International, which we believe is vital to our ability to compete effectively. We are members of glass research associations and other organizations which are engaged in research and development activities aimed at improving the manufacturing processes and the quality and design of products while continuing to meet our environmental responsibilities. Our research, development and engineering activities include developing new products to meet customers' needs, improving product quality and reducing raw material and energy consumption and increasing capacity, and thereby reducing emissions into the environment. In the United Kingdom, we are party to a technology and licensing agreement with Owens-Illinois which enables us to benefit from their research and development activities. See "—Manufacturing and Production—United Kingdom".

Environmental and Safety Matters and Other Governmental Regulation

The principal potential environmental risks facing our group include air pollution through gas and particle emissions from our glass furnaces, water pollution through disposal of water used in the glass production process, waste from packaging and noise pollution.

We are regulated under various EU, national and local environmental, occupational health and safety and other governmental laws and regulations. Our operations, including the handling, storage and disposal of raw materials and by-products of the glass manufacturing process, are subject to comprehensive laws and regulations relating to the generation, storage, handling and transportation of hazardous materials, and the emission and discharge of materials into the environment and the remediation of contamination associated with the release of hazardous substances. Under these laws, we may be liable for, among other things, the cost of investigating and remediating contamination at or from our facilities, as well as fines and penalties for non-compliance. Capital expenditures for property, plant and equipment for environmental control activities were not material during 2002.

Various parts of our operations require permits and environmental controls, and these permits are subject to modification, renewal and revocation by the issuing authorities. Governmental authorities have the power to enforce compliance with their laws and regulations, and violations

may result in fines and injunctions, including the cessation of operations. We believe that we are in substantial compliance with all material environmental laws and regulations, including to the extent applicable to our operations, the EU Directive 96/61/EC) on Integrated Pollution Prevention and Control, which was implemented in the United Kingdom in 2000. This Directive requires that glass manufacturers employ the best available techniques to prevent pollution, and also requires energy efficiency and post-closure controls, which can include remediation.

Historical practices may have resulted in contamination of our facilities which has not yet been detected. We cannot assure you that future remediation obligations will not arise at one or more of our facilities or that significant costs and liabilities associated with these obligations will not be incurred. In addition, certain of our manufacturing facilities are located on properties with a long history of industrial use. If releases of hazardous materials occur or have occurred on or from our facilities, we may be required to remedy these releases.

In 2002, an independent environmental audit of Heye Glas was commissioned in respect of its manufacturing facilities. No material environmental issues were reported.

Our operations are also subject to laws and regulations concerning the design and characteristics of our products. In addition, a number of governmental authorities have enacted, or are considering enacting, legal requirements that would mandate certain rates of recycling, the use of recycled materials and/or limitations on certain kinds of packaging materials. Packaging used for food products must be safe for consumption and is subject to limitations on the extent to which packaging material components may migrate into packaged foods. We design our food packaging products to satisfy EU and individual member state's standards. In conjunction with our customers who fill our glass container products, we are required to comply with EU and national regulations that require a percentage of packaging and packaging wastes to be recovered and a designated percentage to be recycled, including contributing fees toward the costs of recycling and recovery activities.

Based on the conditions currently known to us, we do not believe that any pending or likely remediation and compliance costs will have a material adverse effect on our business or results of operations. We cannot be certain, however, as to the potential financial impact on our business if new adverse environmental conditions are discovered or environmental and safety or other regulatory requirements become more stringent. If we are required to incur environmental compliance or remediation costs that are not currently anticipated by us, our business, financial condition and results of operations could be adversely affected, depending on the magnitude of the cost.

Glass Recycling

We are an important contributor to the recycling effort in the United Kingdom. In order to increase glass recycling, we established, with our partner, Reuse Glass UK Limited, a £4.5 million cullet treatment facility alongside our manufacturing facility in Knottingley. The recycling facility has the capacity to convert 200,000 tonnes of post-consumer waste glass into substitute raw material and has significantly improved cullet quality, allowing us to increase overall cullet usage by approximately 40%, with some furnaces achieving over 90% recycling content. Using recycled glass in our manufacturing process lowers manufacturing costs by reducing the amount of energy consumed by the glass furnace and prolongs their operating life. The facility also helps to meet the U.K. Government recycling targets under the EU Packaging and Waste Directive and reduces the costs to us of the U.K. Government's Climate Change Levy and the Integrated Pollution and Prevention Control Directive. In 2003, in recognition of our recycling efforts, we won a Queen's Award for Enterprise for sustainability in glass packaging production through recycling, technology and educational programs.

In Italy, we take a very positive and proactive approach to the use of recycled material. The use of recycled glass (cullet) in the manufacturing process is extensive with 50% of the batch (raw materials) entering the production process being a combination of amber (16%) and mixed color (44%) cullet.

In keeping with our commitment to a proactive recycling policy, we purchase as much recycled glass as possible (72%) from recycling organizations and are a committed member of the

Italian Packaging Consortium and the Italian Consortium for the Recovery of Glass. We are determined to meet, if not exceed, the targets these organizations have set for recycling.

In Germany, a mandatory deposit law became effective as of January 1, 2003. This new law imposes a mandatory deposit of €0.25 for containers under 500ml, or €0.5 for containers above 500ml, on all containers used for carbonated soft drinks, beer and water, which are non-returnable. In order to receive a refund of the deposit, the container must, at present, be returned to the original point of purchase. Retailers have responded by switching to returnable containers (mainly glass for which a developed returnable regime existed). This has increased the demand for glass and reduced the demand for cans and PET containers.

In Germany, we operate a cullet pulverization operation in Obernkirchen and have a joint venture arrangement with RWE in the Euroglass cullet pulverization operation in Germersheim. Cullet pulverization produces a fine powder that allows greater usage of cullet and improves its quality. Germany currently recycles 80% of its glass production and Heye Glas participates fully in the recycling program.

Legal Proceedings

We are involved in arbitration proceedings relating to our supply contract with Peroni, the only customer of our Italian business. Under this contract, which expires in 2009, Peroni is obligated to purchase all of the glass output produced at Abruzzo Vetro's plant in Montorio al Vomano at prices determined by a formula in the contract. The principal issue in the arbitration, which has been in dispute since early 2002, relates to our selling prices. In January 2003, we initiated arbitration proceedings to resolve the issue as provided for in the contract.

In February 2003, Peroni sought to terminate the contract (which our management currently believes, and our Italian legal counsel has advised us, that Peroni is not entitled to do) within 90 days if we did not agree to its price. However, Peroni has subsequently participated in the arbitration proceedings and has agreed to allow the question of whether they could terminate the contract to be decided by the arbitrators. Peroni has accepted and continues to accept glass containers produced by us.

Although we believe that there is no merit to Peroni's price contentions, we have indicated to them and the arbitration panel that we would supply Peroni with the entire glass output produced at Montorio al Vomano at the prices determined by the arbitration panel. The magnitude of the pricing disagreement between Peroni and us is such that, if Peroni is successful in the arbitration proceedings with respect to its interpretation of the pricing provisions of the contract, it would not have a material adverse effect on our business, financial condition or results of operations, taken as a whole. However, in the unlikely event that the arbitration panel determines that Peroni is entitled to terminate the contract, and if in fact Peroni chooses to terminate and if we were unable to replace the Peroni business with other business, the termination of the contract could have a material adverse effect on our business, financial condition and results of operations, taken as a whole.

We are also party to certain pending legal proceedings arising in the ordinary course of business. While the results of such proceedings cannot be predicted with certainty, we do not believe any of these matters if resolved adversely to us would be material to our business, financial condition or results of operations, taken as a whole.

MANAGEMENT

Board of Directors

The following table sets forth certain information with respect to members of the board of directors of Ardagh Glass Limited as of the date hereof.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|----------------------------|------------|--------------------------------|
| Paul Coulson | 51 | Chairman |
| Edward Kilty | 54 | Chief Executive |
| John Riordan | 44 | Finance Director |
| Brendan Dowling | 56 | Corporate Development Director |
| Wolfgang Baertz | 63 | Non-Executive Director |
| Sir Frank Davies | 71 | Non-Executive Director |
| Dan O'Donohue | 59 | Non-Executive Director |

Biographies

Paul Coulson became Chairman of Ardagh plc in March 1998 and Chairman of Ardagh Glass Limited on its foundation in December 2002. He qualified as a Chartered Accountant with Price Waterhouse in 1978 and founded Yeoman in 1980. Together with his wife, he beneficially owned 27% of Yeoman's share capital as of June 30, 2003. Mr. Coulson is a director of Yeoman International Holdings S.A., which owned approximately 38% of the issued and outstanding share capital of Ardagh Glass Limited as of June 30, 2003. He is a director of a number of private companies.

Edward Kilty has been Chief Executive of, and has served as a director of, Ardagh plc since 1992. He became Chief Executive of Ardagh Glass Limited on its foundation in December 2002. He joined Ardagh in 1972 as Management Accountant and progressed through the roles of Finance Director, Finance and Production Director and Managing Director—Glass. Prior to joining Ardagh, he held finance positions with Distillers (now part of Diageo) and United Glass. He is a past President of the European Glass Container Federation ("FEVE") and EGM (European glass industry association) and is currently President designate of British Glass.

John Riordan has been Finance Director of Ardagh plc since 1999 and became Finance Director of Ardagh Glass Limited on its foundation in December 2002. He qualified as a Chartered Accountant with Price Waterhouse in 1985 and joined Waterford Wedgwood plc in 1994 as financial controller of Waterford Crystal. He subsequently worked in the pharmaceutical and medical appliance industries before joining Ardagh.

Brendan Dowling has been a director of Ardagh plc since 1998 and became a Director of Ardagh Glass Limited on its foundation in December 2002. He is a director of Yeoman International Group Limited, a wholly-owned subsidiary of Yeoman International Holdings S.A., and other private companies. He was previously a partner in Davy Stockbrokers having joined the firm as its senior economist in 1979.

Wolfgang Baertz has been President of the Executive Committee of Dresdner Bank Luxembourg since 1997 having been Managing Director from 1982 to 1997. He is a director of Yeoman International Holdings S.A., SES Global S.A. and a number of private companies, and became a Director of Ardagh Glass Limited in December 2002.

Sir Frank Davies has been a director of Ardagh plc since 1985 and joined the board of directors of Ardagh Glass Limited on its foundation in December 2002. He is a former Chief Executive of Rockware Glass and is a former President of the European Glass Industry Body. He is a director of a number of U.K. private companies.

Dan O'Donohue joined the board of directors of Ardagh Glass Limited in February 2003. Over the last 30 years he has held a number of senior executive positions in the food, aviation and investment industries. He has served on the board of directors of a number of public and private companies and, together with his family, is a long time shareholder in Ardagh plc.

Number and Election of Directors

The number of directors of Ardagh Glass Limited is fixed at not less than two nor more than seven.

Ardagh plc, through its holding of special redeemable preference shares of Ardagh Glass Limited, is currently entitled to all of the voting rights of shareholders of Ardagh Glass Limited in relation to the election of directors of Ardagh Glass Limited. Upon the completion of this offering and the repayment of the Ardagh Glass (UK) Limited subordinated notes, Ardagh Glass Limited will redeem all of the special redeemable preference shares, thereby vesting the voting rights regarding the election of directors with holders of the preferred ordinary shares. After April 1, 2006, one-third of the members of the board of directors of Ardagh Glass Limited will retire by rotation at annual meetings of Ardagh Glass Limited, in accordance with Ardagh Glass Limited's Articles of Association. See "Principal Shareholders—Special Redeemable Preference Shares".

Senior Management

David Currie (57) is an engineer by profession and has worked in the glass industry since 1967. He joined Ardagh plc as Group Operations Director in 1999. Prior to joining Ardagh plc he was General Manager Operations and Technology for all of the Asia Pacific operations of Owens-Illinois. He has held senior executive positions in a number of countries. He became Managing Director of Rockware Glass Limited in 2002 and also has operational responsibility for our Italian operations.

Brian Butterly (57) is a management accountant who joined Ardagh plc in 1978. He has held various senior management positions and became Company Secretary of Ardagh plc in 1995. He is Company Secretary for our U.K. subsidiaries and has responsibility for compliance with the Turnbull guidance on internal control.

Brendan Gorey (47) joined Ardagh plc in 1979 as production engineer for its Irish operations. He held various senior management positions and was Managing Director of the Irish operations from 1999 until their closure in 2002. He became Managing Director of Heye Glas in 2003 and is also a director of Heye Holding and Heye International.

Jochen Bollert (47) graduated as an engineer from Hanover University. He joined Heye in 1985 and has held a number of senior management positions including serving as Plant Manager in Portugal and Germany. He has managed Heye International since 1999. He is also a director of Heye Glas.

Massimo Cerquetelli (48) has been General Manager of Abruzzo Vetro since 2001. Prior to that he spent 20 years with Owens-Illinois in a number of senior technical and operational positions including serving as Production Manager.

Fergal O'Leary (50) is Group IT Director. He joined Ardagh plc in 1992 having previously worked in the technology consulting sector. He holds an MBA in Technology Management.

Board Committees

The board of directors of Ardagh Glass Limited has established an Audit Committee and a Remuneration Committee to carry out certain functions as described below.

Audit Committee

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

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 for senior management. The Remuneration Committee is comprised of Messrs. Coulson, Davies and Baertz.

As with all employees, the objective is to ensure that individuals are rewarded relative to their responsibility, experience and value to the Ardagh Glass 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.

The Remuneration Committee also determines if options are to be granted under the terms of our Share Option Scheme.

Internal Control and Risk Management

The directors of Ardagh Glass Limited are responsible for the Ardagh Glass Group's systems of internal control and for reviewing their effectiveness. During the course of 2000, Ardagh plc commenced the procedures necessary to implement the Turnbull Guidelines for identifying, evaluating and managing risk faced by the Ardagh Glass Group. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Ardagh Glass Group's strategic objectives. These systems can only provide reasonable not absolute assurance against misstatement of 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 Ardagh Glass Limited, an annual assessment of the effectiveness of internal control and risk management.

Compensation of Directors and Senior Management

The aggregate compensation payable to all our directors and senior management is €2.8 million. The aggregate fees payable to our non-executive directors is €75,000.

Share Ownership

As of June 30, 2003, our directors and senior management held the following preferred ordinary shares of Ardagh Glass Limited:

| <u>Name</u> | <u>Number of Preferred Ordinary Shares Held</u> | <u>Percentage Ownership</u> |
|-------------------------------|---|---------------------------------|
| Paul Coulson | 38,115 | 0.18 |
| Edward Kilty | 519,555 | 2.44 |
| John Riordan | — | — |
| Brendan Dowling | 66,468 | 0.31 |
| Wolfgang Baertz | — | — |
| Sir Frank Davies | 31,529 | 0.15 |
| Dan O'Donohue | 709,927 | 3.34 |
| David Currie | — | — |
| Brian Butterly | 109,219 | 0.51 |
| Brendan Gorey | 185,499 | 0.87 |
| Massimo Cerquetelli | — | — |
| Fergal O'Leary | 2,500 | 0.01 |
| Total | <u>1,662,812</u> | <u>7.81</u> |

Options

Ardagh Glass Limited Share Option Scheme

Up to 10% of the total issued share capital of Ardagh Glass Limited may be issued pursuant to options granted under the Ardagh Glass Limited Share Option Scheme. Employees and directors of, and independent consultants to, Ardagh Glass Limited are eligible to receive options under the scheme. The exercise price for each option granted under the scheme will be no less than the fair market value per preferred ordinary share on the date of grant.

Options granted under the scheme have a maximum exercise period of 10 years and will generally be subject to vesting over three years, in three equal installments. All options granted under the scheme will automatically accelerate and become fully-vested in the event of a change of control of Ardagh Glass Limited.

As of June 30, 2003, the following directors and senior management held options to acquire the preferred ordinary shares of Ardagh Glass Limited under the Ardagh Glass Limited Share Option Scheme:

| Name | Number of Preferred Ordinary Shares Subject to Options | Exercise Price € | Start of Exercise Period | Expiration Date |
|-------------------------------|---|-------------------------|---------------------------------|------------------------|
| Paul Coulson | 50,000 | 1.50 | 7/2004 | 6/2013 |
| Edward Kilty | 797,787 | 1.10 | 3/2004 | 3/2013 |
| John Riordan | 163,928 | 1.10 | 3/2004 | 3/2013 |
| Wolfgang Baertz | 50,000 | 1.50 | 7/2004 | 6/2013 |
| Brendan Dowling | 50,000 | 1.50 | 7/2004 | 6/2013 |
| Sir Frank Davies | 50,000 | 1.50 | 7/2004 | 6/2013 |
| Dan O'Donohue | 50,000 | 1.50 | 7/2004 | 6/2013 |
| David Currie | 163,928 | 1.10 | 3/2004 | 3/2013 |
| Brian Butterly | 98,357 | 1.10 | 3/2004 | 3/2013 |
| Brendan Gorey | 163,928 | 1.10 | 3/2004 | 3/2013 |
| Jochen Bollert | 109,285 | 1.10 | 3/2004 | 3/2013 |
| Massimo Cerquetelli | 54,642 | 1.10 | 3/2004 | 3/2013 |
| Fergal O'Leary | 39,000 | 1.50 | 7/2004 | 6/2013 |

PRINCIPAL SHAREHOLDERS

As of June 30, 2003, the issued share capital of Ardagh Glass Limited consisted of 21,284,104 preferred ordinary shares of no par value, 1,000 special redeemable preference shares of par value €1.00, per share, and one deferred share with a par value of €1.00.

Preferred Ordinary Shares

The following table presents information about all holdings above 5% of the preferred ordinary shares of Ardagh Glass Limited as of June 30, 2003.

| Name | Number of Preferred Ordinary Shares Held | Percentage Ownership |
|--|--|----------------------|
| Yeoman International Holdings S.A.(1)(2) | 8,079,531 | 38 |

- (1) As of June 30, 2003, (a) Paul Coulson, the Chairman of Ardagh Glass Limited, together with his wife, owned 27% of the fully diluted issued and outstanding share capital of Yeoman International Holdings S.A., and (b) Security Finance Limited, a private limited company incorporated in Gibraltar, owned 22% of the fully diluted issued and outstanding share capital of Yeoman International Holdings S.A. Security Finance Limited is owned by discretionary trusts, the potential beneficiaries of which include members of the Heckett family. Eric Heckett was a founder of Yeoman and he remained a director of Yeoman until his death in 1991.
- (2) As of June 30, 2003, except for (a) Paul Coulson and his wife, (b) Security Finance Limited and (c) the Bank of Ireland Nominees Limited (which owned 9.1%), no other person or entity owned more than 5% of the fully diluted issued and outstanding share capital of Yeoman International Holdings S.A.

Since completion of the share redemption offer in April 2003 in connection with the Demerger, there has been no significant change in the percentage ownership held by any major shareholders (except that Hg Capital, a 31% shareholder in Ardagh plc immediately prior to the completion of the Demerger, accepted the share redemption offer). See “Certain Relationships and Related Party Transactions—The Demerger”. Major holders of preferred ordinary shares of Ardagh Glass Limited have the same voting rights of one vote per share as other holders of preferred ordinary shares. The preferred ordinary shares confer on the holders thereof the sole right to participate in all dividends or distributions in respect of the profits or assets of Ardagh Glass Limited.

Special Redeemable Preference Shares

Ardagh plc holds the 1,000 special redeemable preference shares of Ardagh Glass Limited, which entitle Ardagh plc to all voting rights of shareholders in relation to the election of directors of Ardagh Glass Limited. The special redeemable preference shares are only redeemable at par and do not entitle Ardagh plc to any dividend or other right to share in the profits of Ardagh Glass Limited. The special redeemable preference shares may be redeemed by Ardagh Glass Limited and must be redeemed by no later than December 31, 2006. We will redeem all of the special redeemable preference shares upon completion of this offering and the repayment of the Ardagh Glass (UK) Limited subordinated notes. See “Certain Relationships and Related Party Transactions—Transaction Agreement and Special Redeemable Preference Share Redemption”. Following the redemption of the special redeemable preference shares, steps will be taken to ensure that all voting rights regarding the election of directors of Ardagh Glass Limited will vest with the holders of the preferred ordinary shares.

Deferred Share

The deferred share has been issued to Carey Langlois Holdings Limited for statutory corporate compliance purposes under Guernsey law. The deferred share is not redeemable, does not confer on its holder any voting rights and does not give its holder any right to participate in any dividend or distribution of the profits or assets of Ardagh Glass Limited other than its par value on a winding up.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material terms of our principal financing arrangements. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. We recommend you refer to the actual agreements for further details, copies of which are available upon request. For the terms and conditions of the notes, see "Description of the Notes".

New Anglo Irish Senior Secured Credit Facility

As part of the new financing arrangements, Ardagh Glass (UK) Limited and Ardagh Treasury Limited have entered into a facility agreement dated June 26, 2003, with Anglo Irish Bank Corporation Plc, as the original lender, arranger, agent and security agent, providing for borrowings in an aggregate principal amount of up to £65,000,000, all of which is expected to be borrowed on the closing of the offering of the notes. It is the present intention of Anglo Irish Bank Corporation Plc to syndicate the facility following completion of the offering of the notes. The facility agreement provides for a term loan in an aggregate principal amount of up to £28,000,000 pursuant to two separate tranches, which we refer to respectively as Tranche A and Tranche B. In addition, the facility provides for a Tranche C facility in an aggregate principal amount of up to £37,000,000. We expect the closing for this new senior secured credit facility to occur upon the closing date of the issuance of the notes offered hereby and the borrowers expect to borrow the maximum amount of £65,000,000 available under this facility upon such closing.

Tranche A is an amortizing term loan facility in an aggregate principal amount of up to £28,000,000 and will be available to Ardagh Treasury Limited for a single drawdown on the closing date of the issuance of the notes offered hereby. Any portion of the Tranche A facility that remains undrawn on the closing date shall be automatically and immediately cancelled. Payments of principal in respect of Tranche A borrowings will be repayable quarterly, in equal payments of approximately £2,545,500, beginning on September 30, 2003 and with the final payment becoming due on March 31, 2006. Interest on Tranche A borrowings will be payable on a one, three or six-monthly basis at the option of Ardagh Treasury Limited, subject to the right of the agent to require interest periods to coincide with payments under hedging arrangements.

Additional borrowings will be available to Ardagh Glass (UK) Limited from time to time under Tranche B to the extent that borrowings under Tranche A have been repaid in accordance with the terms of this facility. Advances made pursuant to Tranche B will be repayable in full on December 31, 2008. Ardagh Glass (UK) Limited will be obliged to make mandatory prepayments under Tranche B on April 20 of each year, beginning on April 20, 2006, to the extent of the net residual cash flow (as defined therein for each twelve-month period, commencing with the period ending March 31, 2006) available in respect of Ardagh Glass (UK) Limited, Ardagh Treasury Limited and their respective subsidiaries, which include Rockware Group Limited and Rockware Glass Limited (collectively, the "Group"). Such mandatory prepayments are subject to a maximum prepayment of £5,000,000 in respect of each twelve-month period. Borrowings under Tranche B which are repaid or prepaid may not be redrawn.

Borrowings under Tranche C will be available to Ardagh Glass (UK) Limited for a single drawdown on the closing date of the issuance of the notes offered hereby. Any portion of the Tranche C facility that remains undrawn on the closing date shall be automatically and immediately cancelled. Principal in respect of £20,000,000 aggregate principal amount of Tranche C borrowings will be repayable quarterly, in equal payments of £1,250,000, beginning on March 31, 2005 and with the final payment becoming due on December 31, 2008. We expect to repay and replace a portion of borrowings under Tranche C with certain equipment lease arrangements by December 31, 2003. The portion of borrowings under Tranche C not repaid and replaced with equipment lease arrangements will continue as term loan borrowings under Tranche C and will be due and payable on December 31, 2008. Interest on Tranche A, Tranche B and Tranche C advances will be payable at a rate per annum equal to LIBOR plus a margin of 1.65% and any applicable Additional Cost Rate (as defined therein).

Subject to certain conditions, including the giving of at least 10 business day's notice, the facility provides for the voluntary prepayment of borrowings under the facility. Prepayment amounts will be applied first, to borrowings made under Tranche B. Upon repayment in full of Tranche B,

prepayments will be applied first to the non-amortizing portion of Tranche C borrowings, and then to the amortizing portion of Tranche C borrowings and, if existing, to the equipment lease arrangements. Finally, upon prepayment of all amounts due under Tranche C and under any of the equipment lease arrangements, voluntary prepayments will be applied in prepayment of amounts borrowed under Tranche A. In the event that Ardagh International Holdings Limited ceases to hold at least 50.1% of the entire issued share capital of Ardagh Treasury Limited or Ardagh Glass (UK) Limited or in the event that more than 50% of the issued equity share capital of Ardagh Treasury Limited or Ardagh Glass (UK) Limited is held by persons other than Ardagh Glass Limited and those of its subsidiaries that are not members of the Group, then mandatory prepayment is required under each Tranche together with other amounts payable under the Senior Finance Documents (as defined below).

Effectiveness of the facility and drawdown under Tranche A and Tranche C will be subject to a number of conditions, including the completion of the issuance of the notes offered hereby.

The facility will be secured by a guarantee and debenture granted by each member of the Group in favor of the security agent creating fixed and floating charges over the property and assets of the applicable member of the Group. Property or assets situated in Scotland or governed by Scottish law will be charged pursuant to Scottish law standard security documents.

The facility agreement contains customary representations and warranties. It also contains financial covenants usual to this type of agreement, including covenants to maintain, in respect of the Group, a minimum level of consolidated EBIT to consolidated total net senior debt interest payable, a minimum level of consolidated EBIT to consolidated total net cash interest payable, minimum tangible net worth and a maximum capital expenditure (as such ratios are defined therein). In addition, certain negative covenants restrict the ability of each member of the Group, without the prior consent of the agent and subject to specified exceptions, to:

- create, agree to create or permit to subsist any encumbrance on its present or future assets or any part of them;
- incur or permit to subsist borrowings;
- sell or dispose of its undertaking, business or assets;
- provide loans, credit, financial guarantees, bonds or indemnities or assume any liability or give any assurance in respect of any person;
- acquire or subscribe for any business (or a substantial part thereof) or shares;
- make any material change to the nature of its business or discontinue any material part of the Group's business as a whole; and
- reduce its share capital or declare or pay any dividends or make payments or distributions of capital or income.

The agreement also contains certain events of default, including, among other things:

- non-payment by any member of the Group of principal, interest, fees or other amounts due under (1) this agreement, (2) the Security Documents (as defined therein), (3) the fees letter relating to fees payable under this agreement, (4) the Hedging Agreements (as defined therein), (5) the Intercreditor Agreement (as described below), and (6) any Transfer Certificate (as defined therein) (each a "Senior Finance Document");
- breach of any representation, warranty or statement made by or in relation to any member of the Group in any Senior Finance Document unless the relevant underlying circumstances are remedied within 21 days;
- breach by any member of the Group of certain negative or financial covenants;
- failure by any member of the Group to comply with any other provision of any Senior Finance Document and such default remains unremedied for 21 days;
- non-payment by any member of the Group of certain borrowings due and payable or due and payable before their stated maturity by reason of an event of default, in each case in excess of a certain amount;

- the exercise of any redemption option in respect of the notes or the notes become due and payable before their stated maturity, whether or not by reason of any event of default, or a demand is made or capable of being made under the guarantees supporting the notes;
- Ardagh Glass Finance B.V. breaches the limitation on debt incurrence covenant contained in the indenture governing the notes;
- the suspension of operations, execution or appropriation of assets, enforcement proceedings, bankruptcy, insolvency, liquidation, winding up, dissolution, administration or assignment for the benefit of creditors or related matters in respect of any member of the Group;
- the occurrence of a Material Adverse Change (as defined therein);
- the failure by any member of the Group to comply with its obligations in or the provisions of the New Intercreditor Agreement;
- Ardagh International Holdings Limited's beneficial interest in the fully paid share capital of each of Ardagh Glass (UK) Limited and Ardagh Treasury Limited is less than 50.1% of their respective entire issued share capital; and
- the occurrence of an event of default under the Royal Bank of Scotland Invoice Discounting Agreement or the NatWest Revolving Loan and Overdraft Facility Agreement (each as described below).

If an event of default occurs and is continuing, the agent may cancel any unborrowed amount of the facility, reducing the commitment of each lender thereunder to zero, and/or declare all amounts outstanding under the facility, together with accrued interest, fees and all other amounts payable under the agreement, to be immediately due and payable, without demand or other notice.

New Intercreditor Agreement

General. In connection with the offering of the notes and the new financing arrangements, Ardagh Glass Finance B.V. as Issuer of the notes offered hereby and each of Ardagh Glass (UK) Limited, Ardagh Treasury Limited, Rockware Group Limited and Rockware Glass Limited (the "Group") have agreed to enter into an intercreditor agreement with Anglo Irish Bank Corporation Plc as lender, senior agent and security agent (solely in such capacity, the "Security Agent"), The Royal Bank of Scotland Commercial Services Limited ("RSBC"), NatWest, the Hedging Counterparties (as defined therein) and the trustee under the notes (the "Intercreditor Agreement"). The parties expect to execute the Intercreditor Agreement on or about the closing date of the issuance of the notes offered hereby. The Intercreditor Agreement will constitute a Senior Finance Document under the New Anglo Irish Senior Secured Credit Facility and a breach of its terms by any member of the Group may give rise to an event of default under that facility. The Intercreditor Agreement will establish the ranking of obligations, including the obligations of the members of the Group pursuant to certain senior credit facilities and intercompany debt.

The Intercreditor Agreement will permit Ardagh Glass (UK) Limited and the Issuer to refinance or replace, in whole or in part, the intercompany note that will be issued in connection with the closing of this offering (the "Intercompany Note") with certain obligations or funding arrangements that are, in respect of the Senior Debt and RBS Debt (each, as defined therein), equally or more subordinated than the Intercompany Note, if at the time of giving effect to such refinancing or replacement no default or event of default shall have occurred or be continuing.

Priority. The Intercreditor Agreement will incorporate the terms of subordination in respect of the guarantees of the notes offered hereby.

Payment Blockage. Under the Intercreditor Agreement, each member of the Group will agree not to take certain specified actions in respect of the RBS Debt. In summary, until the Senior Debt has been repaid in full and subject to certain exceptions as outlined below, each member of the Group will agree not to:

- pay, distribute, purchase, redeem or acquire any amounts owing by them in respect of the RBS Debt;

- discharge by way of set-off, combination of accounts or any other similar action on or with respect to any amounts due under the RBS Debt;
- create or permit to subsist any encumbrances over any assets for any amounts due under the RBS Debt except under the Security Documents;
- give any financial support to any person in respect of the RBS Debt except as effected under the Royal Bank of Scotland Invoice Discounting Agreement (as described below); and
- take or omit to take any action which may impair the ranking of the RBS Debt.

Under the Intercreditor Agreement, Ardagh Glass (UK) Limited and its subsidiaries will agree not to take certain specified actions in respect of the Intercompany Debt. In summary, until the Senior Debt and RBS Debt have been repaid in full, Ardagh Glass (UK) Limited and its subsidiaries will agree not to:

- pay, distribute, purchase, redeem or acquire any of the Intercompany Debt;
- discharge any Intercompany Debt by way of set-off, combination of accounts or any other similar action;
- create or permit to subsist any encumbrances over any assets for any amounts due under the Intercompany Debt;
- give any financial support to any person in respect of the Intercompany Debt; and
- take or omit to take any action which may impair the ranking of the Intercompany Debt.

Under the Intercreditor Agreement, until the Senior Debt has been paid in full and the commitments of the lenders thereunder have been cancelled:

- the Hedging Counterparties (as defined therein) will undertake to not, in respect of any member of the Group:
 - (1) seek or receive payment or repayment of any amounts due under the Hedging Documents ("Hedging Debt") with certain exceptions;
 - (2) terminate or close out any hedging transaction under the Hedging Documents prior to its stated maturity with certain exceptions;
 - (3) discharge any Hedging Debt by way of set-off, combination of accounts or any other similar action;
- neither any member of the Group nor its subsidiaries will permit to subsist any encumbrance over any of its assets or give any financial support in respect of the Hedging Debt other than under the Hedging Documents or the Security Documents.

Under the Intercreditor Agreement, until the Senior Debt has been paid in full and the commitments of the lenders thereunder have been cancelled, RBSC will agree not to, in respect of any member of the Group:

- seek or receive payment or repayment of any amounts due under the RBS Debt;
- discharge any RBS Debt by way of set-off, combination of accounts or any other similar action;
- permit to subsist or receive any encumbrance or financial support, guarantee, indemnity or other assurance against loss other than under the Security Documents; or
- take or omit to take any action which may impair the ranking of the RBS Debt.

Under the Intercreditor Agreement, until the Senior Debt and RBS Debt have been paid in full and the commitments of the lenders respectively thereunder have been cancelled, the Issuer will agree not to:

- seek or receive payment or repayment of any amounts due under the Intercompany Debt;
- discharge any Intercompany Debt by way of set-off, combination of accounts or any other similar action;

- permit to subsist or receive any encumbrance or financial support, guarantee, indemnity or other assurance against loss other than under the Security Documents; or
- take or omit to take any action which may impair the ranking of the Intercompany Debt.

The Intercreditor Agreement will provide that each member of the Group may make payments of interest, fees and expenses under the Royal Bank of Scotland Invoice Discounting Agreement. There will be no right to make these payments however, if:

- there is any principal, interest or fees under the Senior Debt due and unpaid;
- after an event of default (as defined in the New Anglo Irish Senior Secured Credit Facility or the NatWest Revolving Loan and Overdraft Facility Agreement) has occurred and is continuing (other than a non-payment default), the senior agent thereunder serves a stop notice (such notice to be served within six months of receiving notice of the default) on Ardagh Glass (UK) Limited and RBSC.

Upon the imposition of a stop notice, payments in respect of the RBS Debt may not be resumed until the earlier to occur of:

- 150 days after the stop notice was received;
- any applicable standstill period (as defined therein) has expired;
- an event of default (as defined in the New Anglo Irish Senior Secured Credit Facility or the NatWest Revolving Loan and Overdraft Facility Agreement) has been cured or waived in writing;
- the senior agent thereunder has cancelled the stop notice; and
- all amounts owing under the Senior Debt have been paid in full and the commitments of the lenders thereunder have been cancelled;

provided that (1) no stop notice may be served more than six months after receiving notice from a member of the Group or a lender specifying the event concerned, and (2) nothing results in a waiver of RBSC's right to recover amounts accrued during the period of non-payment referred to above.

Upon the imposition of a stop notice, payments in respect of the Intercompany Note may not be resumed until the earlier to occur of:

- 179 days after the stop notice was received;
- an Enforcement Event (as defined therein) has occurred or RBSC commences an Enforcement Action (as defined therein);
- an event of default (as defined in the New Anglo Irish Senior Secured Credit Facility, the NatWest Revolving Loan and Overdraft Facility Agreement or the Royal Bank of Scotland Invoice Discounting Agreement) has been cured or waived in writing;
- the senior agent thereunder cancels the stop notice; and
- all amounts owing under the Senior Debt have been paid in full and the commitments of the lenders thereunder have been cancelled, or if later, all amounts owing under the RBS Debt have been paid in full and the commitments of RBSC cancelled thereunder,

provided that (1) only one such stop notice may be served in any 12-month period and (2) RBSC shall not serve such stop notice without the prior written consent of senior agent under the New Anglo Irish Senior Secured Credit Facility and of NatWest.

Other Provisions. The Intercreditor Agreement will also contain other customary provisions requiring the subordinated parties thereunder to turn over proceeds to senior parties and restricting amendments that would adversely affect the interests of the senior parties. The Intercreditor Agreement will authorize the trustee, without the consent of the holders of the notes, to enter into an amended intercreditor agreement provided (a) there is no existing event of default or potential event of default, (b) the amended intercreditor deed does not prejudice the subordinated rights of the noteholders in respect of their claims and ranking under the guarantees, and (c) the trustee receives a certificate to the effect of (a) and (b).

Holders of any future Senior Debt of the Subsidiary Guarantors, subject to the provisions of the Indenture and with the consent of the current holders of Senior Debt of the Subsidiary Guarantors, may become parties to the Intercreditor Agreement with the same subordination and related rights in respect of the Subsidiary Guarantors' guarantees as the current holders of Senior Debt of the Subsidiary Guarantors under the Senior Credit Facilities.

Royal Bank of Scotland Invoice Discounting Agreement

The Royal Bank of Scotland Commercial Services Limited has made available to Rockware Glass Limited an invoice discounting facility of up to an aggregate principal amount of £20,000,000. This facility is available to Rockware Glass Limited until September 30, 2003 at which time the parties intend to renegotiate the facility. In addition, Anglo Irish Bank Corporation Plc has offered to make available to Rockware Glass Limited a replacement £20,000,000 facility for a term expiring on September 30, 2004, if renegotiations with RBSC do not result in an agreed facility. The offer from Anglo Irish Bank Corporation Plc is available for acceptance until September 30, 2003.

As security for the facility, Rockware Glass Limited has granted to RBSC an assignment over certain of Rockware Glass Limited's receivables. The amount of loans advanced to Rockware Glass Limited under the facility is based, among other things, upon the value of the receivables assigned by Rockware Glass Limited to RBSC. Rockware Glass Limited is required to repurchase the assigned receivables upon expiration of the facility in September 2003 unless they are otherwise repurchased voluntarily in accordance with the terms of the facility. Under this facility, Rockware Glass Limited is required to pay to RBSC a monthly discounting charge in respect of loans advanced at a rate equal to the NatWest base rate plus a margin of 1.125% per annum. Rockware Glass Limited is also required to pay a non-utilization fee equal to 0.563% of the undrawn portion of the facility and is subject to certain administration, prepayment and early termination fees.

The existing security arrangements in respect of the obligations under this facility will be replaced by new security arrangements consisting of a guarantee and debenture granted by each member of the Group in favor of the Security Agent creating fixed and floating charges over the property and assets of the applicable member of the Group. Property or assets situated in Scotland or governed by Scottish law will be charged pursuant to Scottish law standard security documents.

The facility contains customary representations and warranties and financial covenants, including covenants to maintain, in respect of the Group, minimum ratios of consolidated EBIT to consolidated total net senior debt interest payable, minimum ratios of consolidated cash flow to consolidated debt service, minimum tangible net worth and a maximum capital expenditure. In addition, various negative covenants restrict Rockware Glass Limited's ability, without the consent of RBSC, to:

- create, agree to create or permit to subsist any encumbrance in its present or future assets;
- incur or permit to subsist borrowings;
- sell or dispose of its undertaking, business or assets;
- provide loans, credit, financial guarantees, bonds or indemnities or assume any liability or give any reassurance in respect of any person; or
- acquire or subscribe for any business (or a substantial part thereof) or shares or incur capital expenditures.

The facility also contains various events of default including, among other things:

- non-payment by any member of the Group of principal, interest, fees or other amounts due under (1) this facility, (2) the Debenture and the Standard Security (each as defined therein) and any substituted or additional security entered into by any member of the Group in favor of the security agent, and (3) the New Intercreditor Agreement (each such document being an "RBS Discounting Document");
- breach of any representation warranty or statement made by or in relation to any member of the Group in any RBS Discounting Document unless the relevant underlying circumstances are remedied within 21 days;
- breach by Rockware Glass Limited of certain negative and financial covenants;

- failure by any member of the Group to comply with any other provision of any RBS Discounting Document and such default is unremedied for 21 days;
- non-payment by any member of the Group of borrowings due and payable or due and payable before their stated maturity by reason of an event of default, in each case in excess of a certain amount;
- the suspension of operations, execution or appropriation of assets, enforcement proceedings, bankruptcy, insolvency, liquidation, winding up, dissolution, administration or assignment for the benefit of creditors or related matters in respect of any member of the Group;
- the occurrence of a Material Adverse Change (as defined therein);
- the failure by any member of the Group to comply with its obligations in or the provisions of the Intercreditor Agreement; and
- the occurrence of an event of default under the Royal Bank of Scotland Invoice Discounting Agreement or the NatWest Revolving Loan and Overdraft Facility Agreement.

If an event of default occurs and remains unremedied, RBSC may demand immediate repurchase by Rockware Glass Limited of the relevant receivables (for an amount which includes amounts paid by RBSC directly or indirectly in consequence of Rockware Glass Limited's breach and steps reasonably taken by RBSC to mitigate such payment, cost, damage or liability) or RBSC may cancel the facility, demand the immediate repurchase by Rockware Glass Limited of the relevant receivables (for an amount which includes amounts paid by RBSC in consequence of Rockware Glass Limited's breach) and demand payment of all other sums payable under the facility.

NatWest Revolving Loan and Overdraft Facility Agreement

Rockware Glass Limited entered into a facility agreement dated March 6, 2001, with NatWest pursuant to which NatWest made available a revolving loan facility of up to £4,000,000 and an overdraft facility of up to £1,000,000.

Each loan under the revolving loan facility must be repaid on the last day of its interest period unless prepaid in accordance with the terms of the facility. As at March 31, 2003, there were no amounts outstanding under this facility. Interest is payable on the basis of LIBOR plus a margin of 1.5% per annum as adjusted by reference to the net senior interest cover ratio in respect of the Group. The overdraft facility expires, and all amounts outstanding under it must be repaid, on March 31, 2006. Interest is payable on the basis of NatWest's base lending rate at the relevant time plus a margin of 1.5% per annum as adjusted by reference to the net senior interest cover ratio in respect of the Group.

The existing security arrangements in respect of the obligations under this facility will be replaced by new security arrangements consisting of a guarantee and debenture granted by each member of the Group in favor of the Security Agent creating fixed and floating charges over the property and assets of the applicable member of the Group. Property or assets situated in Scotland or governed by Scottish law will be charged pursuant to Scottish law standard security documents.

The agreement contains customary representations and financial covenants, including covenants to maintain, in respect of the Group, minimum ratios of EBIT to consolidated total net senior debt interest payable, minimum ratios of consolidated cashflow to consolidated debt service, minimum tangible net worth and a maximum capital expenditure. In addition, various negative covenants restrict Rockware Glass Limited's ability, without the prior consent of NatWest, to:

- create security interests in its present or future assets;
- incur or have borrowings;
- sell or dispose of its undertaking, business or assets;
- provide loans, credit, financial guarantees, bonds or indemnities; or
- acquire or subscribe for any business or shares or incur capital expenditures.

The agreement also contains various events of default including, among other things:

- non-payment by any member of the Group under (1) this agreement, (2) the NatWest Ancillary Facility (as described below), (3) the Intercreditor Agreement, (4) the novation agreement among Ardagh Glass (UK) Limited, NatWest and Westdeutsche Landesbank Girozentrale dated March 6, 2001 (the “Novation Agreement”), (5) the Debenture and the Standard Securities (as defined therein) and any substituted or additional security entered into by any member of the Group in favor of the security agent, and (6) any other document designated as such by the parties (each a “NatWest Finance Document”);
- breach of any representation, warranty or statement made by or in relation to any member of the Group in any NatWest Finance Document unless the relevant underlying circumstances are remedied within 21 days;
- breach by Rockware Glass Limited of certain negative and financial covenants;
- failure by any member of the Group to comply with any other provision of any NatWest Finance Document and such default remains unremedied for 21 days;
- non-payment by any member of the Group of certain borrowings due and payable or due and payable before their stated maturity by reason of an event of default, in each case in excess of a certain amount;
- the suspension of operations, execution or appropriation of assets, enforcement proceedings, bankruptcy, insolvency, liquidation, winding up, dissolution, administration or assignment for the benefit of creditors or related matters in respect of any member of the Group;
- the occurrence of a Material Adverse Change (as defined therein);
- the failure by any member of the Group to comply with its obligations in or the provisions of the Intercreditor Agreement; and
- the occurrence of an event of default under the New Anglo Irish Senior Secured Credit Facility or the Royal Bank of Scotland Invoice Discounting Agreement.

If an event of default occurs and is continuing, the lender may cancel the facility, declare all amounts outstanding under the loan facility, the overdraft facility and the NatWest Ancillary Facility, together with accrued interest and all other amounts accrued under the NatWest Finance Documents to be immediately due and payable and declare such amounts due and payable on demand and enforce any or all of its rights under the NatWest Finance Documents.

NatWest Ancillary Facility

Rockware Glass Limited is party to an ancillary facility with NatWest dated as of May 16, 2003 (“NatWest Ancillary Facility”). Pursuant to this facility, NatWest makes available to Rockware Glass Limited an amount up to an aggregate maximum of £1,000,000. The facility is available until March 31, 2004 and all amounts outstanding thereunder are repayable on demand. The arrangement supports our business activities by guaranteeing the payment of relevant VAT duty by Rockware Glass Limited and thereby allowing our business to defer its VAT payments for a short period and obviate an otherwise individual VAT payment in respect of each product on each occasion. The existing security in respect of the obligations of Rockware Glass Limited under this facility will be replaced by the same security granted in respect of the NatWest Revolving Loan and Overdraft Facility Agreement.

Vereins Term Loan

In connection with the acquisition of the Heye International business from Hermann Heye KG in Germany, we entered into a credit facility dated December 20, 2002 with Vereins- und Westbank AG, Hamburg (“Vereins”), pursuant to which Heye International GmbH borrowed an aggregate principal amount of €10,000,000.

The interest rate is fixed on the basis of EURIBOR plus a margin of 3.0% adjusted downwards at specified increments dependent upon Senior Debt to EBITDA (each, as defined in the agreement) ratios, to a minimum margin of 2.5% per annum. Additionally, we are subject to certain

financial covenants including obligations to maintain Minimum Equity, and ratios in respect of Equity to Adjusted Total Assets and Debt Service Coverage (each, as defined in the agreement). Payments of principal and interest under the loan are repayable in equal semi-annual installments and we expect to make the final payment on May 15, 2008. Heye International is obliged to make mandatory prepayments under the loan by using 50% of its excess cash flow, calculated as average cash flow of the preceding 12-month period after capital expenditures, taxes, working capital uses, scheduled debt service and its operating costs. In addition, Heye International has agreed with Vereins to a one-time mandatory prepayment under the loan in an amount of €2,400,000 pursuant to a 40% cash sweep against funds of €6,000,000. We expect to make this payment as soon as practicable and in any event by July 2003. The full amount of the loan becomes due and payable in the event of a change of control at Heye International.

The facility contains various negative covenants which restrict Heye International's ability to, amongst other things:

- sell, transfer or otherwise dispose of any material asset without the lender's prior consent;
- incur any debt;
- other than in the ordinary course of business, grant any loan or guarantee to any third party;
- enter into any cash pooling arrangement with Heye Holding or any of its subsidiaries;
- distribute dividends to its majority equity holders; and
- make corporate loans to its shareholders.

An event of default under the loan occurs, among other things, upon Heye International's failure to pay in accordance with the facility, its failure to comply with certain financial and negative covenants and when the majority equity holders cease to indirectly hold more than 51% of Heye International's share capital and voting rights. If an event of default occurs and is continuing, Vereins may cancel the agreement and demand immediate payment of all amounts outstanding under the loan.

The security granted for the credit facility includes:

- a pledge of all Heye International's present and future rights in machinery, facilities and components for the production of glass machinery, located at Ziegeleiweg 3 in Obernkirchen, Germany;
- an assignment over all Heye International's present and future claims resulting from delivery of goods and services to domestic and foreign customers;
- an assignment over all of Heye International's trade receivables; and
- a pledge of all of Heye International's tangible and intangible assets.

As additional security for the credit facility, Heye Holding, the parent of Heye International, has pledged all of its shares in Heye International to Vereins.

Vereins Working Capital and Performance Guarantee Credit Lines

Heye International supports its business activities with two open lines of credit, each in an aggregate principal amount of €5,000,000, from Vereins pursuant to an agreement dated December 20, 2002.

Heye International is entitled to draw one of the lines of credit for the purposes of enhancing its short-term working capital. Heye International may draw short-term credits, not exceeding a three-month term under this credit line. This facility may be drawn through HVB Banque Luxembourg S.A. and expires on November 30, 2003. Interest is payable at an annual rate of 8.25%, subject to increases in certain circumstances.

The second credit line is available for guaranteeing payments relating to Heye International's project business. This credit line terminates on November 30, 2003. The events of default under these credit lines are identical to those set forth in the Vereins credit facility described above.

All of Heye International's current and future security granted to Vereins and granted in respect of the Vereins credit facility described above will also secure these credit lines.

Heye Glas Receivables Discounting Facility

Heye Glas and Euro Sales Finance GmbH, an affiliate of the Royal Bank of Scotland Group, are parties to a discounting agreement dated January 3, 2003 up to an aggregate principal amount of €20,000,000. Pursuant to this agreement, Heye Glas has agreed to offer to sell to Euro Sales on an ongoing basis all of its future trade receivables in respect of sales. Euro Sales has agreed to make scheduled advanced payments to Heye Glas based on 80% of the value of the applicable trade receivables, subject to certain limits and exceptions. In addition, Heye Glas has agreed to pay to Euro Sales a factoring commission of 0.15% of the total annual turnover of Heye Glas and interest on the amount of the advanced payments. As security for the obligations of Heye Glas under the agreement, Heye Glas has assigned to Euro Sales its present and future claims under specified credit insurance policies with Hermes-Kreditversicherung AG. The agreement may be terminated by either party on three-months notice after an initial two-year period and, thereafter, may be terminated on three-months notice as of the end of each calendar quarter.

Anglo Irish Heye Glas Term Loan

Ardagh Glass Limited and Heye International currently expect to provide guarantees each in an aggregate principal amount of €500,000, in respect of future borrowings by Heye Glas under a credit facility to be entered into, upon the terms of an agreed term sheet, between Anglo Irish Bank Corporation Plc and Heye Glas. Pursuant to the facility, Anglo Irish Bank Corporation Plc will make available to Heye Glas an amount up to an aggregate maximum of €10,000,000 for the purposes of capital expenditure at its Obernkirchen and Germersheim plants. Payments of principal will commence after two years and interest will be payable quarterly at a per annum rate of 2.25% above EURIBOR. The term of the facility will be 10 years. In addition to the guarantees provided by Ardagh Glass Limited and Heye International, borrowings under the facility will be unconditionally guaranteed in an aggregate amount of €8 million by the German states of Lower Saxony and Rheinland-Pfalz. Heye Glas expects to enter into the facility, and Ardagh Glass Limited and Heye International expect to provide the guarantees in respect thereof, as soon as practicable.

Existing Senior Secured Credit Facility

In order to refinance certain debt from the acquisition of Rockware Glass, Ardagh Glass (UK) Limited and Ardagh Treasury Limited entered into a facility agreement dated March 6, 2001, with BNP, as arranger, BNP Paribas (Dublin Branch), as security trustee, and certain other financial institutions. The facility agreement provides for an amortizing five-year term loan facility in an aggregate principal amount of £65,000,000. We expect to repay the loans outstanding under this facility in full with borrowings under our New Anglo Irish Senior Secured Credit Facility and contemporaneously with such repayment we will terminate the Existing Senior Secured Credit Facility. See "Operating and Financial Review and Prospects—Debt". Prior to repayment of the Existing Senior Secured Credit Facility, the current intercreditor agreement will apply. Upon termination of the Existing Senior Secured Credit Facility and the various securities related thereto, the Intercreditor Agreement will become effective.

Ardagh Glass (UK) Limited Subordinated Notes

In connection with the acquisition in 1999 of Rockware Group Limited from United Glass Limited, a subsidiary of Owens-Illinois Inc., Ardagh Glass (UK) Limited issued the following subordinated loan note instruments to United Glass Limited:

- (1) a subordinated note dated March 31, 1999 in an aggregate principal amount of £70,000,000. Ardagh Glass (UK) Limited has the right to roll up all or part of the interest due under the subordinated note for up to seven years from the date of the instrument. As at March 31, 2003, the principal amount outstanding under the note was approximately £101,000,000 as a result of adjustments made for interest capitalization and the settlement of certain pension and tax liabilities in connection with the acquisition. The subordinated note matures on March 31, 2006 and bears interest at a rate of 8% per annum until December 31, 2003 and at a rate of 10% per annum thereafter. The subordinated note is unsecured and is subordinated to the

senior indebtedness of Ardagh Glass (UK) Limited. Payments in respect of the subordinated note are guaranteed by Rockware Group Limited, Rockware Glass Limited and Ardagh Treasury Limited.

- (2) a subordinated deferred compensation note dated March 31, 1999 in an aggregate principal amount of £25,000,000. As at March 31, 2003, the principal amount outstanding under the note was approximately £19,000,000. The subordinated deferred compensation note matures on March 31, 2006 (with an amount then payable of £25,000,000) and does not bear any interest. The subordinated deferred compensation note is unsecured and is subordinated to the senior indebtedness of Ardagh Glass (UK) Limited. Payments in respect of the subordinated deferred compensation note are guaranteed by Rockware Group Limited, Rockware Glass Limited and Ardagh Treasury Limited.

Purchase Agreement with Owens-Illinois Group and United Glass

Ardagh Glass Limited and Owens-Illinois Inc. executed a letter agreement dated April 11, 2003, pursuant to which Ardagh Glass Limited has agreed that it or its designee will purchase the subordinated notes from United Glass Limited for an aggregate amount of £100,000,000. Our obligation to purchase the notes is subject to the availability of financing on terms acceptable to us. We expect to use the proceeds of this offering to purchase the subordinated notes from United Glass Limited. The closing of the sale and purchase of these subordinated notes is expected to be July 18, 2003 or such later date (not later than September 26, 2003) as we shall specify in writing. In the event that the closing does not take place by July 18, 2003, we have agreed to pay additional consideration equal to approximately £26,000 for each day elapsed between July 18, 2003 and the actual closing date. If for any reason, other than a default by United Glass Limited or Owens-Illinois Inc., closing shall not take place prior to September 26, 2003, the agreement shall cease to have any effect without liability of either party.

Existing Anglo Irish Bank Corporation Facility Agreement

Ardagh Glass Limited partly financed the costs of the Demerger and the redemption of a portion of the preferred ordinary shares of Ardagh Glass Limited by shareholders who did not wish to retain their preferred ordinary shares received pursuant to the Demerger by borrowings under a facility agreement dated December 19, 2002 with Anglo Irish Bank Corporation Plc for the Existing Anglo Irish Credit Facility. The facility agreement provides for facilities of up to €23,000,000 and is comprised of two term loan facilities, which we refer to respectively as Facility A and Facility B, each in an amount of €11,500,000. Ardagh Glass Limited borrowed €11,500,000 under Facility A and €500,000 under Facility B. The repayment date under the Existing Anglo Irish Credit Facility is March 31, 2006 or earlier if the subordinated notes issued by Ardagh Glass (UK) Limited to United Glass, a subsidiary of Owens-Illinois are repaid. The facility agreement provides that a minimum amount of interest of not less than €1,000,000 shall be payable by Ardagh Glass Limited upon repayment of the aggregate principal amount of loans outstanding thereunder, whether or not such interest has otherwise accrued. We expect to repay these loans in full with the proceeds of this offering contemporaneously with the completion of this offering.

Yeoman International Holdings Facility Agreement

In addition to the Existing Anglo Irish Credit Facility described above, Ardagh Glass Limited partly financed the costs of the Demerger and the redemption of a portion of the preferred ordinary shares by borrowings under the Yeoman Credit Facility dated December 19, 2002 with Yeoman International Holdings S.A., the major shareholder in Ardagh Glass Limited. See “Principal Shareholders” and “Certain Relationships and Related Party Transactions—Financing Agreements”. The facility agreement provides for a term loan of up to €5,000,000, which we borrowed in full. The repayment date under the Yeoman Credit Facility is March 31, 2006 or earlier if the subordinated notes issued by Ardagh Glass (UK) Limited to United Glass, a subsidiary of Owens-Illinois are repaid. The facility agreement provides that a minimum amount of interest shall be payable by Ardagh Glass Limited upon repayment of the aggregate principal amount of loans outstanding thereunder, whether or not such interest has otherwise accrued. We expect to repay this loan, including interest and any break costs of up to €1,000,000, in full with the proceeds of this offering contemporaneously with the completion of this offering.

Medium Term Loan Agreement with Mediocredito Centrale S.p.A.

Pursuant to an agreement dated July 18, 1997 (as amended by deed dated June 20, 2001), Mediocredito Centrale S.p.A. and certain other lenders named therein made available to Consumers Glass S.r.l. (later renamed Abruzzo Vetro S.r.l.) a loan in aggregate principal amount of up to Lire 35,000,000,000 (approximately €18,000,000). After giving effect to a scheduled principal prepayment in June 2003, there was approximately €8,400,000 outstanding under this loan. Payments of principal and interest in respect of this loan are repayable in equal semi-annual installments of €932,000 plus interest with the final payment scheduled for December 1, 2007. We expect to repay all amounts outstanding under this loan with the proceeds of this offering as soon as practicable following the completion of this offering, and have agreed to do so by December 31, 2003.

As security for its obligations under this agreement, Abruzzo Vetro S.r.l. has granted to Mediocredito Centrale S.p.A. and the other lenders party to this agreement, (1) a mortgage over the plant, land and buildings at the Montorio al Vomano manufacturing facility and (2) a lien, in accordance with article 46 of the Italian consolidated text of laws on banking and credit matters, over certain plant machinery and equipment located at this manufacturing facility.

Heye Holding Vendor Loan Notes

We financed our acquisition of the main operating divisions of Hermann Heye KG partly through vendor financing arrangements. Heye Holding, the holding company for the acquired divisions, issued two loan notes under the asset purchase agreement dated December 20, 2002, in aggregate principal amounts of €10,000,000 and €2,000,000, respectively. In addition, pursuant to the terms of the asset purchase agreement, payment of a portion of the purchase price in a principal amount of €2,000,000 has been deferred until January 2004. Each of the €10,000,000 loan and the €2,000,000 loan bears interest at a rate of 6% per annum and is repayable in January 2008. We are currently in the process of negotiating early repayment and termination of these arrangements at a discount. In the event that we do not reach agreement to repay this debt on favorable terms, we would expect to use the allocated portion of the net proceeds of the offering of the notes for general corporate purposes.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Demerger

Prior to the Demerger, Ardagh plc managed two separate businesses: (1) glass container manufacturing operations outside of Ireland comprising its U.K. and Italian glass container operations, and (2) glass container manufacturing and ancillary operations in Ireland. In July 2002, the glass container manufacturing facility in Ireland was closed and the business in Ireland became primarily a property holding company. The board of directors of Ardagh plc believed that the two distinct businesses were undervalued on the Irish Stock Exchange and, following a strategic review, concluded that a demerger of the U.K. and Italian glass container business to an unlisted company was the most effective way of realizing the underlying value of the assets.

In December 2002, Ardagh plc proposed to its shareholders the demerger of its U.K. and Italian glass container operations, which had been acquired in July 2002. In exchange for a reduction of capital of Ardagh plc, shareholders of Ardagh plc received shares in Ardagh Glass Limited, the demerged entity. Ardagh Glass Limited offered to redeem Ardagh Glass Limited shares so received by shareholders of Ardagh plc at a price of €1.10 per Ardagh Glass Limited share. Hg Capital, a major shareholder in Ardagh plc with an approximate 31% stake, agreed to accept the redemption offer in respect of its shares of Ardagh Glass Limited. Approximately 6% of the other shareholders of Ardagh plc who received shares of Ardagh Glass Limited also accepted the redemption offer.

The proposals relating to the Demerger were approved by the shareholders and the Demerger was completed on February 28, 2003.

Sales Agreement

Since the Demerger, Ardagh Glass Limited and Ardagh plc have continued a sales arrangement pursuant to which Ardagh plc acts as sales agent in respect of sales by Ardagh Glass Limited of its U.K. manufactured products to customers in Ireland. As consideration for this service, Ardagh Glass Limited pays Ardagh plc a commission amounting to approximately 5% of net sales. For the three month period ended March 31, 2003, Ardagh Glass Limited paid commissions to Ardagh plc pursuant to this sales arrangement of approximately £41,000.

Common Directorships

As at June 30, 2003, five of Ardagh Glass Limited's directors, Messrs. Coulson, Davies, Dowling, Kilty and Riordan, also served as directors on the board of Ardagh plc. Two of Ardagh Glass Limited's directors, Messrs. Coulson and Baertz, also serve as directors of Yeoman International Holdings S.A. Mr. Dowling also serves as a director of Yeoman International Group Limited, a wholly-owned subsidiary of Yeoman International Holdings S.A.

Financing Agreements

Ardagh Glass Limited financed the costs of the Demerger and the redemption of preferred ordinary shares of Ardagh Glass Limited held by preferred ordinary shareholders who did not wish to retain their preferred ordinary shares through financing provided by Yeoman International Holdings S.A. and Anglo Irish Bank Corporation Plc in an aggregate principal amount of €17 million. For a description of the terms of these financings see "Description of Other Indebtedness—Existing Anglo Irish Bank Corporation Facility Agreement" and "Description of Other Indebtedness—Yeoman International Holdings Facility Agreement".

Yeoman International Holdings S.A. is a principal shareholder of Ardagh Glass Limited and held approximately 38% of Ardagh Glass Limited's preferred ordinary shares as at June 30, 2003. At June 30, 2003, Anglo Irish Bank Corporation Plc held approximately 1.6% of Ardagh Glass Limited's preferred ordinary shares.

In connection with the Demerger, the independent shareholders of Ardagh Glass Limited approved the participation of Yeoman International Holdings S.A. in the financing of the redemption of the preferred ordinary shares of Ardagh Glass Limited.

Transaction Agreement and Special Redeemable Preference Share Redemption

In connection with the Demerger, on December 19, 2002, Ardagh Glass Limited and Ardagh plc entered into a conditional transaction agreement, which became unconditional on February 28, 2003. Ardagh plc agreed to sell and Ardagh Glass Limited agreed to buy the allotted shares in Ardagh International Holdings Limited, which held Ardagh plc's non-Irish glass container manufacturing operation. The consideration for the purchase was the issue by Ardagh Glass Limited to the holders of ordinary shares in Ardagh plc of one preferred ordinary share in Ardagh Glass Limited for every ordinary share of Ardagh plc in issue on the date the reduction of capital of Ardagh plc became effective, February 28, 2003. In the transaction agreement to purchase all of the then allotted ordinary shares of Ardagh International Holdings Limited, Ardagh plc agreed that:

- Unless Ardagh Glass Limited shall (in its sole discretion) agree otherwise in writing, Ardagh plc shall not prior to April 1, 2006 sell, transfer or otherwise dispose of (or grant any option to sell, transfer or otherwise dispose of), or in any way to any extent cease to be the entire legal and beneficial owner of all of the special redeemable preference shares of Ardagh Glass Limited; provided that this undertaking shall not apply to any breach thereof arising solely from the redemption of all or any of the special redeemable preference shares. This undertaking also extends to special redeemable preference shares held by Ardagh plc in Ardagh International Holdings Limited and Ardagh Glass (UK) Limited;
- Prior to April 1, 2006, it shall not amend without the written agreement of Ardagh Glass Limited Article 64A of the Articles of Association of Ardagh plc, which provides that no person shall beneficially be entitled to exercise, directly or indirectly, more than 34% of the votes entitled to be cast at any general meeting of Ardagh plc with respect to any resolution in relation to the election of directors of the company;
- It shall procure that, in each period of two consecutive years from the date of the transaction agreement, the individuals who at the date thereof constituted the board of directors of Ardagh plc (together with any new directors whose election by the board of directors of Ardagh plc or whose nomination for election by the shareholders of Ardagh plc was approved by a majority of the directors of Ardagh plc, then still in office who were either directors of Ardagh plc at the beginning of such period or whose election or nomination was previously so approved) shall not cease for any reason to constitute a majority of the board of directors of Ardagh plc then in office; and
- It shall not merge or consolidate with or into any person or sell transfer or otherwise convey, whether direct or indirect, all or substantially all of the assets of Ardagh plc, on a consolidated basis, in one transaction or a series of related transactions if, immediately after giving effect to such transaction or series of related transactions, any "person" or "group" is or becomes the "beneficial owner", directly or indirectly, of more than 34% of the total voting power in the aggregate normally entitled to vote in the election of directors, managers or trustees, as applicable, of the transferee or surviving entity.

Ardagh plc holds the special redeemable preference shares issued by Ardagh Glass Limited, Ardagh International Holdings Limited and Ardagh Glass (UK) Limited. See "Principal Shareholders". Yeoman International Holdings S.A., which owned approximately 38% of the outstanding ordinary preference shares of Ardagh Glass Limited as at June 30, 2003, owns approximately 24% of the outstanding share capital of Ardagh plc. After the repayment of the Ardagh Glass (UK) Limited subordinated notes and the redemption of all such special redeemable preference shares upon completion of this offering, Ardagh plc will have no direct interest in any securities issued by Ardagh Glass Limited or any of its subsidiaries.

Heye International Option Agreement

In December 2002, Yeoman, currently a 38% shareholder of Ardagh Glass Limited, agreed to acquire the glass container and technology and manufacturing businesses and assets of Hermann Heye, which was then in bankruptcy in Germany. Yeoman acquired the Heye assets at the request of Ardagh plc, as the bankruptcy administrator had required that the sale be completed by early January 2003 and Ardagh plc, as a public company, could not have met this timetable. On January 6, 2003, Ardagh International Holdings Limited acquired from Yeoman an option to purchase all of the shares in Heye Holding, the newly-formed holding company for these businesses. On March 3, 2003, Ardagh International Holdings Limited exercised this option and

acquired the Heye assets for a total consideration of €35.5 million, consisting almost entirely of assumed debt. See “Operating and Financial Review and Prospects”.

Heye Inventory Purchase and Sale-Back Agreement

Heye Glas and Rockware Glass Limited are party to an inventory purchase and sale-back agreement pursuant to which Rockware Glass purchases, from time to time, certain inventory from Heye Glas on arm’s length terms. Upon receipt by Heye Glas of a third party offer to purchase inventory, Rockware Glass sells back to Heye Glas all or a portion of the inventory previously purchased on the same terms as the purchase or upon terms as agreed between the parties at the applicable time. Rockware Glass may, at its discretion, convert all amounts outstanding from Heye Glas under the sale-back agreement or on account of returned inventory into a loan up to a maximum principal amount of €10,000,000 with an interest rate of 7% per annum. Rockware intends to exercise its right to convert this arrangement into a loan immediately prior to the closing of the offering of the notes. Rockware Glass Limited will be entitled to cancel the facility at any time and, upon its demand, all amounts owing with respect to the loan, including accrued but unpaid interest, shall become immediately due and payable. The security for the obligations under the loan will consist of a first-priority security interest and charge over all of Heye Glas’ finished products.

Unrestricted Group Loans

Heye Holding and Heye Glas are party to an agreement pursuant to which Heye Holding has provided a term loan to Heye Glas in the amount of €5,000,000. During 2003, funds in an aggregate amount of €2,000,000 were advanced in the period up to March 31, 2003 and further funds in the aggregate amount of €3,000,000 were advanced in the period up to the date of this Offering Circular. Interest is payable on the loan at a rate of 7% per annum. All sums outstanding under the loan become due on December 31, 2014. Heye Holding has the right to terminate the loan with immediate effect upon expiration of the guarantee provided by the State of Lower Saxony in respect of borrowings by Heye Glas under the proposed €10,000,000 Anglo Irish Heye Glas term loan described above in “Description of Other Indebtedness—Anglo Irish Heye Glas Term Loan”. No security has been granted in support of the loan and the loan is subordinated to the obligations of Heye Glas pursuant to third party financing arrangements. In addition, as of the date of this Offering Circular, Heye Holding has advanced to Heye Glas an amount of €1,200,000, which Heye Glas intends to use for its general corporate purposes.

DESCRIPTION OF THE NOTES

The definitions of certain terms used in this description are set forth under the sub-heading “—Certain Definitions”. In this “Description of the Notes”, the word “Issuer” refers only to Ardagh Glass Finance B.V., and the words “Parent Guarantor” refer only to Ardagh Glass Limited and not to any of its Subsidiaries, except for the purpose of financial data determined on a consolidated or combined basis, as the case may be. In addition, the words “Subsidiary Guarantors” refer to all of the Restricted Subsidiaries as of the date of the Indenture and any other Restricted Subsidiary that incurs a Guarantee, and the word “Guarantors” refers to the Parent Guarantor and the Subsidiary Guarantors collectively. Each of the Issuer and each Subsidiary Guarantor is a wholly owned direct or indirect Restricted Subsidiary. The word “Notes” refers also to “book-entry interests” in the Notes, as defined herein.

The Issuer will issue and the Guarantors will guarantee the notes offered hereby (the “Notes”) under an indenture (the “Indenture”) among the Issuer, the Guarantors and The Bank of New York, as trustee. The terms of the Notes include those set forth in the Indenture. The Indenture in turn includes certain provisions of the US Trust Indenture Act of 1939 (the “Trust Indenture Act”) that are incorporated by reference in the Indenture. The Indenture is not, however, required to be nor will it be qualified under the Trust Indenture Act.

The following description is a summary of the material terms of the Indenture. It does not, however, restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Notes and the Indenture. You should read the Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Notes. A copy of the form of the Indenture may be obtained by requesting it from the Issuer at the address indicated under “General Information” or, if and so long as the Notes are listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, from the specified office of the paying agent in Luxembourg.

The Issuer has made an application to list the Notes on the Luxembourg Stock Exchange. The Issuer can provide no assurance that this application will be accepted. If and so long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will maintain a paying or transfer agent in Luxembourg. See “—Payments on the Notes; Paying Agent”.

Brief Description of the Notes

The Notes will:

- (a) be the Issuer’s general unsecured obligations;
- (b) mature on July 1, 2013; and
- (c) be guaranteed on a senior basis by the Parent Guarantor and on a senior subordinated basis by the Subsidiary Guarantors.

The Guarantees

Under the Indenture, the Guarantors have jointly and severally agreed to guarantee the due and punctual payment of all amounts payable under the Notes, including principal, premium, if any, and interest payable under the Notes.

The obligations of each Guarantor under its Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor without resulting in its obligations under its Guarantee being voidable or unenforceable under applicable laws relating to fraudulent transfer, or under similar laws affecting the rights of creditors generally. Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor.

The subordinated Guarantee of the notes to be provided by Abruzzo Vetro S.r.l. will not become effective and enforceable until the repayment of all amounts outstanding under the medium term loan agreement among Abruzzo Vetro S.r.l., Mediocredito Centrale S.p.A. and the other financial institutions named therein. Abruzzo Vetro S.r.l. expects to repay all such amounts outstanding with the proceeds of this offering as soon as practicable following the completion of

this offering, and has agreed to do so by December 31, 2003. In addition, the Guarantees of the Notes to be provided by Heye Holding GmbH and Heye International GmbH will only be valid insofar as the obligations thereunder can be fulfilled without violating certain mandatory provisions of German company law aimed at preserving the capital of German limited liability companies. These provisions will limit the liability of each of Heye Holding GmbH and Heye International GmbH under its Guarantee to the amount of its net assets less the amount of its registered capital at the time a demand for payment is made under such Guarantee.

All of the Guarantees will be released upon Legal Defeasance, as described in “—Legal Defeasance or Covenant Defeasance of Indenture”. In addition, the Subsidiary Guarantors’ Guarantees will be released on an enforcement by the Banks of their pledge over the Capital Stock of the Subsidiary Guarantors and upon certain other conditions being met, as described in “—Ranking of the Notes and the Guarantees; Subordination”.

Ranking of the Notes and the Guarantees; Subordination

The Notes

The Notes will:

- (a) be the Issuer’s general unsecured obligations;
- (b) rank senior in right of payment to any and all of the Issuer’s existing and future indebtedness that is subordinated in right of payment to the Notes;
- (c) rank equally in right of payment with all of the Issuer’s existing and future unsecured indebtedness that is not subordinated in right of payment to the Notes; and
- (d) effectively be subordinated in right of payment to all existing and future secured indebtedness of the Issuer to the extent of the assets securing such indebtedness.

The Parent Guarantor’s Guarantee

The Parent Guarantor’s Guarantee will:

- (a) be the Parent Guarantor’s general unsecured obligation;
- (b) rank senior in right of payment to any and all of the Parent Guarantor’s existing and future indebtedness that is subordinated in right of payment to its Guarantee;
- (c) rank equally in right of payment with all of the Parent Guarantor’s existing and future unsecured indebtedness that is not subordinated in right of payment to its Guarantee;
- (d) effectively be subordinated in right of payment to all existing and future secured indebtedness of the Parent Guarantor to the extent of the assets securing such indebtedness;
- (e) be structurally subordinated in right of payment to all existing and future indebtedness of the Parent Guarantor’s subsidiaries; and
- (f) **not** be subject to the restrictions on enforcement described below applicable to each Subsidiary Guarantors’ Guarantee.

The Subsidiary Guarantors’ Guarantees

Each Subsidiary Guarantor’s Guarantee will:

- (a) be a general unsecured obligation of the Subsidiary Guarantor that granted such Guarantee;
- (b) be subordinated in right of payment to the payment in full in cash of all of such Subsidiary Guarantor’s existing and future Senior Debt, including its obligations under the Senior Credit Facilities;
- (c) rank equally in right of payment with any and all of such Subsidiary Guarantor’s existing and future unsecured indebtedness that is not subordinated and is not senior in right of payment of its Guarantee;

- (d) rank senior in right of payment to any and all of such Subsidiary Guarantor's existing and future indebtedness that is subordinated in right of payment to its Guarantee; and
- (e) be subject to the restrictions on enforcement described below.

At March 31, 2003, on a pro forma basis after giving effect to the offering of the Notes and the application of the proceeds thereof as described under "Use of Proceeds", and after excluding intercompany balances:

- (a) on an unconsolidated basis, the Issuer would have had total indebtedness of €175 million (all of which is represented by the Notes) and no trade payables or deferred taxes;
- (b) on an unconsolidated basis, the Parent Guarantor would have had no indebtedness or deferred taxes;
- (c) on a consolidated basis, the Subsidiary Guarantors would have had (i) total Senior Debt of €111.2 million, substantially all of which would have been secured, (ii) no Pari Passu Debt and (iii) €60.9 million of trade payables and €28.4 million of deferred taxes; and
- (d) the Unrestricted Subsidiaries would have had total indebtedness of €8.3 million, none of which would have been subordinated to the Notes or the Guarantees, all of which would have been secured, and €7.0 million of trade payables and no deferred taxes.

Although the Indenture contains limitations on the amount of additional Debt that the Issuer, the Parent Guarantor and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial. The Indenture permits all Senior Debt to be secured.

As a result of the enforcement standstills and the various subordination provisions described below, in the event of an insolvency, bankruptcy, liquidation or reorganization of any Subsidiary Guarantor, holders of Notes may recover less, ratably, than other creditors of the Subsidiary Guarantors (including trade creditors).

Enforcement Standstills in Relation to the Subsidiary Guarantors' Guarantees

The Indenture will provide that no Subsidiary Guarantor's Guarantee may become due, and that neither the holders of the Notes nor the trustee may take any Enforcement Action against a Subsidiary Guarantor without the prior consent of the applicable Senior Agent or Agents unless:

- (a) certain insolvency or reorganization events have occurred in relation to such Subsidiary Guarantor; or
- (b) the holders of Designated Senior Debt have taken any Enforcement Action in relation to such Subsidiary Guarantor; or
- (c) a default has occurred under the Notes; and
 - (i) the holders of the Notes or the trustee has notified the applicable Senior Agents; and
 - (ii) a period of not less than 90 days (in the case of a payment default) or 179 days (in the case of a non-payment default) has passed from the date the applicable Senior Agents were notified of the default (a "Standstill Period"); and
 - (iii) at the end of the Standstill Period, the default is continuing and has not been waived by the holders of the Notes.

Release of the Guarantees

A Subsidiary Guarantors' Guarantee will be automatically and unconditionally released:

- (a) in the event that all of the Capital Stock of such Subsidiary Guarantor is sold pursuant to an enforcement of the Banks' security over the Capital Stock of such Subsidiary Guarantor under the applicable security agreements securing obligations under the Senior Credit Facilities, immediately upon such sale of Capital Stock unless such sale is to the Banks, in which case the such Subsidiary Guarantor's Guarantee will be automatically and

unconditionally released only in the event that the Banks subsequently sell the Capital Stock of such Subsidiary Guarantor, provided that, in either case:

- (i) such Subsidiary Guarantor is simultaneously, irrevocably and unconditionally released (and such obligations are not assumed by the buyer or an affiliate of the buyer) from all claims with respect to its obligations under, or in respect of, the Senior Credit Facilities and any Subordinated Debt; and
 - (ii) an internationally recognized investment bank selected by a representative of the Banks has delivered to the trustee an opinion that the sale price of the Capital Stock of the Subsidiary Guarantor is fair from a financial point of view after taking into account all relevant circumstances including, without limitation, the method of enforcement; or
- (b) upon Legal Defeasance.

Subordination on Insolvency

The Indenture will provide that, in the event of any distribution to the creditors of a Subsidiary Guarantor:

- (a) in a liquidation or dissolution of such Subsidiary Guarantor;
- (b) in an insolvency, bankruptcy, reorganization, composition, receivership, administration, voluntary arrangement or similar proceeding relating to such Subsidiary Guarantor or its property;
- (c) in an assignment for the benefit of the creditors of such Subsidiary Guarantor; or
- (d) in any marshalling of such Subsidiary Guarantor's assets and liabilities,

the holders of Senior Debt of such Subsidiary Guarantor will be entitled to receive payment in full in cash of all obligations in respect of such Senior Debt (including interest after the commencement of any proceeding at the rate specified in the applicable Senior Debt whether or not allowed or allowable in any such proceeding) before the holders of Notes will be entitled to receive any payment with respect to the Guarantee of such Subsidiary Guarantor (except that holders of Notes may receive and retain Permitted Junior Securities and payments made from the trust (if any) described under "—Legal Defeasance or Covenant Defeasance of Indenture").

Payment Blockage Provisions

The Indenture also will provide that a Subsidiary Guarantor may not make any payment in respect of its Guarantee (except in Permitted Junior Securities or from the trust (if any) described under "—Legal Defeasance or Covenant Defeasance of Indenture") if:

- (a) a payment default on Designated Senior Debt of such Subsidiary Guarantor has occurred and is continuing beyond any applicable grace period; or
- (b) any other default occurs and is continuing on any Designated Senior Debt of such Subsidiary Guarantor that permits the holders of that Designated Senior Debt to accelerate its maturity and the trustee receives a notice of such default (a "Payment Blockage Notice") from the Issuer or the holders of such Designated Senior Debt.

Payments on any such Guarantee of a Subsidiary Guarantor may and will be resumed:

- (i) in the case of a payment default, when such default is cured or waived; or
- (ii) in the case of a non-payment default, upon the earlier of the date on which such non-payment default is cured or waived and 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until (x) 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice and (y) all scheduled payments of principal, premium, if any, and interest on the Notes that have come due have been paid in full in cash.

No non-payment default that existed or was continuing on the date of delivery of a Payment Blockage Notice to the trustee will be, or be made, the basis for a subsequent Payment Blockage Notice.

Turnover

If the trustee for the Notes receives a payment in respect of the Notes (except in Permitted Junior Securities or from the trust (if any) described under “—Legal Defeasance or Covenant Defeasance of Indenture”) when:

- (a) the payment is prohibited by the subordination provisions of the Indenture described in this “—Ranking of the Notes and the Guarantees; Subordination” section; and
- (b) the trustee or the holder has actual knowledge that payment is so prohibited;

then the trustee will hold the payment on trust for the benefit of the holders of the relevant Senior Debt and, upon the proper written request of the holders of the relevant Senior Debt, the trustee will deliver the amounts in trust to the Senior Agent or any other proper representative of the holders of the relevant Senior Debt.

Intercreditor Agreement

The Indenture will provide that each Subsidiary Guarantor and the trustee will be authorized (without any further consent of the holders of the Notes) to enter into any intercreditor agreement or deed in favor of the holders of Designated Senior Debt of the Subsidiary Guarantors to give effect to the preceding subordination provisions of the Indenture described in this “—Ranking of the Notes and the Guarantees; Subordination” section. The Indenture shall provide that such preceding subordination provisions shall constitute a continuing offer to all persons who become holders of or continue to hold Senior Debt, and such provisions are made for the benefit of the holders of Senior Debt and such holders will be obligees under the Indenture and any one or more of them may enforce such subordination provisions.

The subordination provisions may not be amended or modified without the written consent of the holders of all Senior Debt.

The Indenture will also provide that each holder of a Note, by accepting such Note, will be deemed to have:

- (a) appointed and authorized the trustee to give effect to such subordination provisions;
- (b) authorized the trustee to become a party to any future intercreditor arrangements described above;
- (c) agreed to be bound by such subordination provisions and the provisions of any future intercreditor arrangements described above that do not materially adversely affect the rights of holders of the Notes; and
- (d) irrevocably appointed the trustee to act on its behalf to enter into and comply with such subordination provisions and the provisions of any future intercreditor arrangements described above.

The trustee will enter into such an intercreditor agreement on the date of the Indenture. For a description of this agreement, see “Description of Other Indebtedness—New Intercreditor Agreement”.

Principal, Maturity and Interest

The Notes will mature on July 1, 2013 and 100% of the principal amount thereof shall be payable on such date, unless redeemed prior thereto as described herein. The Issuer will issue the Notes in the aggregate principal amount of €175 million. Subject to the covenant described under “—Certain Covenants—Limitation on Debt”, the Issuer is permitted to issue additional Notes under the Indenture (“Additional Notes”) from time to time. The Notes and the Additional Notes that are actually issued will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires,

references to the “Notes” for all purposes of the Indenture and in this “Description of the Notes” include references to any Additional Notes that are actually issued.

Each Note will bear interest at the rate per annum shown on the cover page of this Offering Circular semi-annually from the date of the Indenture or from the most recent interest payment date to which interest has been paid or provided for, whichever is the later. Interest will be payable on each Note on January 1 and July 1 of each year, commencing on January 1, 2004. The Issuer will pay interest on each Note in respect of the principal amount thereof outstanding as of the immediately preceding December 15 or June 15, as the case may be. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will be paid on overdue principal and other overdue amounts at the same rate.

Form of Notes

The Notes will be issued on the date of the Indenture only in fully registered form without coupons and only in denominations of €1,000 and any integral multiple thereof.

The Notes will be initially in the form of one or more global notes (the “Global Notes”). The Global Notes will be deposited with a common depository for Euroclear and Clearstream Banking, or a nominee of such common depository. Ownership of interests in the Global Notes, referred to as “book-entry interests”, will be limited to persons that have accounts with Euroclear or Clearstream Banking or their respective participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream Banking and their participants. The terms of the Indenture will provide for the issuance of definitive registered Notes in certain circumstances. See “Book-Entry; Delivery and Form”.

Transfer and Exchange

The Global Notes may be transferred in accordance with the Indenture, which will provide for, among other things, the transfer of the Notes by the Luxembourg Transfer Agent so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require. All transfers of book-entry interests between participants in Euroclear or Clearstream Banking will be effected by Euroclear or Clearstream Banking pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream Banking and their respective participants. See “Book-Entry; Delivery and Form”.

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under “Transfer Restrictions”.

Payments on the Notes; Paying Agent

The Issuer will make all payments, including principal of, premium, if any, and interest on the Notes, at its office or through an agent in London, England that it will maintain for these purposes. Initially that agent will be the corporate trust office of the trustee. In addition, so long as the Notes are listed on the Luxembourg Stock Exchange there will be a paying agent in Luxembourg. The Bank of New York (Luxembourg) SA will initially act as paying agent in Luxembourg. The Issuer may change the paying agent without prior notice to the holders of the Notes. In addition, the Issuer or any of its Subsidiaries may act as paying agent in connection with the Notes other than for the purposes of effecting a redemption described under “—Optional Redemption” or an offer to purchase the Notes described under “—Purchase of Notes upon a Change of Control” or “—Certain Covenants—Limitation on Sale of Certain Assets”. The Issuer will make payments on the Global Notes to the common depository as the registered holder of the Global Notes. The Issuer will make all payments in same-day funds.

No service charge will be made for any registration of transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Additional Amounts

All payments that the Issuer makes under or with respect to the Notes or that the Guarantors make under or with respect to the Guarantees will be made free and clear of and without

withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, “Taxes”) imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor is incorporated or resident for tax purposes or from or through which any of the foregoing makes any payment on the Notes or by or within any department or political subdivision thereof (each, a “Relevant Taxing Jurisdiction”), unless the Issuer or such Guarantor, as the case may be, is required to withhold or deduct Taxes by law or by the interpretation or administration of law. If the Issuer or a Guarantor is required to withhold or deduct any amount for or on account of Taxes of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes, the Issuer or the Guarantor, as the case may be, will pay additional amounts (“Additional Amounts”) as may be necessary to ensure that the net amount received by each holder of the Notes (including Additional Amounts) after such withholding or deduction will not be less than the amount the holder would have received if such Taxes had not been withheld or deducted.

Neither the Issuer nor any Guarantor will, however, pay Additional Amounts to a holder or beneficial owner of Notes in respect or on account of:

- (a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder’s or beneficial owner’s present or former connection with such Relevant Taxing Jurisdiction (other than the mere receipt or holding of Notes or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under any Notes or the Indenture);
- (b) any Taxes that are imposed or levied by reason of the failure of the holder or beneficial owner of Notes, following the Issuer’s written request addressed to the holder, to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);
- (c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;
- (d) any Tax which is payable otherwise than by deduction or withholding from payments made under or with respect to the Notes;
- (e) any Tax imposed on or with respect to any payment by the Issuer or the Guarantor to the holder if such holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Note;
- (f) any Tax that is imposed on or with respect to a payment made to a holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant Notes to another paying agent in a member state of the European Union; or
- (g) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the Council Directive on the taxation of savings income as adopted by the Council of the European Union on June 3, 2003 in Brussels or any EU Directive otherwise implementing the conclusions of the ECOFIN Council meetings of June 19 and 20, 2000, November 26 and 27, 2000, December 13, 2001 and/or January 21, 2003 or any law implementing or complying with, or introduced in order to conform to, any such Directive.

The Issuer and the Guarantors will (i) make such withholding or deduction required by applicable law and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer or the Guarantors will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer will deliver to the trustee an

Officers' Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the trustee to pay such Additional Amounts to holders on the payment date. The Issuer will promptly publish a notice in accordance with the provisions set forth in "—Notices" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

In addition, the Issuer and the Guarantors will pay any present or future stamp, issue, registration, court documentation, excise or property taxes or other similar taxes, charges and duties, including interest and penalties with respect thereto, imposed by any Relevant Taxing Jurisdiction in which a paying agent is located or in the foregoing in respect of the execution, issue or delivery of the Notes or any other document or instrument referred to thereunder and any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes and/or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

Whenever the Indenture or this "Description of the Notes" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note, such reference includes the payment of Additional Amounts, if applicable.

Currency Indemnity

Euro is the sole currency of account and payment for all sums payable under the Notes, the Guarantees and the Indenture. Any amount received or recovered in respect of the Notes or the Guarantees in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by a holder of the Notes in respect of any sum expressed to be due to such holder from the Issuer or the Guarantors will constitute a discharge of their obligation only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase euro on that date, on the first date on which it is possible to do so). If the euro amount to be recovered is less than the euro amount expressed to be due to the recipient under any Note, the Issuer or the Guarantors will indemnify the recipient against the cost of making any further purchase of euro in an amount equal to such difference. For the purposes of this paragraph, it will be sufficient for the holder to certify that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on that date had not been possible, on the first date on which it would have been possible). These indemnities, to the extent permitted by law:

- (a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any waiver granted by any holder of a note; and
- (d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Optional Redemption

Optional Redemption prior to July 1, 2006 upon Public Equity Offering

At any time prior to July 1, 2006, upon not less than 30 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes at a redemption price of 108.875% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net proceeds from one or more Public Equity Offerings. The Issuer may only do this, however, if:

- (a) at least 65% of the aggregate principal amount of Notes that were initially issued would remain outstanding immediately after the proposed redemption; and
- (b) the redemption occurs within 90 days after the closing of such Public Equity Offering.

Optional Redemption prior to July 1, 2008

At any time prior to July 1, 2008, upon not less than 30 nor more than 60 days' notice, the Issuer may also redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest to the redemption date.

"Applicable Redemption Premium" means, with respect to any Note on any redemption date, the greater of:

- (a) 1.0% of the principal amount of the Note; and
- (b) the excess of:
 - (i) the present value at such redemption date of (x) the redemption price of such Note at July 1, 2008 (such redemption price being set forth in the table appearing below under the caption "—Optional Redemption on or after July 1, 2008"), plus (y) all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and July 1, 2008 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
 - (ii) the outstanding principal amount of the Note.

Optional Redemption on or after July 1, 2008

At any time on or after July 1, 2008 and prior to maturity, upon not less than 30 nor more than 60 days' notice, the Issuer may redeem all or part of the Notes. These redemptions will be in amounts of €1,000 or integral multiples thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on July 1 of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

| <u>Year</u> | <u>Redemption Price</u> |
|---------------------------|-------------------------|
| 2008 | 104.4375% |
| 2009 | 102.9583% |
| 2010 | 101.4792% |
| 2011 and thereafter | 100.0000% |

Redemption Upon Changes in Withholding Taxes

If, as a result of:

- (a) any amendment after July 7, 2003 to, or change after July 7, 2003 in, the laws (or regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction; or
- (b) any change after July 7, 2003 in the official application or official interpretation of the laws, treaties, regulations or rulings (including a holding, judgment or order by a court competent jurisdiction) of any Relevant Taxing Jurisdiction applicable to the Issuer or any Guarantor,

the Issuer or any Guarantor would be obligated to pay, on the next date for any payment and as a result of that amendment or change, Additional Amounts as described above under "—Additional Amounts" with respect to the Relevant Taxing Jurisdiction, which the Issuer or Guarantor cannot avoid by the use of reasonable measures available to it, then the Issuer may redeem all, but not less than all, of the Notes, at any time thereafter, upon not less than 30 nor more than 60 days' notice, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. Prior to the giving of any notice of redemption described in this paragraph, the Issuer will deliver to the trustee:

- (a) a certificate signed by an officer of the Issuer stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer's or Guarantor's taking reasonable measures available to it; and

- (b) a written opinion of independent legal counsel to the Issuer of recognized standing to the effect that the Issuer or Guarantor has or will become obligated to pay such Additional Amounts as a result of a change, amendment, official interpretation or application described above.

The Issuer will publish a notice of any optional redemption of the Notes described above in accordance with the provisions of the Indenture described under “—Notices”. These notice provisions include a requirement to publish any such notice in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) if and so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require. The Issuer will inform the Luxembourg Stock Exchange of the principal amount of the Notes that have not been redeemed in connection with any optional redemption. If fewer than all the Notes are to be redeemed at any time, the trustee will select the Notes by a method that complies with the requirements, as certified to the trustee by the Issuer, of the principal securities exchange, if any, on which the Notes are listed at such time or, if the Notes are not listed on a securities exchange, pro rata, by lot or by such other method as the trustee in its sole discretion shall deem fair and appropriate; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than €1,000.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer or the Parent Guarantor may be required to offer to purchase the Notes as described under the captions “—Purchase of Notes upon a Change of Control” and “—Certain Covenants—Limitation on Sale of Certain Assets”. The Parent Guarantor and the Restricted Subsidiaries, including the Issuer, may at any time and from time to time purchase Notes in the open market or otherwise.

Purchase of Notes upon a Change of Control

If a Change of Control occurs at any time, then the Issuer or the Parent Guarantor must make an offer (a “Change of Control Offer”) to each holder of Notes to purchase such holder’s Notes, in whole or in part in integral multiples of €1,000, at a purchase price (the “Change of Control Purchase Price”) in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (the “Change of Control Purchase Date”) (subject to the rights of holders of record on relevant regular record dates that are prior to the Change of Control Purchase Date to receive interest due on an interest payment date). Purchases made under a Change of Control Offer will also be subject to other procedures set forth in the Indenture.

Within 30 days following any Change of Control, the Issuer or the Parent Guarantor will:

- (a) cause a notice of the Change of Control Offer to be published (i) in a leading newspaper having a general circulation in each of London (which is expected to be the *Financial Times*) and in New York (which is expected to be *The Wall Street Journal*); (ii) through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency; and (iii) if at the time of such notice the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in the *Luxemburger Wort* (or another leading newspaper of general circulation in Luxembourg); and
- (b) send notice of the Change of Control Offer by first-class mail, with a copy to the trustee, to each holder of Notes to the address of such holder appearing in the security register, which notice will state:
 - (i) that a Change of Control has occurred, and the date it occurred;
 - (ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to pro forma historical income, cash flow and capitalization after giving effect to the Change of Control);
 - (iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a business day no earlier than 30 days nor later than 60 days from the

date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act and any applicable securities laws or regulations;

- (iv) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid;
- (v) that any Note (or part thereof) not tendered will continue to accrue interest; and
- (vi) any other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance (which procedures may also be performed at the office of the paying agent in Luxembourg as long as the Notes are listed on the Luxembourg Stock Exchange).

The trustee will promptly authenticate and deliver a new Note or Notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated Notes; provided that each such new Note will be in a principal amount of €1,000 or an integral multiple thereof. The Issuer or the Parent Guarantor will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The ability of the Issuer or the Parent Guarantor to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that would constitute a Change of Control could constitute a default under the Senior Credit Facilities. In addition, certain events that may constitute a change of control under the Senior Credit Facilities and cause a default thereunder may not constitute a Change of Control under the Indenture. The Parent Guarantor's future indebtedness and the future indebtedness of its Subsidiaries may also require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require a repurchase of the Notes upon a Change of Control could cause a default under such indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer or the Parent Guarantor of such repurchase.

If a Change of Control Offer is made, neither the Issuer nor the Parent Guarantor can provide any assurance that they will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by holders of the Notes seeking to accept the Change of Control Offer. If the Issuer or the Parent Guarantor fails to make or consummate a Change of Control Offer or pay the Change of Control Purchase Price when due, such failure would result in an Event of Default and would give the trustee and the holders of the Notes the rights described under “—Events of Default”.

Even if sufficient funds were otherwise available, the terms of the other indebtedness of the Parent Guarantor and its Subsidiaries may prohibit the prepayment of the Notes prior to their scheduled maturity. If the Issuer or the Parent Guarantor were not able to prepay any indebtedness containing any such restrictions or obtain requisite consents, the Issuer and the Parent Guarantor would be unable to fulfill their repurchase obligations to holders of Notes who exercise their right to redeem their Notes following a Change of Control, which would cause a Default under the Indenture. A Default under the Indenture, unless waived by holders, would result in a cross-default under certain of the financing arrangements described under “Description of Other Indebtedness”.

Neither the Issuer nor the Parent Guarantor will be required to make a Change of Control Offer if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent Guarantor and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the provisions of the Indenture will not give holders the right to require the Issuer or the Parent Guarantor to repurchase the Notes in the event of certain highly leveraged transactions, or certain other transactions, including a reorganization, restructuring, merger or similar transaction and, in certain circumstances, an acquisition by the Parent Guarantor's management or its Affiliates, that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including the

“Limitation on Debt” covenant. The existence of a holder of the Notes’ right to require the Issuer or the Parent Guarantor to repurchase such holder’s Notes upon a Change of Control may deter a third party from acquiring the Parent Guarantor or its Subsidiaries in a transaction which constitutes a Change of Control.

The Issuer and the Parent Guarantor will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations (including those of The Netherlands) in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Parent Guarantor will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Indenture by virtue of such conflict.

“Change of Control” means the occurrence of any of the following events:

- (a) (i) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than the Permitted Holder, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person will be deemed to have “beneficial ownership” of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 30% of the voting power of the Parent Guarantor’s outstanding Voting Stock and (ii) the Permitted Holder does not beneficially own a larger percentage of such Voting Stock than such person or group (for the purposes of this clause (a), such other person or group shall be deemed to beneficially own all Voting Stock of a specified entity directly held by a parent entity, if such other person or group becomes the “beneficial owner” (as defined above in this clause (a)), directly or indirectly, of more than 30% of the Voting Stock of such parent entity and the Permitted Holder does not beneficially own more than 30% of the Voting Stock of such parent entity); or
- (b) (i) if the Parent Guarantor consummates any transaction (including, without limitation, any merger, consolidation, amalgamation or other combination) pursuant to which the Parent Guarantor’s outstanding Voting Stock is converted into or exchanged for cash, securities or other property, or (ii) the Parent Guarantor conveys, transfers, leases or otherwise disposes of, or any resolution with respect to a demerger or division is passed by the Parent Guarantor’s board of directors or shareholders pursuant to which the Parent Guarantor would dispose of, all or substantially all of the Parent Guarantor’s assets and those of the Restricted Subsidiaries, considered as a whole (other than a transfer of substantially all of such assets to one or more Wholly-Owned Subsidiaries), in each case to any Person other than in a transaction:
 - (x) where the Parent Guarantor’s outstanding Voting Stock is not converted or exchanged at all (except to the extent necessary to reflect a change in the jurisdiction of the Issuer’s incorporation) or is converted into or exchanged for Voting Stock (other than Redeemable Capital Stock) of the surviving or transferee corporation; and
 - (y) where the Voting Stock of the surviving or transferee corporation is and is expected to continue to be listed on a stock exchange or automated quotation system and publicly traded, no “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than the Permitted Holder, is the “beneficial owner” (as defined in clause (a) above) directly or indirectly, of more than 30% of the total outstanding Voting Stock of the surviving or transferee corporation; or
- (c) during any consecutive two-year period following the date of the Indenture, individuals who at the beginning of such period constituted the Parent Guarantor’s board of directors (together with any new members whose election to such board, or whose nomination for election by the Parent Guarantor’s shareholders, was approved by a vote of at least a majority of the members of the Parent Guarantor’s board of directors then still in office who were either members at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of the Parent Guarantor’s board of directors then in office; or

- (d) the Parent Guarantor or the Issuer is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under “—Certain Covenants—Consolidation, Merger and Sale of Assets”; or
- (e) the Parent Guarantor or any Surviving Entity directly or indirectly ceases to own 100% of the Voting Stock of the Issuer, other than director’s qualifying shares and other shares required to be issued by law.

Certain Covenants

The Indenture will contain, among others, the following covenants.

Limitation on Debt

(1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to “incur” or, as appropriate, an “incurrence”), any Debt (including any Acquired Debt); provided that the Parent Guarantor, the Issuer and any Restricted Subsidiary will be permitted to incur Debt (including Acquired Debt) if (a) after giving effect to the incurrence of such Debt and the application of the proceeds thereof, on a pro forma basis, no Default or Event of Default would occur or be continuing and (b) at the time of such incurrence and after giving effect to the incurrence of such Debt and the application of the proceeds thereof, on a pro forma basis, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Debt, taken as one period, would be greater than 2.25 to 1.0.

(2) This covenant will not, however, prohibit the following (collectively, “Permitted Debt”):

- (a) the incurrence by the Parent Guarantor or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of €125 million and the sum of (i) 60% of the total book value of the inventory of the Parent Guarantor and its Subsidiaries and (ii) 85% of the book value of the accounts receivable of the Parent Guarantor and its Subsidiaries minus, in either case, the amount of any permanent repayments or prepayments of such Debt with the proceeds of Asset Sales made in accordance with “—Limitation on Sales of Certain Assets” (but only to the extent of any corresponding commitment reduction if such Debt is revolving credit borrowings);
- (b) the incurrence by the Issuer of Debt pursuant to the Notes (other than Additional Notes) and the incurrence of Debt by the Guarantors pursuant to the Guarantees;
- (c) any Debt of the Parent Guarantor or any Restricted Subsidiary (other than Debt described in another clause of this paragraph) outstanding on the date of the Indenture;
- (d) the incurrence by the Parent Guarantor or any Restricted Subsidiary of intercompany Debt between the Parent Guarantor and any Restricted Subsidiary or between or among Restricted Subsidiaries; provided that
 - (i) if the Issuer or a Guarantor is the obligor on any such Debt, unless required by a Credit Facility, it is unsecured; and
 - (ii) (x) any disposition, pledge or transfer of any such Debt to a Person (other than a disposition, pledge or transfer to the Parent Guarantor or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing to the Parent Guarantor or another Wholly Owned Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an incurrence of such Debt not permitted by this clause (d);
- (e) guarantees of the Parent Guarantor’s Debt or Debt of any Restricted Subsidiary by any Restricted Subsidiary that are permitted by and made in accordance with the provisions of the “Limitation on Guarantees of Debt by Restricted Subsidiaries” covenant described below;
- (f) the incurrence by the Parent Guarantor or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or

other Debt incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or assets, in each case, incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of construction or improvement of property plant or equipment used in the Parent Guarantor's or any Restricted Subsidiary's business (including any reasonable related fees or expenses incurred in connection with such acquisition or development); provided that the principal amount of such Debt so incurred when aggregated with other Debt previously incurred in reliance on this clause (f) and still outstanding shall not in the aggregate exceed €7.5 million, and provided further that the total principal amount of any Debt incurred in connection with an acquisition or development permitted under this clause (f) did not in each case at the time of incurrence exceed (i) the Fair Market Value of the acquired or constructed asset or improvement so financed or (ii) in the case of an uncompleted constructed asset, the amount of the asset to be constructed, as determined on the date the contract for construction of such asset was entered into by the Parent Guarantor or the relevant Restricted Subsidiary (including, in each case, any reasonable related fees and expenses incurred in connection with such acquisition, construction or development);

- (g) the incurrence by the Parent Guarantor or any Restricted Subsidiary of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of purchase price adjustments in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by the Parent Guarantor or any Restricted Subsidiary of Debt incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition, provided that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the net proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received from the sale of such assets;
- (h) the incurrence by the Parent Guarantor or any Restricted Subsidiary of Debt under Commodity Hedging Agreements entered into in the ordinary course of business and not for speculative purposes;
- (i) the incurrence by the Parent Guarantor or any Restricted Subsidiary of Debt under Currency Agreements entered into in the ordinary course of business and not for speculative purposes;
- (j) the incurrence by the Parent Guarantor or any Restricted Subsidiary of Debt under Interest Rate Agreements entered into in the ordinary course of business and not for speculative purposes;
- (k) the incurrence of Debt by the Parent Guarantor or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;
- (l) the incurrence of Debt by the Parent Guarantor or any Restricted Subsidiary arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided that such Debt is extinguished within 5 business days of incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal or similar bonds, instruments or obligations, (iii) completion guarantees provided or letters of credit obtained by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business; and (iv) the financing of insurance premiums in the ordinary course of business;
- (m) any Debt of the Parent Guarantor or any Restricted Subsidiary incurred pursuant to the RBS Invoice Discounting Facility or any other Permitted Receivables Financing in an aggregate principal amount at any one time outstanding not to exceed the sum of the maximum principal amount available on the date of the Indenture for borrowing under the RBS Invoice Discounting Facility and €10 million;

- (n) the incurrence by a Person of Permitted Refinancing Debt in exchange for or the net proceeds of which are used to refund, replace or refinance Debt incurred by it pursuant to, or described in, paragraphs (1), 2(b) and (c) of this covenant, as the case may be; and
- (o) the incurrence of Debt by the Parent Guarantor or any Restricted Subsidiary (other than and in addition to Debt permitted under clauses (a) through (n) above) in an aggregate principal amount at any one time outstanding not to exceed €15 million.

(3) For purposes of determining compliance with any restriction on the incurrence of Debt in euros where Debt is denominated in a different currency, the amount of such Debt will be the Euro Equivalent determined on the date of such determination, provided that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to euros) covering principal amounts payable on such Debt, the amount of such Debt expressed in euros will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt incurred in the same currency as the Debt being refinanced will be the Euro Equivalent of the Debt refinanced determined on the date such Debt being refinanced was initially incurred. Notwithstanding any other provision of this covenant, for purposes of determining compliance with this “Limitation on Debt” covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that the Parent Guarantor or a Subsidiary Guarantor may incur under the “Limitation on Debt” covenant.

(4) For purposes of determining any particular amount of Debt under the “Limitation on Debt” covenant:

- (a) obligations with respect to letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount will not be included;
- (b) any Liens granted pursuant to the equal and ratable provisions referred to in the “Limitation on Liens” covenant will not be treated as Debt; and
- (c) accrual of interest, accrual of dividends, the accretion of accreted value, the obligation to pay commitment fees and the payment of interest in the form of additional Debt will not be treated as Debt.

(5) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in the “Limitation on Debt” covenant, the Parent Guarantor, in its sole discretion, will classify items of Debt and will only be required to include the amount and type of such Debt in one of such clauses and the Parent Guarantor will be entitled to divide and classify an item of Debt in more than one of the types of Debt described in the “Limitation on Debt” covenant, and may change the classification of an item of Debt (or any portion thereof) to any other type of Debt described in the “Limitation on Debt” covenant at any time.

Limitation on Restricted Payments

(1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a “Restricted Payment” and which are collectively referred to as “Restricted Payments”):

- (a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of the Parent Guarantor’s or any Restricted Subsidiary’s Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Parent Guarantor or any Restricted Subsidiary) (other than (i) to the Parent Guarantor or any Wholly Owned Restricted Subsidiary or (ii) to all holders of Capital Stock of such Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by the Parent Guarantor or a Restricted Subsidiary of dividends or distributions of greater value than the Parent Guarantor or such Restricted Subsidiary would receive on a pro rata basis, provided that any amount so paid or distributed to holders of Capital Stock of a Restricted Subsidiary other than the Parent Guarantor or a Restricted Subsidiary shall be included in the calculation of the aggregate amount of all Restricted Payments declared or made after the date of the Indenture for the purposes of paragraph (2) of this “Limitation on Restricted Payments” covenant) except for dividends

or distributions payable solely in shares of the Parent Guarantor's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock;

- (b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation), directly or indirectly, any shares of the Parent Guarantor's Capital Stock or any Capital Stock of any Affiliate of the Parent Guarantor held by persons other than the Parent Guarantor or a Restricted Subsidiary (other than Capital Stock of any Restricted Subsidiary or any entity that becomes a Restricted Subsidiary as a result thereof) or any options, warrants or other rights to acquire such shares of Capital Stock;
- (c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, sinking fund payment or maturity, any Subordinated Debt; or
- (d) make any Investment (other than any Permitted Investment) in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset to be transferred as of the date of transfer.

(2) Notwithstanding paragraph (1) above, the Parent Guarantor or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving pro forma effect to such proposed Restricted Payment:

- (a) no Default or Event of Default has occurred and is continuing and such Restricted Payment will not be an event that is or, after notice of lapse of time or both, would be, an "event of default" under the terms of any Debt of the Parent Guarantor or of any Restricted Subsidiary;
- (b) the Parent Guarantor could incur at least €1.00 of additional Debt (other than Permitted Debt) pursuant to the "Limitation on Debt" covenant; and
- (c) the aggregate amount of all Restricted Payments declared or made after the date of the Indenture does not exceed the sum of:
 - (i) 50% of aggregate Consolidated Adjusted Net Income on a cumulative basis during the period beginning on July 1, 2003 and ending on the last day of the Parent Guarantor's last fiscal quarter ending prior to the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Adjusted Net Income shall be a negative number, minus 100% of such negative amount); *plus*
 - (ii) the aggregate Net Cash Proceeds received by the Parent Guarantor after the date of the Indenture as capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of the Parent Guarantor's Qualified Capital Stock (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of the Parent Guarantor's Qualified Capital Stock (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Debt as set forth in clause (b) or (c) of paragraph (3) below) (excluding the Net Cash Proceeds from the issuance of the Parent Guarantor's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Parent Guarantor or any Subsidiary until and to the extent such borrowing is repaid), *plus*
 - (iii) (x) the amount by which the Parent Guarantor's Debt or Debt of any Restricted Subsidiary is reduced on the Parent Guarantor's consolidated balance sheet after the date of the Indenture upon the conversion or exchange (other than by the Parent Guarantor or its Subsidiary) of such Debt into the Parent Guarantor's Qualified Capital Stock, and (y) the aggregate Net Cash Proceeds received after the date of the Indenture by the Parent Guarantor from the issuance or sale (other than to any Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for the Parent Guarantor's Qualified Capital Stock, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate Net Cash Proceeds received by the

Parent Guarantor at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of the Parent Guarantor's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Parent Guarantor or any Subsidiary until and to the extent such borrowing is repaid), *plus*

- (iv) (x) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after the date of the Indenture, an amount (to the extent not included in Consolidated Adjusted Net Income) equal to the lesser of the return of capital with respect to such Investment and the initial amount of such Investment, in either case, less the cost of the disposition of such Investment and net of taxes, and (y) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Parent Guarantor's interest in such Subsidiary provided that such amount will not in any case exceed the amount of the Restricted Payment deemed made at the time that the Subsidiary was designated as an Unrestricted Subsidiary.

(3) Notwithstanding paragraphs (1) and (2) above, the Parent Guarantor and any Restricted Subsidiary may take the following actions so long as (with respect to clauses (b) through (f) and clauses (h) and (i) below) no Default or Event of Default has occurred and is continuing:

- (a) the payment of any dividend within 60 days after the date of its declaration if at such date of its declaration such payment would have been permitted by the provisions of this covenant;
- (b) the repurchase, redemption or other acquisition or retirement for value of any shares of the Parent Guarantor's Capital Stock or options, warrants or other rights to acquire such Capital Stock in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip), or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Parent Guarantor's Qualified Capital Stock or options, warrants or other rights to acquire such Capital Stock;
- (c) the repurchase, redemption, defeasance or other acquisition or retirement for value or payment of principal of any Subordinated Debt in exchange for, or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Parent Guarantor's Qualified Capital Stock;
- (d) the purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt (other than Redeemable Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;
- (e) the repurchase of Capital Stock deemed to occur upon the exercise of stock options with respect to which payment of the cash exercise price has been forgiven if the cumulative aggregate value of such deemed repurchases does not exceed the cumulative aggregate amount of the exercise price of such options received;
- (f) payments or distributions to dissenting shareholders pursuant to applicable law in connection with or in contemplation of a merger, consolidation or transfer of assets that complies with the provisions of the Indenture relating to mergers, consolidations or transfers of substantially all of the Parent Guarantor's assets;
- (g) cash payments in lieu of issuing fractional shares pursuant to the exchange or conversion of any exchangeable or convertible securities;
- (h) repayment of up to €15 million of indebtedness of Heye Holding GmbH outstanding on the date of the Indenture; and
- (i) any other Restricted Payment, provided that the total aggregate amount of Restricted Payments made under this clause (i) does not exceed €15 million.

The actions described in clauses (a), (f) and (g) of this paragraph (3) are Restricted Payments that will be permitted to be made in accordance with this paragraph (3) but that reduce the amount that would otherwise be available for Restricted Payments under clause (c) of paragraph (2) above.

Limitation on Issuances and Sales of Capital Stock of Restricted Subsidiaries

The Parent Guarantor will not sell, pledge or otherwise dispose of, and will not permit any Restricted Subsidiary (other than as permitted under the “Limitation on Liens” covenant), directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock). The foregoing sentence, however, will not apply to:

- (a) any issuance or sale of shares of Capital Stock of a Restricted Subsidiary to the Parent Guarantor or a Wholly Owned Restricted Subsidiary;
- (b) any issuance or sale to directors of directors’ qualifying shares or issuances or sales of shares of Capital Stock of Restricted Subsidiaries to be held by third parties, in each case to the extent required by applicable law;
- (c) any issuance or sale of shares of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “Limitation on Restricted Payments” covenant if made on the date of such issuance or sale;
- (d) any issuance of shares of Capital Stock of a Restricted Subsidiary, if after giving effect to such issuance, the Parent Guarantor directly or indirectly maintains its percentage ownership of such Restricted Subsidiary; and
- (e) Capital Stock issued by a Person prior to the time:
 - (i) such Person becomes a Restricted Subsidiary,
 - (ii) such Person consolidates or merges with or into a Restricted Subsidiary, or
 - (iii) a Restricted Subsidiary consolidates or merges with or into such Person;but only if such Capital Stock was not issued or incurred by such Person in anticipation of it becoming a Restricted Subsidiary.

Limitation on Transactions with Affiliates

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of the Parent Guarantor or any Restricted Subsidiary’s Affiliate unless such transaction or series of transactions is entered into in good faith (and, in the case of such a transaction or series of transactions having a value greater than €1 million, in writing) and:

- (a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to the Parent Guarantor or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm’s-length transactions with third parties that are not Affiliates;
- (b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than €5 million, the Parent Guarantor will deliver an Officer’s Certificate to the trustee certifying that such transaction or series of transactions complies with clause (a) above;
- (c) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than €10 million, the Parent Guarantor will deliver a resolution of its board of directors (set out in an Officer’s Certificate to the trustee) resolving that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Directors (or in the event there is only one Disinterested Director, by such Disinterested Director) of the Parent Guarantor’s board of directors; and

- (d) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than €15 million, the Parent Guarantor will deliver to the trustee a written opinion of an investment banking firm of international standing (or, if an investment banking firm is generally not qualified to give such an opinion, by an internationally recognized appraisal firm or accounting firm) stating that the transaction or series of transactions is fair to the Parent Guarantor or such Restricted Subsidiary from a financial point of view.

Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

- (i) customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting fees, employee salaries, bonuses, employment agreements and arrangements, compensation or employee benefit arrangements, including stock options or legal fees, so long as the Parent Guarantor's board of directors has approved the terms thereof and deemed the services theretofore or thereafter to be performed for such compensation or payments to be fair consideration therefor, provided that the restrictions set forth in this description will apply to any fees paid in respect of engineering or other similar services to any Unrestricted Subsidiary or any employee thereof;
- (ii) any Restricted Payments not prohibited by the "Limitation on Restricted Payments" covenant or the making of an Investment that is a Permitted Investment;
- (iii) agreements and arrangements existing on the date of the Indenture and any amendment, modification or supplement thereto, provided that any such amendment, modification or supplement to the terms thereof is not more disadvantageous to the holders of the Notes and to the Parent Guarantor and the Restricted Subsidiaries, as applicable, in any material respect than the original agreement or arrangement as in effect on the date of the Indenture and provided, further, that such amendment or modification is (x) on a basis substantially similar to that which would be conducted in an arm's-length transaction with third parties who are not Affiliates and (y) in the case of any transaction having a Fair Market Value of greater than €5 million, approved by the Parent Guarantor's board of directors (including a majority of the Disinterested Directors);
- (iv) any payments or other transactions pursuant to a tax sharing agreement between the Parent Guarantor and any other Person with which the Parent Guarantor files a consolidated tax return or with which the Parent Guarantor is part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation;
- (v) the issuance of securities pursuant to, or for the purpose of the funding of, employment arrangements, stock options, and stock ownership plans, as long as the terms thereof are or have been previously approved by the Parent Guarantor's board of directors;
- (vi) the granting and performance of registration rights for the Parent Guarantor's securities; and
- (vii) transactions between or among the Parent Guarantor and the Restricted Subsidiaries or between or among Restricted Subsidiaries.

Limitation on Liens

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind (except for Permitted Liens) or assign or otherwise convey any right to receive any income, profits or proceeds on or with respect to any of the Parent Guarantor's or any Restricted Subsidiary's property or assets, including any shares or stock or Debt of any Restricted Subsidiary, whether owned at or acquired after the date of the Indenture, or any income, profits or proceeds therefrom unless:

- (a) in the case of any Lien securing Subordinated Debt, the Issuer's obligations in respect of the Notes, the obligations of the Guarantors under the Guarantees, and all other amounts due under the Indenture are directly secured by a Lien on such property, assets or

proceeds that is senior in priority to the Lien securing the Subordinated Debt until such time as the Subordinated Debt is no longer secured by a Lien; and

- (b) in the case of any other Lien, the Issuer's obligations in respect of the Notes, the obligations of the Guarantors under the Guarantees, and all other amounts due under the Indenture are equally and ratably secured with the obligation or liability secured by such Lien.

Limitation on Sale of Certain Assets

(1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:

- (a) the consideration the Parent Guarantor or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold (as determined in good faith by the Parent Guarantor's board of directors or, in the case of any Asset Sale having a Fair Market Value greater than €5 million, as determined by the Parent Guarantor's board of directors and evidenced by a resolution of the Parent Guarantor's board of directors);
- (b) at least 75% of the consideration the Parent Guarantor or such Restricted Subsidiary receives in respect of such Asset Sale consists of (i) cash (including any Net Cash Proceeds received from the conversion within 60 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale); (ii) Cash Equivalents; (iii) the assumption by the purchaser of (x) the Parent Guarantor's Debt or Debt of any Restricted Subsidiary (other than Subordinated Debt) as a result of which neither the Parent Guarantor nor any of the Restricted Subsidiaries remains obligated in respect of such Debt or (y) Debt of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, if the Parent Guarantor and each other Restricted Subsidiary is released from any guarantee of such Debt as a result of such Asset Sale; (iv) Replacement Assets; or (v) a combination of the consideration specified in clauses (i) to (iv); and
- (c) the Parent Guarantor delivers an Officer's Certificate to the trustee certifying that such Asset Sale complies with the provisions described in the foregoing clauses (a) and (b).

(2) If the Parent Guarantor or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds of the Asset Sale, within 360 days after the consummation of such Asset Sale, may be used by the Parent Guarantor or such Restricted Subsidiary to (a) permanently repay or prepay any then outstanding Senior Debt of the Parent Guarantor or any Restricted Subsidiary (and to effect a corresponding commitment reduction if such Senior Debt is revolving credit borrowings) owing to a Person other than the Parent Guarantor or a Restricted Subsidiary, or (b) invest in any Replacement Assets, or (c) any combination of the foregoing. The amount of such Net Cash Proceeds not so used as set forth in this paragraph (2) constitutes "Excess Proceeds". Pending the final application of any such Net Cash Proceeds, the Parent Guarantor may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

(3) When the aggregate amount of Excess Proceeds exceeds €15 million, the Parent Guarantor or the Issuer will, within 20 Business Days, make an offer to purchase (an "Excess Proceeds Offer") from all holders of Notes and from the holders of any Pari Passu Debt, to the extent required by the terms thereof, on a pro rata basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such Pari Passu Debt, the maximum principal amount (expressed as a multiple of €1,000) of the Notes and any such Pari Passu Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Note and any such Pari Passu Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note and (solely in the case of Pari Passu Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such Pari Passu Debt, plus in each case accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Notes and any such Pari Passu Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Parent Guarantor may use the amount of such Excess Proceeds not used to purchase Notes and Pari Passu Debt for general corporate purposes that are not otherwise

prohibited by the Indenture. If the aggregate principal amount of Notes and any such Pari Passu Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such Pari Passu Debt to be purchased will be selected by the trustee on a pro rata basis (based upon the principal amount of Notes and the principal amount or accreted value of such Pari Passu Debt tendered by each holder). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

(4) If the Parent Guarantor or the Issuer is obligated to make an Excess Proceeds Offer, the Parent Guarantor or the Issuer will purchase the Notes and Pari Passu Debt, at the option of the holders thereof, in whole or in part in integral multiples of €1,000, on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act.

If the Parent Guarantor or the Issuer is required to make an Excess Proceeds Offer, the Parent Guarantor and the Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations, including any securities laws of The Netherlands and the requirements of any applicable securities exchange on which Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, we will comply with such securities laws and regulations and will not be deemed to have breached our obligations described in this covenant by virtue thereof.

Limitation on Sale and Leaseback Transactions

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, enter into any sale and leaseback transaction with respect to any property or assets (whether now owned or hereafter acquired), unless:

- (a) the sale or transfer of such property or assets to be leased is treated as an Asset Sale and the Parent Guarantor and the Restricted Subsidiaries comply with the “Limitation on Sale of Certain Assets” covenant, including the provisions concerning the application of Net Cash Proceeds (treating all of the consideration received in such sale and leaseback transaction as Net Cash Proceeds for the purposes of such covenant);
- (b) the Parent Guarantor or such Restricted Subsidiary, as applicable would be permitted to incur Debt under the “Limitation on Debt” covenant in the amount of the Attributable Debt incurred in respect of such sale and leaseback transaction;
- (c) the Parent Guarantor or such Restricted Subsidiary, as applicable would be permitted to grant a Lien to secure Debt under the “Limitation on Liens” covenant in the amount of the Attributable Debt in respect of such sale and leaseback transaction; and
- (d) in the case of any sale and leaseback transaction having a Fair Market Value greater than €5 million, the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as set out in an Officer’s Certificate delivered to the trustee, of the property that is the subject of such sale and leaseback transaction.

Notwithstanding the foregoing, nothing shall prevent the Parent Guarantor or any Restricted Subsidiary from engaging in a sale and leaseback transaction solely between the Parent Guarantor and any Restricted Subsidiary or solely between or among Restricted Subsidiaries.

Limitation on Guarantees of Debt by Restricted Subsidiaries

(1) The Parent Guarantor will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Pari Passu Debt or Subordinated Debt of the Issuer (other than the Notes), the Parent Guarantor or any Subsidiary Guarantor, unless:

- (a) (i) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt; and
- (ii) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary’s Guarantee

with respect to the Notes at least to the same extent as such Subordinated Debt is subordinated to the Notes; and

- (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee.

This paragraph (1) will not be applicable to any guarantees of any Restricted Subsidiary:

- (i) guaranteeing Debt under Credit Facilities permitted to be incurred pursuant to paragraphs (1) and (2)(a) of “—Certain Covenants—Limitation on Debt” or existing on the date of the Indenture;
- (ii) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; or
- (iii) given to a bank or trust company incorporated in any member state of the European Union as of the date of the Indenture or any commercial banking institution that is a member of the US Federal Reserve System, (or any branch, Subsidiary or Affiliate thereof) in each case having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody’s, in connection with the operation of cash management programs established for the Parent Guarantor’s benefit or that of any Restricted Subsidiary.

(2) Notwithstanding the foregoing, any Guarantee of the Notes created pursuant to the provisions described in paragraph (1) above may provide by its terms that it will be automatically and unconditionally released and discharged upon:

- (a) any sale, exchange or transfer, to any Person who is not the Parent Guarantor’s Affiliate, of all of the Capital Stock owned by the Parent Guarantor and its other Restricted Subsidiaries in, or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the Indenture); or
- (b) (with respect to any Guarantee created after the date of the Indenture) the release by the holders of the Issuer’s, the Parent Guarantor’s or the Subsidiary Guarantor’s Debt described in paragraph (1) above, of their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Debt other than as a result of payment under such guarantee), at a time when:
 - (i) no other Debt of the Issuer, the Parent Guarantor or any Subsidiary Guarantor has been guaranteed by such Restricted Subsidiary; or
 - (ii) the holders of all such other Debt that is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Debt other than as a result of payment under such guarantee); or
- (c) the release of the Guarantees on the terms and conditions and in the circumstances described in “—Ranking of the Notes and the Guarantees; Subordination”.

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

- (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;
- (b) pay any Debt owed to the Parent Guarantor or any other Restricted Subsidiary;
- (c) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or

- (d) transfer any of its properties or assets to the Parent Guarantor or any other Restricted Subsidiary.
- (2) The provisions of the covenant described in paragraph (1) above will not apply to:
 - (a) encumbrances and restrictions imposed by the Notes, the Indenture, the Guarantees, the Senior Credit Facilities, the Intercreditor Agreement and the security documents related thereto;
 - (b) any customary encumbrances or restrictions created under any agreements with respect to Debt of the Issuer or any Guarantor permitted to be incurred subsequent to the date of the Indenture pursuant to the provisions of “— Limitation on Debt”, including encumbrances or restrictions imposed by Debt permitted to be incurred under Credit Facilities or any guarantees thereof in accordance with such covenant; provided that such agreements do not prohibit the payment of interest with respect to the Notes or the Guarantees absent a default or event of default under such agreement;
 - (c) encumbrances or restrictions contained in any agreement in effect on the date of the Indenture (other than an agreement described in another clause of this paragraph (2));
 - (d) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances and restrictions: (i) that restrict in a customary manner the subletting, assignment or transfer of any properties or assets that are subject to a lease, license, conveyance or other similar agreement to which the Parent Guarantor or any Restricted Subsidiary is a party; and (ii) contained in operating leases for real property and restricting only the transfer of such real property upon the occurrence and during the continuance of a default in the payment of rent;
 - (e) encumbrances or restrictions contained in any agreement or other instrument of a Person acquired by the Parent Guarantor or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;
 - (f) encumbrances or restrictions contained in contracts for sales of Capital Stock or assets permitted by the “Limitation on Sale of Certain Assets” covenant with respect to the assets or Capital Stock to be sold pursuant to such contract or in customary merger or acquisition agreements (or any option to enter into such contract) for the purchase or acquisition of Capital Stock or assets or any of the Parent Guarantor’s Subsidiaries by another Person;
 - (g) with respect to restrictions or encumbrances referred to in clause (1)(d) above, any customary encumbrances or restrictions pertaining to any asset or property subject to a Lien to the extent set forth in the security document governing such Lien;
 - (h) encumbrances or restrictions imposed by applicable law or regulation or by governmental licenses, concessions, franchises or permits;
 - (i) any encumbrances or restrictions existing under any agreement that extends, renews, amends, modifies, restates, supplements, refunds, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (2)(a), (b), and (c); provided that the terms and conditions of any such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Notes than those under or pursuant to the agreement so extended, renewed, amended, modified, restated, supplemented, refunded, refinanced or replaced;
 - (j) encumbrances or restrictions on cash or other deposits or net worth imposed by customers under contracts entered into the ordinary course of business;
 - (k) customary limitations on the distribution or disposition of assets or property in joint venture agreements entered into the ordinary course of business and in good faith; provided that

such encumbrance or restriction is applicable only to such Restricted Subsidiary and provided that:

- (i) the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable agreements (as determined by the Parent Guarantor); and
- (ii) the Parent Guarantor determines that any such encumbrance or restriction will not materially affect the ability of the Issuer or any Guarantor to make any anticipated principal or interest payments on the Notes;
- (l) in the case of clause 1(d) above, customary encumbrances or restrictions in connection with purchase money obligations, mortgage financings and Capitalized Lease Obligations for property acquired in the ordinary course of business;
- (m) any encumbrance or restriction arising by reason of customary non-assignment provisions in agreements; or
- (n) encumbrances or restrictions with respect to any Permitted Receivables Financing; provided that such encumbrances or restrictions are customarily required by the institutional sponsor or arranger of such Permitted Receivables Financing in similar types of documents relating to the purchase of similar receivables in connection with the financing thereof.

Limitation on Layered Debt

The Subsidiary Guarantors will not incur, create, issue, assume, guarantee or otherwise become liable for any Debt that is subordinate or junior in right of payment to any Senior Debt of the Subsidiary Guarantors and senior in any respect in right of payment to the Guarantees or any other Pari Passu Debt of the Subsidiary Guarantors, provided that the foregoing limitation will not apply to distinctions between categories of Senior Debt that exist by reason of any Liens or guarantees arising or created in respect of some but not all of such Senior Debt or pursuant to the Intercreditor Agreement.

Designation of Unrestricted and Restricted Subsidiaries

The Parent Guarantor's board of directors may designate any Subsidiary (including newly acquired or newly established Subsidiaries) to be an "Unrestricted Subsidiary" only if:

- (a) no Default has occurred and is continuing at the time of or after giving effect to such designation;
- (b) the Parent Guarantor would be permitted to make an Investment (other than a Permitted Investment) at the time of designation (assuming the effectiveness of such designation) pursuant to the first paragraph of the "Limitation on Restricted Payments" covenant in an amount equal to the greater of (i) the net book value of the Parent Guarantor's interest in such Subsidiary calculated in accordance with GAAP or (ii) the Fair Market Value of the Parent Guarantor's interest in such Subsidiary;
- (c) the Parent Guarantor would be permitted under the Indenture to incur €1.00 of additional Debt (other than Permitted Debt) pursuant to the "Limitation on Debt" covenant at the time of such designation (assuming the effectiveness of such designation);
- (d) neither the Parent Guarantor nor any Restricted Subsidiary has a contract, agreement, arrangement, understanding or obligation of any kind, whether written or oral, with such Subsidiary unless the terms of such contract, arrangement, understanding or obligation are no less favorable to the Parent Guarantor or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Parent Guarantor or of any Restricted Subsidiary;
- (e) such Subsidiary does not own any Capital Stock, Redeemable Capital Stock or Debt of, or own or hold any Lien on any property or assets of, or have any Investment in, the Parent Guarantor or any other Restricted Subsidiary;

- (f) such Subsidiary is not liable, directly or indirectly, with respect to any Debt, Lien or other obligation that, if in default, would result (with the passage of time or notice or otherwise) in a default on any of the Parent Guarantor's Debt or Debt of any Restricted Subsidiary, provided that an Unrestricted Subsidiary may provide a Guarantee for the Notes;
- (g) such Subsidiary, either alone or in the aggregate with all other Unrestricted Subsidiaries, does not operate, directly or indirectly, all or substantially all of the business of the Parent Guarantor and its Subsidiaries; and
- (h) such Subsidiary is a Person with respect to which neither the Parent Guarantor nor any of the Restricted Subsidiaries has any direct or indirect obligation to:
 - (i) subscribe for additional Capital Stock of such Person; or
 - (ii) maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

In the event of any such designation, the Parent Guarantor will be deemed to have made an Investment constituting a Restricted Payment pursuant to the "Limitation on Restricted Payments" covenant for all purposes of the Indenture in an amount equal to the greater of (i) the net book value of the Parent Guarantor's interest in such Subsidiary calculated in accordance with GAAP or (ii) the Fair Market Value of the Parent Guarantor's interest in such Subsidiary.

The Indenture will further provide that neither the Parent Guarantor nor any Restricted Subsidiary will at any time:

- (a) provide a guarantee of, or similar credit support to, any Debt of any Unrestricted Subsidiary (including of any undertaking, agreement or instrument evidencing such Debt); provided that the Parent Guarantor may pledge Capital Stock or Debt of any Unrestricted Subsidiary on a nonrecourse basis as long as the pledgee has no claim whatsoever against the Parent Guarantor or the Issuer other than to obtain such pledged property, except to the extent permitted under the "Limitation on Restricted Payments" and "Limitation on Transactions with Affiliates" covenants;
- (b) be directly or indirectly liable for any Debt of any Unrestricted Subsidiary, except to the extent permitted under the "Limitation on Restricted Payments" and "Limitation on Transactions with Affiliates" covenants; or
- (c) be directly or indirectly liable for any other Debt that provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon (or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity) upon the occurrence of a default with respect to any other Debt that is Debt of an Unrestricted Subsidiary (including any corresponding right to take enforcement action against such Unrestricted Subsidiary).

The Parent Guarantor's board of directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary if:

- (a) no Default or Event of Default has occurred and is continuing at the time of or will occur and be continuing after giving effect to such designation; and
- (b) unless such redesignated Subsidiary shall not have any Debt outstanding (other than Debt that would be Permitted Debt), immediately before and after giving effect to such proposed designation, and after giving pro forma effect to the incurrence of any such Debt of such redesignated Subsidiary as if such Debt was incurred on the date of the redesignation, the Parent Guarantor could incur €1.00 of additional Debt (other than Permitted Debt) pursuant to the "Limitation on Debt" covenant.

Any such designation as an Unrestricted Subsidiary or Restricted Subsidiary by the Parent Guarantor's board of directors will be evidenced to the trustee by filing a resolution of the Parent Guarantor's board of directors with the trustee giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions, and giving the effective date of such designation. Any such filing with the trustee must occur within 45 days after the end of the Parent Guarantor's fiscal quarter in which such designation is made (or, in the case

of a designation made during the last fiscal quarter of the Parent Guarantor's fiscal year, within 90 days after the end of such fiscal year).

Limitation on Issuer Activities

The Issuer will not engage in any business or activity or undertake any other activity, except any activity relating to the offering, sale, issuance of Debt or the lending or otherwise advancing the proceeds of Debt to any Guarantor and any other activities reasonably incidental to or in connection with these activities.

Reports to Holders

So long as any Notes are outstanding, the Issuer or the Parent Guarantor will furnish to the trustee (who, at the Issuer's or the Parent Guarantor's expense, will furnish by mail to holders of the Notes):

- (a) within 120 days following the end of each of the Parent Guarantor's fiscal years, an annual report containing substantially the same information as would be required to be contained in an annual report filed with the Commission on Form 20-F (as in effect on the date of the Indenture) other than (i) the information required: under Item 3.A. of Form 20-F entitled "Selected Financial Data"; Item 8 of Form 20-F entitled "Financial Information"; Item 9.A.4 of Form 20-F entitled "Offer and Listing Details" regarding the price history of the Parent Guarantor's securities; Item 10 of Form 20-F entitled "Additional Information" regarding the Parent Guarantor's share capital, constitutional documents and any material contracts to which the Parent Guarantor or the Restricted Subsidiaries are party other than contracts entered into in ordinary course of business; Item 15 of Form 20-F entitled "Controls and Procedures" regarding internal disclosure controls and procedures; and Items 17 and 18 entitled "Financial Statements"; but including (ii) annual audited balance sheets, statements of income, statements of shareholders equity, and statements of cash flows (with notes thereto) for (x) the Parent Guarantor and its Subsidiaries on a consolidated basis and (y) the Parent Guarantor and the Restricted Subsidiaries on a consolidated basis, in each case for the year then ended and the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the Commission;
- (b) within 60 days following the end of the fiscal quarters ended June 30, 2003 and September 30, 2003 and of the first three fiscal quarters in each of the Parent Guarantor's fiscal years thereafter, quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows for (i) the Parent Guarantor and its Subsidiaries on a consolidated basis and (ii) the Parent Guarantor and the Restricted Subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the Commission, together with an operating and financial review for such quarterly period and condensed footnote disclosure; and
- (c) promptly from time to time after the occurrence of an event required to be reported therein, such other reports containing substantially the same information required to be contained in Form 6-K (or any successor form) of the Commission.

In addition, the Issuer or the Parent Guarantor shall furnish to the holders of the Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

The Issuer or the Parent Guarantor will also make available copies of all reports furnished to the trustee (a) on the Parent Guarantor's website; (b) through the newswire service of Bloomberg, or, if Bloomberg does not then operate, any similar agency; and (c) if and so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, copies of such reports furnished to the trustee will also be made available at the specified office of the paying agent in Luxembourg.

Consolidation, Merger and Sale of Assets

The Parent Guarantor will not, in a single transaction or through a series of transactions, consolidate or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by the Parent Guarantor's board of directors or shareholders with respect to a demerger or division pursuant to which the Parent Guarantor would dispose of, all or substantially all of the Parent Guarantor's properties and assets to any other Person or Persons and the Parent Guarantor will not permit any Restricted Subsidiary to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of the Parent Guarantor and its Restricted Subsidiaries on a consolidated basis to any other Person or Persons. The previous sentence will not apply if:

- (a) at the time of, and immediately after giving effect to, any such transaction or series of transactions, either (i) the Parent Guarantor will be the continuing corporation or (ii) the Person (if other than the Parent Guarantor) formed by or surviving any such consolidation or merger or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the properties and assets of the Parent Guarantor and the Restricted Subsidiaries on a consolidated basis has been made (the "Surviving Entity"):
 - (x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as of the date of the Indenture, the United States of America, any state thereof, or the District of Columbia, and
 - (y) will expressly assume, by a supplemental indenture in form satisfactory to the trustee, the Parent Guarantor's obligations under the Notes and the Indenture, and the Notes and the Indenture will remain in full force and effect as so supplemented;
- (b) immediately after giving effect to such transaction or series of transactions on a pro forma basis (and treating any obligation of the Parent Guarantor or any Restricted Subsidiary incurred in connection with or as a result of such transaction or series of transactions as having been incurred by the Parent Guarantor or such Restricted Subsidiary at the time of such transaction):
 - (i) no Default or Event of Default will have occurred and be continuing;
 - (ii) the Parent Guarantor's Consolidated Net Worth (or of the Surviving Entity if the Parent Guarantor is not the continuing obligor under the Indenture) is equal to or greater than the Parent Guarantor's Consolidated Net Worth immediately prior to such transaction or series of transactions;
- (c) immediately before and immediately after giving effect to such transaction or series of transactions on a pro forma basis (on the assumption that the transaction or series of transactions occurred on the first day of the four-quarter fiscal period immediately prior to the consummation of such transaction or series of transactions with the appropriate adjustments with respect to the transaction or series of transactions being included in such pro forma calculation), the Parent Guarantor (or the Surviving Entity if the Parent Guarantor is not the continuing obligor under the Indenture) could incur at least €1.00 of additional Debt (other than Permitted Debt) under the provisions of the "Limitation on Debt" covenant;
- (d) any Subsidiary Guarantor, unless it is the other party to the transactions described above, will have by supplemental indenture confirmed that its Guarantee will apply to such Person's obligations under the Indenture and the Notes;
- (e) any of the Parent Guarantor's or any Restricted Subsidiary's property or assets would thereupon become subject to any Lien, the provisions of the "Limitation on Liens" covenant are complied with; and
- (f) the Parent Guarantor or the Surviving Entity will have delivered to the trustee, in form and substance satisfactory to the trustee, an Officers' Certificate (attaching the computations to demonstrate compliance with clauses (b)(ii) and (c) above) and an opinion of independent counsel, each stating that such consolidation, merger, sale, assignment, conveyance,

transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the continuing person, enforceable in accordance with their terms.

The Surviving Entity will succeed to, and be substituted for, and may exercise every right and power of, the Parent Guarantor under the Indenture, but, in the case of a lease of all or substantially all of the Parent Guarantor's assets, the Parent Guarantor will not be released from the obligation to pay the principal of, premium, if any, and interest, on the Notes.

Nothing in the Indenture will prevent (i) any Wholly Owned Restricted Subsidiary that is not a Subsidiary Guarantor from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Parent Guarantor or any other Wholly Owned Restricted Subsidiary that is not a Subsidiary Guarantor, or (ii) any Subsidiary Guarantor from merging into or transferring all or part of its properties and assets to the Parent Guarantor or another Guarantor.

Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The Parent Guarantor will publish a notice of any consolidation, merger or sale of assets described above in accordance with the provisions of the Indenture described under "—Notices" and, so long as the rules of the Luxembourg Stock Exchange so require, notify such exchange of any such consolidation, merger or sale.

Events of Default

- (1) Each of the following will be an "Event of Default" under the Indenture:
 - (a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note (whether or not prohibited by the subordination provisions of the Indenture or the Intercreditor Agreement);
 - (b) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise) whether or not prohibited by the subordination provisions of the Indenture or the Intercreditor Agreement;
 - (c) failure to comply with the provisions of "—Certain Covenants—Consolidation, Merger and Sales of Assets";
 - (d) failure to make or consummate an Excess Proceeds Offer in accordance with the provisions of "—Certain Covenants—Limitation on Sale of Certain Assets";
 - (e) failure to make or consummate a Change of Control Offer in accordance with the provisions of "—Purchase of Notes upon a Change of Control";
 - (f) failure to comply with any covenant or agreement of the Parent Guarantor or of any Restricted Subsidiary that is contained in the Indenture or any Guarantees (other than specified in clause (a), (b), (c), (d) or (e) above) and such failure continues for a period of 30 days or more after the written notice specified in clause (2) below;
 - (g) default under the terms of any instrument evidencing or securing the Debt of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount in excess of €10 million individually or in the aggregate, if that default: (x) results in the acceleration of the payment of such Debt or (y) is caused by the failure to pay such Debt at final maturity thereof after giving effect to the expiration of any applicable grace periods and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended, and in either case the total amount of such Debt unpaid or accelerated exceeds €10 million or its equivalent at the time;

- (h) any Guarantee ceases to be, or shall be asserted in writing by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture, any Guarantee or the Intercreditor Agreement);
- (i) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall be rendered against the Parent Guarantor or any Restricted Subsidiary, either individually or in an aggregate amount, in excess of €10 million, and either a creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or there shall have been a period of 30 consecutive days or more during which a stay of enforcement of such judgment, order or decree was not (by reason of pending appeal or otherwise) in effect; and
- (j) the occurrence of certain events of bankruptcy, insolvency, receivership or reorganization with respect to the Parent Guarantor or any Restricted Subsidiary.

(2) If an Event of Default (other than as specified in clause (1)(j) above) occurs and is continuing, the trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer and the Parent Guarantor (and to the trustee if such notice is given by the holders) may, and the trustee, upon the written request of such holders, shall, declare the principal of, premium, if any, and any Additional Amounts and accrued interest on all of the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.

(3) If an Event of Default specified in clause (1)(j) above occurs and is continuing, then the principal of, premium, if any, and accrued and unpaid interest on all of the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of Notes.

(4) At any time after a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to the Issuer, the Parent Guarantor and the trustee, may rescind such declaration and its consequences if:

- (a) the Parent Guarantor or the Issuer has paid or deposited with the trustee a sum sufficient to pay:
 - (i) all overdue interest and Additional Amounts on all Notes then outstanding;
 - (ii) all unpaid principal of and premium, if any, on any outstanding Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes;
 - (iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Notes; and
 - (iv) all sums paid or advanced by the trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel;
- (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and
- (c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

(5) The holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all the Notes, waive any past defaults under the Indenture, except a default:

- (a) in the payment of the principal of, premium, if any, and Additional Amounts or interest on any note; or

- (b) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each Note outstanding.

(6) No holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request, and offered reasonable indemnity, to the trustee to institute such proceeding as trustee under the Notes and the Indenture, the trustee has failed to institute such proceeding within 30 days after receipt of such notice and the trustee within such 30-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

(7) If a Default or an Event of Default occurs and is continuing and is known to the trustee, the trustee will mail to each holder of the Notes notice of the Default or Event of Default within 15 Business Days after its occurrence. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the trustee may withhold the notice to the holders of such Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders of the Notes.

(8) The Issuer and the Parent Guarantor are required to furnish to the trustee annual statements as to the performance of the Issuer, the Parent Guarantor and the Restricted Subsidiaries under the Indenture and as to any default in such performance. The Issuer and the Parent Guarantor are also required to notify the trustee within 15 Business Days of the occurrence of any Default.

Legal Defeasance or Covenant Defeasance of Indenture

The Indenture will provide that the Issuer and the Parent Guarantor may, at their option and at any time prior to the Stated Maturity of the Notes, elect to have the obligations of the Issuer, the Parent Guarantor and the Subsidiary Guarantors discharged with respect to the outstanding Notes (“Legal Defeasance”). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes except as to:

- (a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due;
- (b) the Issuer’s obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust;
- (c) the rights, powers, trusts, duties and immunities of the trustee and the obligations of the Issuer, the Parent Guarantor and the Subsidiary Guarantors in connection therewith; and
- (d) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer and the Parent Guarantor may, at their option and at any time, elect to have the obligations of the Issuer, the Parent Guarantor and the Subsidiary Guarantors obligations released with respect to certain covenants set forth in the Indenture (“Covenant Defeasance”), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under “Events of Default” will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment, bankruptcy, insolvency, receivership and reorganization. The Issuer and the Parent Guarantor may exercise their Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (a) the Issuer or the Parent Guarantor must irrevocably deposit or cause to be deposited in trust with the trustee, for the benefit of the holders of the Notes, cash in euro, European Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on

the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer or the Parent Guarantor must (i) specify whether the Notes are being defeased to maturity or to a particular redemption date; and (ii) if applicable, have delivered to the trustee an irrevocable notice to redeem all of the outstanding Notes of such principal, premium, if any, or interest;

- (b) in the case of Legal Defeasance, the Issuer or the Parent Guarantor must have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee stating that (x) the Issuer has received from, or there has been published by, the US Internal Revenue Service a ruling, or (y) since the date of the Indenture, there has been a change in applicable US federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for US federal income tax purposes as a result of such Legal Defeasance and will be subject to US federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (c) in the case of Legal Defeasance, the Issuer or the Parent Guarantor must have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for tax purposes in the United Kingdom as a result of such Legal Defeasance and will be subject to tax in the United Kingdom on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;
- (d) in the case of Covenant Defeasance, the Issuer or the Parent Guarantor must have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for US federal income tax purposes as a result of such Covenant Defeasance and will be subject to US federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (e) in the case of Covenant Defeasance, the Issuer or the Parent Guarantor must have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for tax purposes in the United Kingdom as a result of such Covenant Defeasance and will be subject to tax in the United Kingdom on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (f) no Default or Event of Default will have occurred and be continuing (i) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or (ii) insofar as bankruptcy or insolvency events described in clause (1)(j) of “—Events of Default” above is concerned, at any time during the period ending on the 123rd day after the date of such deposit;
- (g) such Legal Defeasance or Covenant Defeasance shall not cause the trustee for the Notes to have a conflicting interest as defined in the Indenture and for purposes of the Trust Indenture Act with respect to any of the Issuer’s securities;
- (h) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), the Indenture or any material agreement or instrument to which the Parent Guarantor or any Restricted Subsidiary is a party or by which the Parent Guarantor or any Restricted Subsidiary is bound;
- (i) such defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the US Investment Company Act of 1940 unless such trust shall be registered under such Act or exempt from registration thereunder;
- (j) the Issuer or the Parent Guarantor must have delivered to the trustee an opinion of independent counsel in the country of the Issuer’s incorporation to the effect that after the 123rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights

generally and an opinion of independent counsel reasonably acceptable to the trustee that the trustee shall have a perfected security interest in such trust funds for the ratable benefit of the holders of the Notes;

- (k) the Issuer or the Parent Guarantor must have delivered to the trustee an Officer's Certificate stating that the deposit was not made by the Issuer or the Parent Guarantor with the intent of preferring the holders of the Notes over the other creditors of the Issuer or the Parent Guarantor with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer the Parent Guarantor or others, or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer or the Parent Guarantor to the detriment of the relevant creditors;
- (l) no event or condition shall exist that would prevent the Issuer from making payments of the principal of, premium, if any, and interest on the Notes on the date of such deposit or at any time ending on the 123rd day after the date of such deposit; and
- (m) the Issuer or the Parent Guarantor must have delivered to the trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

If the funds deposited with the trustee to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, and interest on the Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) when:

- (a) the Issuer or the Parent Guarantor has irrevocably deposited or caused to be deposited with the trustee as funds in trust for such purpose an amount in euro or European Government Obligations sufficient to pay and discharge the entire Debt on such Notes that have not, prior to such time, been delivered to the trustee for cancellation, for principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on the Notes to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be and the Issuer or the Parent Guarantor has delivered irrevocable instructions to the trustee under the Indenture to apply the deposited money toward the payment of Notes at Maturity or on the redemption date, as the case may be and either:
 - (i) all the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the trustee for cancellation; or
 - (ii) all Notes that have not been delivered to the trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise), (y) will become due and payable at Stated Maturity within one year or (z) are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in the Issuer's name, and at the Issuer's expense; and
- (b) the Issuer or the Parent Guarantor has paid or caused to be paid all sums payable by the Issuer under the Indenture;
- (c) the Issuer or the Parent Guarantor has delivered to the trustee an Officer's Certificate and an opinion of counsel, each stating that:
 - (i) all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied; and

- (ii) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer or any Subsidiary is a party or by which the Issuer or any Subsidiary is bound.

Amendments and Waivers

The Indenture will contain provisions permitting the Issuer, the Guarantors and the trustee to enter into a supplemental indenture without the consent of the holders of the Notes for certain limited purposes, including, among other things, curing ambiguities, defects or inconsistencies, or making any change that does not adversely affect the rights of any holder of the Notes in any material respect. With the consent of the holders of not less than a majority in aggregate principal amount of the Notes then outstanding, the Issuer, the Guarantors and the trustee are permitted to amend or supplement the Indenture; provided that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby:

- (a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Note;
- (b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Note;
- (c) change the coin or currency in which the principal of any note or any premium or any Additional Amounts or the interest thereon is payable;
- (d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);
- (e) amend, change or modify the obligation to make and consummate an Excess Proceeds Offer with respect to any Asset Sale in accordance with the "Limitation on Sale of Assets" covenant or the obligation to make and consummate a Change of Control offer in the event of a Change of Control in accordance with the "Purchase of Notes upon a Change of Control" covenant, including, in each case, amending, changing or modifying any definition relating thereto;
- (f) reduce the principal amount of Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Indenture;
- (g) modify any of the provisions relating to supplemental indentures requiring the consent of holders of the Notes or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Note affected thereby;
- (h) except as otherwise permitted under "—Certain Covenants—Consolidation, Merger and Sale of Assets", consent to the assignment or transfer by the Issuer or the Parent Guarantor of any of the Issuer's or Parent Guarantor's rights or obligations under the Indenture;
- (i) release any Guarantees except in compliance with the terms of the Indenture;
- (j) make any change to the Intercreditor Agreement (or any amended Intercreditor Agreement or replacement thereof) or any provisions of the Indenture affecting the ranking of the Notes or the Guarantees, in each case in a manner that adversely affects the rights of the holders of the Notes; or
- (k) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any holder of the Notes or amend the terms of the Notes or the Indenture in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the Guarantors agree to pay Additional Amounts (if any) in respect thereof in the supplemental indenture.

Notwithstanding the foregoing, without the consent of any holder of the Notes, the Issuer, the Guarantors and the trustee may modify, amend or supplement the Indenture:

- (i) to evidence the succession of another Person to the Parent Guarantor and the assumption by any such successor of the covenants in the Indenture and in the Notes in accordance with “—Certain Covenants—Consolidation, Merger and Sale of Assets”;
- (ii) to add to the Issuer’s covenants and those of any Guarantor or any other obligor upon the Notes for the benefit of the holders of the Notes or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor upon the Notes, as applicable, in the Indenture, in the Notes or in any Guarantees;
- (iii) to cure any ambiguity, or to correct or supplement any provision in the Indenture, the Notes or any Guarantees that may be defective or inconsistent with any other provision in the Indenture, the Notes or any Guarantees or make any other provisions with respect to matters or questions arising under the Indenture, the Notes or any Guarantees; provided that, in each case, such provisions shall not adversely affect the interests of the holders of the Notes;
- (iv) to release any Guarantor in accordance with and if permitted by the terms of and limitations set forth in the Indenture to add a Subsidiary Guarantor or other guarantor under the Indenture;
- (v) to evidence and provide the acceptance of the appointment of a successor trustee under the Indenture;
- (vi) to mortgage, pledge, hypothecate or grant a security interest in favor of the trustee for the benefit of the holders of the Notes as additional security for the payment and performance of the Issuer’s and any Guarantor’s obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the trustee pursuant to the Indenture or otherwise;
- (vii) to provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture.

The Issuer will inform the Luxembourg Stock Exchange of any material amendment to the Indenture or any supplement thereto. The Issuer will also publish a notice of any such material amendment in accordance with the provisions of the Indenture described immediately below under “—Notices”.

Notices

Notices regarding the Notes will be:

- (a) published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and in New York (which is expected to be *The Wall Street Journal*) and (ii) through the newswire service of Bloomberg or, if Bloomberg does not then operate, any similar agency, and (iii) if and so long as the Notes are listed on the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); and
- (b) in the case of certificated Notes, mailed to holders of such Notes by first-class mail at their respective addresses as they appear on the registration books of the registrar.

Notices given by first-class mail will be deemed given five calendar days after mailing and notices given by publication will be deemed given on the first date on which publication is made.

If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

The Trustee

The Indenture and provisions of the Trust Indenture Act included or expressly incorporated therein, directly or by reference, contain limitations on the rights of the trustee under the Indenture

in the event the trustee becomes a creditor of the Issuer or any Guarantor. These include limitations on the trustee's rights to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise.

The Indenture contains provisions for the indemnification of the trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

Governing Law

The Indenture, the Notes and the Guarantees will be governed by and construed in accordance with the laws of the State of New York, and will provide for the submission of the parties to the jurisdiction of the courts in the State of New York.

Certain Definitions

"Acquired Debt" means Debt of a Person:

- (a) existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor or any Restricted Subsidiary or
- (b) assumed in connection with the acquisition of assets from any such Person,

in each case provided that such Debt was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Debt will be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of assets from any Person.

"Affiliate" means, with respect to any specified Person:

- (a) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person,
- (b) any other Person that owns, directly or indirectly, 5% or more of such specified Person's Capital Stock or any officer or director of any such specified Person or other Person or, with respect to any natural Person, any Person having a relationship with such Person by blood, marriage or adoption not more remote than first cousin or
- (c) any other Person 5% or more of the Voting Stock of which is beneficially owned or held, directly or indirectly by such specified Person.

For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling", "controlled" have meanings correlative to the foregoing.

"Anglo Irish Credit Facility" means the £65,000,000 Senior Secured Credit Facility dated June 26, 2003 among Ardagh Glass (UK) Limited, Ardagh Treasury Limited, Rockware Group Limited, Rockware Glass Limited and Anglo Irish Bank Corporation Plc, as Agent, Arranger and Security Agent thereunder.

"Asset Sale" means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a "transfer"), directly or indirectly, in one or a series of related transactions, of:

- (a) any Capital Stock of any Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Parent Guarantor or a Restricted Subsidiary);
- (b) all or substantially all of the properties and assets of any division or line of business of the Parent Guarantor or any Restricted Subsidiary; or
- (c) any other of the Parent Guarantor's or any Restricted Subsidiary's properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (i) any transfer or disposition of assets that is governed by the provisions of the Indenture described under “—Certain Covenants—Consolidation, Merger and Sale of Assets” and “—Certain Covenants—Purchase of Notes upon a Change of Control”;
- (ii) any transfer or disposition of assets by the Parent Guarantor to the Issuer or any Subsidiary Guarantor, or by any Restricted Subsidiary to the Parent Guarantor, the Issuer or any Subsidiary Guarantor in accordance with the terms of the Indenture;
- (iii) any transfer or disposition of obsolete or permanently retired equipment or facilities that are no longer useful in the conduct of the Parent Guarantor’s and any Restricted Subsidiary’s business and that are disposed of in the ordinary course of business;
- (iv) any disposition of accounts receivable and related assets in a Permitted Receivables Financing;
- (v) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than €1 million;
- (vi) for the purposes of “—Certain Covenants—Limitation on Sale of Certain Assets” only, the making of a Permitted Investment or a disposition permitted under “—Certain Covenants—Limitation on Restricted Payments”;
- (vii) the sale, lease or other disposition of equipment, inventory or other assets in the ordinary course of business;
- (viii) the lease, assignment or sublease of any real or personal property in the ordinary course of business;
- (ix) an issuance of Capital Stock by a Restricted Subsidiary to the Parent Guarantor or to another Restricted Subsidiary; or
- (x) sales of assets received by the Parent Guarantor or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Parent Guarantor or any Restricted Subsidiary.

“Attributable Debt” means, with respect to any sale and leaseback transaction at the time of determination, the present value (discounted at the interest rate implicit in the lease determined in accordance with GAAP or, if not known, at the Issuer’s incremental borrowing rate) of the total obligations of the lessee of the property subject to such lease for rental payments during the remaining term of the lease included in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, or until the earliest date on which the lessee may terminate such lease without penalty or upon payment of penalty (in which case the rental payments shall include such penalty), after excluding from such rental payments all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges.

“Average Life” means, as of the date of determination with respect to any Debt, the quotient obtained by dividing:

- (a) the sum of the products of:
 - (i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Debt multiplied by
 - (ii) the amount of each such principal payment;

by

- (b) the sum of all such principal payments.

“Banks” means the lenders at any given time under the Senior Credit Facilities.

“Bund Rate” means, with respect to any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund issue,

assuming a price for the Comparable German Bund issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

- (a) “Comparable German Bund Issues” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to July 1, 2008, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the notes and of a maturity most nearly equal to July 1, 2008; provided that if the period from such redemption date to July 1, 2008 is less than one year, a fixed maturity of one year shall be used;
- (b) “Comparable German Bund Price” means, with respect to any redemption date, the average of the Reference German Bund Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the trustee obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (c) “Reference German Bund Dealer” means any dealer of German Bundesanleihe securities appointed by the trustee in consultation with the Issuer; and
- (d) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the trustee of the bid and offered prices for the Comparable German Bund issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third business day preceding such redemption date.

“Business Day” means a day other than a Saturday, Sunday or other day on which banking institutions in The Netherlands, London or a place of payment under the Indenture are authorized or required by law to close.

“Capital Stock” means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person’s equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock, whether now outstanding or issued after the date of the Indenture.

“Capitalized Lease Obligation” means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under GAAP, and, for purposes of the Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with GAAP and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“Cash Equivalents” means any of the following:

- (a) any evidence of Debt denominated in euro, Sterling or dollars with a maturity of 180 days or less from the date of acquisition issued or directly and fully guaranteed or insured by a member state (an “EU Member State”) of the European Union whose sole lawful currency on the date of the Indenture is the euro, the government of the United Kingdom of Great Britain and Northern Ireland, the United States of America, any state thereof or the District of Columbia, or any agency or instrumentality thereof (each, an “Approved Jurisdiction”);
- (b) time deposit accounts, certificates of deposit, money market deposits or bankers’ acceptances denominated in euro, Sterling or dollars with a maturity of 180 days or less from the date of acquisition issued by a bank or trust company organized in an EU Member State, the United Kingdom of Great Britain and Northern Ireland or any commercial banking institution that is a member of the US Federal Reserve System, in each case having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time any investment is made therein, of at

least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's;

- (c) commercial paper with a maturity of 180 days or less from the date of acquisition issued by a corporation that is not the Issuer's or any Restricted Subsidiary's Affiliate and is incorporated under the laws of an EU Member State, England and Wales, the United States of America or any state thereof and, at the time of acquisition, rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's;
- (d) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clause (a) above entered into with a financial institution meeting the qualifications described in clause (b) above; and
- (e) Investments in money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (d) above.

"Change of Control" has the meaning given to such term under "—Purchase of Notes upon a Change of Control".

"Commission" means the US Securities and Exchange Commission.

"Commodity Hedging Agreements" means any type of commodity hedging agreement designed to protect against or manage exposure to fluctuations in commodity prices and entered into in good faith in the ordinary course of business for such purposes.

"Consolidated Adjusted Net Income" means, for any period, the Parent Guarantor's and the Restricted Subsidiaries' consolidated net income (or loss) for such period as determined in accordance with GAAP, adjusted by excluding (to the extent included in such consolidated net income or loss), without duplication:

- (a) any net after-tax extraordinary gains or losses;
- (b) any net after-tax gains or losses attributable to sales of assets of the Parent Guarantor or any Restricted Subsidiary that are not sold in the ordinary course of business;
- (c) the portion of net income (but not the loss) of any Person (other than the Parent Guarantor or a Restricted Subsidiary), including Unrestricted Subsidiaries, in which the Parent Guarantor or any Restricted Subsidiary has an equity ownership interest, except that the Parent Guarantor's or a Restricted Subsidiary's equity in the net income of such Person for such period shall be included in such Consolidated Adjusted Net Income to the extent of the aggregate amount of dividends or other distributions actually paid to the Parent Guarantor or any Restricted Subsidiary in cash dividends or other distributions during such period;
- (d) the net income (but not the loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary is not at the date of determination permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its shareholders (other than restrictions contained in the Credit Facilities and related agreements permitted by clause 2(a) of "—Certain Covenants—Limitation on Debt");
- (e) net after-tax gains attributable to the termination of any employee pension benefit plan;
- (f) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the date of the Indenture;
- (g) any net gain arising from the acquisition of any securities or extinguishment, under GAAP, of any Debt of such Person;
- (h) the net income attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);
- (i) any gains (but not losses) from currency exchange transactions not in the ordinary course of business; and

(j) the cumulative effect of a change in accounting principles after the date of the Indenture; provided that for the purposes of clauses (a) and (g) any portion of the profit or gain released on redemption of the Owens-Illinois Notes that is realized by the Parent Guarantor and its Restricted Subsidiaries will be included in Consolidated Adjusted Net Income.

“Consolidated Fixed Charge Coverage Ratio” of the Parent Guarantor means, for any period, the ratio of:

- (a) the sum of Consolidated Adjusted Net Income, plus in each case to the extent deducted in computing Consolidated Adjusted Net Income for such period:
 - (i) Consolidated Interest Expense;
 - (ii) Consolidated Tax Expense; and
 - (iii) Consolidated Non-cash Charges, less all non-cash items increasing Consolidated Adjusted Net Income for such period and less all cash payments during such period relating to non-cash charges that were added back to Consolidated Adjusted Net Income in determining the Consolidated Fixed Charge Coverage Ratio in any prior period;
- (b) to the sum of:
 - (i) Consolidated Interest Expense; and
 - (ii) cash and non-cash dividends due (whether or not declared) on the Parent Guarantor’s and any Restricted Subsidiary’s Preferred Stock (to any Person other than the Parent Guarantor and any Wholly Owned Restricted Subsidiary), in each case for such period;

provided that:

- (w) if the Parent Guarantor or any Restricted Subsidiary has incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio is an incurrence of Debt or both, Consolidated Adjusted Net Income and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Debt as if such Debt had been incurred on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period;
- (x) if, since the beginning of such period, the Parent Guarantor or any Restricted Subsidiary shall have made any Asset Sale, Consolidated Adjusted Net Income for such period shall be reduced by an amount equal to the Consolidated Adjusted Net Income (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated Adjusted Net Income (if negative) directly attributable thereto, for such period and the Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Debt of the Parent Guarantor or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Parent Guarantor and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Parent Guarantor and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);
- (y) if since the beginning of such period the Parent Guarantor or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated Adjusted Net Income and Consolidated

Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and

- (z) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Parent Guarantor or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (x) or (y) if made by the Parent Guarantor or a Restricted Subsidiary during such period, Consolidated Adjusted Net Income and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period.

If any Debt bears a floating rate of interest and is being given pro forma effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

“Consolidated Interest Expense” means, for any period, without duplication and in each case determined on a consolidated basis in accordance with GAAP, the sum of:

- (a) the Parent Guarantor’s and the Restricted Subsidiaries’ total interest expense for such period, including, without limitation
 - (i) amortization of debt discount;
 - (ii) the net costs of Commodity Hedging Agreements, Interest Rate Agreements and Currency Agreements (including amortization of fees and discounts);
 - (iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing and similar transactions;
 - (iv) the interest portion of any deferred payment obligation and amortization of debt issuance costs; plus
- (b) the interest component of the Parent Guarantor’s and the Restricted Subsidiaries’ Capitalized Lease Obligations accrued and/or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among the Parent Guarantor and any Restricted Subsidiary or between or among Restricted Subsidiaries; plus
- (c) the Parent Guarantor’s and the Restricted Subsidiaries non-cash interest expenses and interest that was capitalized during such period; plus
- (d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by the Parent Guarantor or any Restricted Subsidiary or secured by a Lien on the Parent Guarantor’s or any Restricted Subsidiary’s assets, but only to the extent that such interest is actually paid by the Parent Guarantor or such Restricted Subsidiary.

“Consolidated Net Worth” means, at any date, the total amount of the Parent Guarantor’s and the Restricted Subsidiaries’ shareholders’ equity as set forth on the Parent Guarantor’s and the Restricted Subsidiaries’ most recently available quarterly or annual consolidated balance sheet, less the amount of such shareholders’ equity attributable to Redeemable Capital Stock or any equity security convertible into or exchangeable for Debt, the cost of the Parent Guarantor’s and any Restricted Subsidiary’s treasury stock, the principal amount of any promissory notes receivable from the sale of the Parent Guarantor’s and any Restricted Subsidiary’s Capital Stock and less, to the extent included in calculating such shareholders’ equity, the amount attributable to Unrestricted Subsidiaries, in each case as determined on a consolidated basis in accordance with GAAP.

“Consolidated Non-cash Charges” means, for any period, the aggregate depreciation, amortization and other non-cash expenses of the Parent Guarantor and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP (excluding any such non-cash charge that requires an accrual of or reserve for cash charges for any future period).

“Consolidated Tax Expense” means, for any period with respect to any Relevant Taxing Jurisdiction, the provision for all national, local and foreign federal, state or other income taxes of the Parent Guarantor and the Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

“Credit Facility” or “Credit Facilities” means, one or more debt facilities or indentures, as the case may be, (including the Senior Credit Facilities) or commercial paper facilities with banks, insurance companies or other institutional lenders providing for revolving credit loans, term loans, notes, letters of credit or other forms of guarantees and assurances or other credit facilities or extensions of credit, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time and, for the avoidance of doubt, includes any agreement extending the maturity of, refinancing or restructuring all or any portion of the indebtedness under such agreements or any successor agreements.

“Currency Agreements” means in respect of a Person any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

“Debt” means, with respect to any Person, without duplication:

- (a) all liabilities of such Person for borrowed money (including overdrafts) or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business;
- (b) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;
- (c) all obligations, contingent or otherwise, of such Person in connection with any letters of credit, bankers’ acceptances, receivables facilities or other similar facilities;
- (d) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;
- (e) all Capitalized Lease Obligations of such Person;
- (f) all obligations of such Person under or in respect of Commodity Hedging Agreements, Interest Rate Agreements and Currency Agreements;
- (g) all Debt referred to in (but not excluded from) the preceding clauses (a) through (f) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset and the amount of the obligation so secured);
- (h) all guarantees by such Person of Debt referred to in this definition of any other Person;
- (i) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price plus accrued and unpaid dividends; and
- (j) Preferred Stock of any Restricted Subsidiary;

provided that the term “Debt” shall not include (i) non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due; (ii) Debt in respect of the incurrence by the Parent Guarantor or any Restricted Subsidiary of Debt in respect of standby letters of credit, performance bonds or surety bonds provided by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth business

day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond; (iii) anything accounted for as an operating lease in accordance with GAAP as at the date of the Indenture; (iv) any pension obligations of the Parent Guarantor or a Restricted Subsidiary; and (v) Debt incurred by the Parent Guarantor or one of the Restricted Subsidiaries in connection with a transaction where (x) such Debt is borrowed from a bank or trust company incorporated in any member state of the European Union as of the date of the Indenture, or any commercial banking institution that is a member of the US Federal Reserve System, in each case having a combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (y) a substantially concurrent Investment is made by the Parent Guarantor or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or affiliate thereof, in amount equal to such Debt.

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value will be determined in good faith by the board of directors of the issuer of such Redeemable Capital Stock; provided, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Designated Senior Debt" means (a) any Debt outstanding under the Senior Credit Facilities, and (b) any other Senior Debt permitted under the Indenture the principal amount of which is €20 million or more as of the date of determination and that has been designated by the Issuer, the Parent Guarantor or the relevant Restricted Subsidiary as "Designated Senior Debt".

"Disinterested Director" means, with respect to any transaction or series of related transactions, a member of the Parent Guarantor's board of directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions or is not an Affiliate, or an officer, director or employee of any Person (other than the Parent Guarantor) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

"dollars" means the lawful currency of the United States of America.

"Enforcement Action" means, in relation to any Debt of a Subsidiary Guarantor, any action (whether taken by the relevant creditor or creditors or an agent or trustee on its or their behalf) to:

- (a) demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of all or any part of such Debt;
- (b) recover all or any part of such Debt (including, by exercising any rights of set-off or combination of accounts);
- (c) exercise or enforce any rights under or pursuant to any guarantee or other assurance given by such Subsidiary Guarantor in respect of such Debt;
- (d) exercise or enforce any rights under any security interest whatsoever which secures such Debt;
- (e) commence legal proceedings against any Person; or
- (f) commence, or take any other steps which could lead to the commencement of, any
 - (i) insolvency, liquidation, dissolution, winding-up, administration, receivership, compulsory merger or judicial re-organization of any Person;
 - (ii) the appointment of a trustee in bankruptcy, or insolvency conciliator, ad hoc official, judicial administrator, a liquidator or other similar officer in respect of any Person; or

any other similar process or appointment.

“euro” or “€” means the lawful currency of the member states of the European Union who have agreed to share a common currency in accordance with the provisions of the Maastricht Treaty dealing with European monetary union.

“Euro Equivalent” means with respect to any monetary amount in a currency other than euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable foreign currency as published under “Currency Rates” in the section of the *Financial Times* entitled “Currencies, Bonds & Interest Rates” on the date two Business Days prior to such determination.

“European Government Obligations” means direct obligations (or certificates representing an ownership interest in such obligations) of a member state of the European Union as of the date of the Indenture (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such government is pledged.

“Exchange Act” means the US Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“Fair Market Value” means, with respect to any asset or property, the sale value that would be obtained in an arm’s-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Parent Guarantor’s board of directors.

“Generally Accepted Accounting Principles” or “GAAP” means generally accepted accounting principles in the United Kingdom of Great Britain and Northern Ireland, consistently applied, which are in effect from time to time.

“guarantees” means, as applied to any obligation,

- (a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation and
- (b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

“Guarantee” means any guarantee of the Issuer’s obligations under the Indenture and the Notes by the Parent Guarantor, any Restricted Subsidiary or any other Person in accordance with the provisions of the Indenture, including the Guarantees by the Guarantors dated as of the date of the Indenture. When used as a verb, “Guarantee” shall have a corresponding meaning.

“Interest Rate Agreements” means in respect of a Person any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

“Intercreditor Agreement” means the Intercreditor Agreement to be entered into on the date of the Indenture, by and among Ardagh Glass Finance B.V., Ardagh Glass (UK) Limited, Rockware Group Limited, Rockware Glass Limited, Ardagh Treasury Limited, Anglo Irish Bank Corporation Plc, National Westminster Bank Plc, The Royal Bank of Scotland Commercial Services Limited, Anglo Irish Bank Corporation Plc, the senior agent and the trustee named therein.

“Investment” means, with respect to any Person, any direct or indirect advance, loan or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Debt issued or owned by, any other Person and all other items that would be classified as investments on a balance sheet prepared in accordance with GAAP. In addition, the portion (proportionate to the Parent Guarantor’s equity

interest in such Restricted Subsidiary) of the fair market value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary will be deemed to be an “Investment” that the Parent Guarantor made in such Unrestricted Subsidiary at such time. The portion (proportionate to the Parent Guarantor’s equity interest in such Restricted Subsidiary) of the fair market value of the net assets of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary will be considered a reduction in outstanding Investments. “Investments” excludes extensions of trade credit on commercially reasonable terms in accordance with normal trade practices.

“Lien” means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment for security, claim, or preference or priority or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

“Maturity” means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“NatWest Revolving Credit Facility” means the £5,000,000 Revolving Loan and Overdraft Facility Agreement dated March 6, 2001 between Rockware Glass Limited and National Westminster Bank Plc.

“Net Cash Proceeds” means:

- (a) with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Parent Guarantor or any Restricted Subsidiary), net of:
 - (i) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;
 - (ii) provisions for all taxes paid or payable, or required to be accrued as a liability under GAAP as a result of such Asset Sale;
 - (iii) all payments made on any Debt that is secured by any Property subject to such Asset Sale, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such Property, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law, be repaid out of the proceeds from such Asset Sale;
 - (iv) all distributions and other payments required to be made to any Person (other than the Parent Guarantor or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and
 - (v) appropriate amounts required to be provided by the Parent Guarantor or any Restricted Subsidiary, as the case may be, as a reserve in accordance with GAAP against any liabilities associated with such Asset Sale and retained by the Parent Guarantor or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officers’ Certificate delivered to the trustee; and
- (b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under “—Certain Covenants—Limitation on Restricted Payments”, the proceeds of such issuance or sale in

the form of cash or Cash Equivalents, payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Parent Guarantor or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result of thereof.

"Officer's Certificate" means a certificate signed by an officer of the Parent Guarantor, of the Issuer, a Guarantor or a Surviving Entity, as the case may be, and delivered to the trustee.

"Owens-Illinois Notes" means (a) the Subordinated Note dated March 31, 1999 in the original principal amount of £70,000,000 as adjusted and amended by the letter agreement dated September 3, 2002, issued by Ardagh Glass (UK) Limited in favor of United Glass Limited and (b) the Subordinated Note dated March 31, 1999 in the original principal amount of £25,000,000 issued by Ardagh Glass (UK) Limited in favor of United Glass Limited.

"Pari Passu Debt" means (a) any Debt of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

"Permitted Debt" has the meaning given to such term under "—Certain Covenants—Limitation on Debt".

"Permitted Holder" means Yeoman International Holdings S.A.

"Permitted Investments" means any of the following:

- (a) Investments in cash or Cash Equivalents;
- (b) intercompany Debt to the extent permitted under clause (d) of the definition of "Permitted Debt";
- (c) Investments in (i) the form of loans or advances to the Parent Guarantor, (ii) a Restricted Subsidiary or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Parent Guarantor or a Restricted Subsidiary;
- (d) Investments made by the Parent Guarantor or any Restricted Subsidiary as a result of or retained in connection with an Asset Sale permitted under or made in compliance with "—Certain Covenants—Limitation on Sale of Certain Assets" to the extent such Investments are non-cash proceeds permitted thereunder;
- (e) expenses or advances to cover payroll, travel entertainment, moving, other relocation and similar matters that are expected at the time of such advances to be treated as expenses in accordance with GAAP;
- (f) Investments in the Notes;
- (g) Investments existing at the date of the Indenture;
- (h) Investments in Commodity Hedging Agreements, Interest Rate Agreements and Currency Agreements permitted under clauses (h), (i) and (j) of "—Certain Covenants—Limitation on Debt";
- (i) Investments made in the ordinary course of business, the Fair Market Value of which in the aggregate does not exceed €50,000 in any transaction or series of related transactions;
- (j) loans and advances (or guarantees to third party loans) to directors, officers or employees of the Parent Guarantor or any Restricted Subsidiary made in the ordinary course of business and consistent with the Parent Guarantor's past practices or past practices of the Restricted Subsidiaries, as the case may be, in an amount outstanding not to exceed at any one time €1 million;
- (k) Investments in a Person to the extent that the consideration therefor consists of the net proceeds of the substantially concurrent issue and sale (other than to any Subsidiary) of

shares of the Parent Guarantor's Qualified Capital Stock; provided that the net proceeds of such sale have been excluded from, and shall not have been included in, the calculation of the amount determined under clause (2)(c)(ii) of "—Certain Covenants—Limitation on Restricted Payments";

- (l) any payments or other transactions pursuant to a tax sharing agreement between the Parent Guarantor and any other Person with whom the Parent Guarantor files or filed a consolidated tax return or with which the Parent Guarantor is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation;
- (m) Investments of the Parent Guarantor or the Restricted Subsidiaries described under item (v) to the proviso to the definition of "Debt";
- (n) Investments of the Parent Guarantor or the Restricted Subsidiaries in Unrestricted Subsidiaries, the amount of which, measured by reference to the Fair Market Value of each such Investment on the date it was made, not to exceed €10 million in the aggregate outstanding at any one time;
- (o) Investments by the Parent Guarantor or any Restricted Subsidiary in connection with a Permitted Receivables Financing; and
- (p) (i) stock, obligations or securities received in satisfaction of judgments, foreclosure of liens or settlement of debts, and (ii) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer.

"Permitted Junior Securities" means, with respect to a Subsidiary Guarantor: (a) Capital Stock in such Subsidiary Guarantor; or (b) debt securities of the Subsidiary Guarantor that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent that, the Notes are subordinated to Senior Debt pursuant to the Indenture.

"Permitted Liens" means the following types of Liens:

- (a) Liens (other than Liens securing Debt under the Senior Credit Facilities) existing as of the date of the issuance of the Notes;
- (b) Liens on any property or assets of the Parent Guarantor or a Restricted Subsidiary to secure Debt permitted to be incurred pursuant to paragraph (1) of "—Certain Covenants—Limitation on Debt".
- (c) Liens securing Debt under Credit Facilities and any other Senior Debt permitted to be incurred pursuant to "—Certain Covenants—Limitation on Debt" and Liens on assets given, disposed of or otherwise transferred in connection with a Permitted Receivables Financing permitted to be incurred pursuant to clause (m) of paragraph (2) of "—Certain Covenants—Limitation on Debt";
- (d) Liens on any property or assets of a Restricted Subsidiary granted in favor of Parent Guarantor, the Issuer or any Wholly Owned Restricted Subsidiary;
- (e) Liens on any of the Parent Guarantor's or any Restricted Subsidiary's property or assets securing the Notes or any Guarantees;
- (f) any interest or title of a lessor under any Capitalized Lease Obligation and Liens to secure Debt (including Capitalized Lease Obligations) permitted under "—Certain Covenants—Limitation on Debt" covering only the assets acquired with such Debt;
- (g) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business in accordance with the Parent Guarantor's or such Restricted Subsidiary's past practices prior to the date of the Indenture;

- (h) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of the Parent Guarantor's or any Restricted Subsidiary's business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made or Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;
- (i) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (j) Liens incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business (other than obligations for the payment of money);
- (k) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects and incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Parent Guarantor and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;
- (l) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;
- (m) Liens on property of, or on shares of Capital Stock or Debt of, any Person existing at the time such Person is acquired by, merged with or into or consolidated with, the Parent Guarantor or any Restricted Subsidiary; provided that such Liens (i) do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets acquired or than those of the Person merged into or consolidated with the Parent Guarantor or Restricted Subsidiary and (ii) were created prior to, and not in connection with or in contemplation of such acquisition, merger or consolidation;
- (n) Liens securing the Parent Guarantor's or any Restricted Subsidiary's obligations under Commodity Hedging Agreements, Interest Rate Agreements or Currency Agreements permitted under clauses (h), (i) and (j) of paragraph (2) under "—Certain Covenants—Limitation on Debt" or any collateral for the Debt to which such Commodity Hedging Agreements, Interest Rate Agreements or Currency Agreements relate;
- (o) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance);
- (p) Liens incurred in connection with a cash management program established in the ordinary course of business for the Parent Guarantor's benefit or that of any Restricted Subsidiary in favor of a bank or trust company of the type described in paragraph (1) of "—Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries";
- (q) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Parent Guarantor or any Restricted Subsidiary, including rights of offset and set-off;
- (r) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (q); provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended,

renewed or replaced and shall not extend in any material respect to any additional property or assets;

- (s) Liens securing Debt incurred to refinance Debt that has been secured by a Lien permitted by the Indenture, provided that (i) any such Lien shall not extend to or cover any assets not securing the Debt so refinanced and (ii) the Debt so refinanced shall have been permitted to be incurred pursuant to clause (n) of paragraph (2) of the “Limitation on Debt” covenant;
- (t) purchase money Liens to finance property or assets of the Parent Guarantor or any Restricted Subsidiary acquired in the ordinary course of business; provided that (i) the related purchase money Debt shall not exceed the cost of such property or assets and shall not be secured by any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property and assets so acquired and (ii) the Lien securing such Debt shall be created within 90 days of such acquisitions; and
- (u) Liens incurred in the ordinary course of business of the Parent Guarantor or any Restricted Subsidiary with respect to obligations that do not exceed €10 million at any one time outstanding and that (i) are not incurred in connection with the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business) and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof in the operation of the Parent Guarantor’s or such Restricted Subsidiary’s business.

“Permitted Receivables Financing” means any financing pursuant to which the Parent Guarantor or any Restricted Subsidiary may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in an aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Parent Guarantor or any Restricted Subsidiary; provided that (a) the covenants, events of default and other provisions applicable to such financing shall be customary for such transactions and shall be on market terms (as determined in good faith by the Parent Guarantor’s board of directors) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Parent Guarantor’s board of directors) at the time such financing is entered into and (c) such financing shall be non-recourse to the Parent Guarantor or any Restricted Subsidiary except to a limited extent customary for such transactions.

“Permitted Refinancing Debt” means any renewals, extensions, substitutions, refinancings or replacements (each, for purposes of this definition and paragraph (2)(n) of “—Certain Covenants—Limitation on Debt”, a “refinancing”) of any Debt of the Parent Guarantor or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, so long as:

- (a) such Debt is in an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (i) the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;
- (b) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being refinanced;
- (c) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced; and
- (d) the new Debt is not senior in right of payment to the Debt that is being refinanced;

provided that Permitted Refinancing Debt will not include (i) Debt of a Subsidiary (other than a Guarantor) that refinances the Debt of any Guarantor or (ii) Debt of any Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person whether now outstanding, or issued after the date of the Indenture, and including, without limitation, all classes and series of preferred or preference stock of such Person; provided that Preferred Stock shall not include the preferred ordinary shares of Ardagh Glass Limited.

“pro forma” means, with respect to any calculation made or required to be made pursuant to the terms of the Notes, a calculation in accordance with Article 11 of the Regulation S-X promulgated under the Securities Act (to the extent applicable), as interpreted in good faith by the Parent Guarantor’s board of directors after consultation with the Parent Guarantor’s external auditor, or otherwise a calculation made in good faith by the Parent Guarantor’s board of directors after consultation with the Parent Guarantor’s external auditor, as the case may be.

“Property” means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock, and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any Property shall be its Fair Market Value.

“Public Equity Offering” means an underwritten public offer and sale of capital stock (which is Qualified Capital Stock) of the Parent Guarantor or any direct or indirect parent holding company of the Parent Guarantor with gross proceeds to the Issuer of at least €20 million (including any sale of Common Shares purchased upon the exercise of any over-allotment option granted in connection therewith).

“Qualified Capital Stock” of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

“Qualified Finance Company Subsidiary” means a Restricted Subsidiary that (a) is a direct, wholly owned subsidiary of the Parent Guarantor, (b) was incorporated for the sole purpose of issuing, and is limited by its constituent documents to the issuance of, Public Debt, (c) does not have any Subsidiaries, and (d) does not have any assets other than indebtedness owed to it by the Parent Guarantor and its Restricted Subsidiaries in respect of loans made by it to the Parent Guarantor and its Restricted Subsidiaries with the proceeds of any Public Debt issued by it.

“RBS Invoice Discounting Facility” means the £20,000,000 Invoice Discounting Agreement dated March 6, 2001 between Rockware Glass Limited and The Royal Bank of Scotland Commercial Services Limited.

“Redeemable Capital Stock” means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Parent Guarantor in circumstances in which the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; provided that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “—Certain Covenants—Limitation on Sales of Certain Assets” and “—Purchase of Notes upon a Change of Control” covenants described herein and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Parent Guarantor’s or the Issuer’s repurchase of such Notes as are required to be repurchased pursuant to “—Certain Covenants—Limitation on Sales of Certain Assets” and “—Purchase of Notes upon a Change of Control”.

“Replacement Assets” means properties and assets that replace the properties and assets that were the subject of an Asset Sale or properties and assets that will be used in the Parent Guarantor’s business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the board of directors of the Parent Guarantor are reasonably related.

“Restricted Subsidiary” means any Subsidiary of the Parent Guarantor other than an Unrestricted Subsidiary.

“S&P” means Standard and Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

“Securities Act” means the US Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“Senior Agent” means any agent or successor agent appointed under any Senior Credit Facility to which any Subsidiary Guarantor is a party or designated as “Senior Agent” in any instrument or document evidencing Senior Debt.

“Senior Credit Facilities” means any Credit Facility of the Guarantors including the Anglo Irish Credit Facility, the RBS Invoice Discounting Facility and the NatWest Revolving Credit Facility.

“Senior Debt” means:

- (a) all Debt under any Credit Facility permitted to be incurred under the provisions of the “Limitation on Debt” covenant and all Commodity Hedging Agreements, Currency Agreements and Interest Rate Agreements and other obligations with respect thereto;
- (b) any other Debt permitted to be incurred by the Issuer, the Parent Guarantor or any Restricted Subsidiary that provides a Guarantee under the terms of the Indenture unless, with respect to such a Restricted Subsidiary, the instrument under which such Debt is incurred expressly provides that it is on a parity with or subordinated in right of payment to its Guarantee, as the case may be; and
- (c) all obligations with respect to the items listed in the preceding clauses (a) and (b).

Notwithstanding anything to the contrary in the preceding Senior Debt will not include:

- (i) any liability for taxes owed or owing by the Issuer or the Guarantors;
- (ii) any Debt that is incurred in violation of the Indenture or the terms of the Notes, as the case may be; or
- (iii) any trade payables.

“Stated Maturity” means, when used with respect to any Note or any installment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest, respectively, is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

“Sterling” or “£” means the lawful currency of the United Kingdom of Great Britain and Northern Ireland.

“Subordinated Debt” means Debt of the Issuer or any of the Guarantors that is subordinated in right of payment to the Notes or the Guarantees of such Guarantors, as the case may be.

“Subsidiary” means, with respect to any Person:

- (a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof; and
- (b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

“Subsidiary Guarantors” means Ardagh International Holdings Limited, Ardagh Treasury Limited, Ardagh Glass (UK) Limited, Rockware Group Limited, Rockware Glass Limited, Heye

Holding GmbH, Heye International GmbH, Ardagh Holdings B.V. and Abruzzo Vetro S.r.l. and any Restricted Subsidiary that incurs a Guarantee.

“Tangible Assets” means all of the assets of the Parent Guarantor and the Restricted Subsidiaries, excluding all Intangible Assets. For the purposes of the foregoing, “Intangible Assets” means goodwill, patents, trade names, trade marks, copy rights, franchises, organization, expenses and any other assets properly classified as intangible assets in accordance with GAAP.

“Total Receivables” means, as of any date, (a) the amount of accounts receivable of the Parent Guarantor and the Restricted Subsidiaries as of such date plus (b) the amount of accounts receivable of the Parent Guarantor and the Restricted Subsidiaries that has been sold, conveyed or otherwise transferred in Permitted Receivables Financings and is outstanding as of such date.

“Trust Indenture Act” means the US Trust Indenture Act of 1939, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“Unrestricted Subsidiary” means:

- (a) Heye Glas GmbH, Schaumburger Formenbau GmbH, Fabryka Urzadzen Przemyslowych Sp. Z.o.o., Heye Fabryka Form Szklarskich Sp. Z.o.o., and Eura Glasrecycling GmbH; and
- (b) any Subsidiary of the Parent Guarantor that at the time of determination is an Unrestricted Subsidiary (as designated by the Parent Guarantor’s board of directors pursuant to the “Designation of Unrestricted and Restricted Subsidiaries” covenant); and
- (c) any Subsidiary of an Unrestricted Subsidiary.

“Voting Stock” means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

“Wholly Owned Restricted Subsidiary” means any Restricted Subsidiary, all of the outstanding Capital Stock (other than directors’ qualifying shares or shares of Restricted Subsidiaries required to be owned by third parties pursuant to applicable law) of which are owned by the Parent Guarantor or by one or more other Wholly Owned Restricted Subsidiaries or by the Parent Guarantor and one or more other Wholly Owned Restricted Subsidiaries.

BOOK-ENTRY; DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by a global note in registered form without interest coupons attached (the “Rule 144A Global Note”). Notes sold to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by a global note in registered form without interest coupons attached (the “Regulation S Global Note” and, together with the Rule 144A Global Note, the “Global Notes”). The Global Notes will be deposited with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream Banking.

Ownership of interests in the Rule 144A Global Note (“Rule 144A Book-Entry Interests”) and in the Regulation S Global Note (the “Regulation S Book-Entry Interests” and, together with the Rule 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream Banking, or persons that hold interests through such participants. Euroclear and Clearstream Banking will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream Banking and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream Banking, as applicable (or their respective nominees), will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and/or Clearstream Banking, and indirect participants must rely on the procedures of Euroclear, Clearstream Banking and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither the Issuer nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream Banking, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream Banking, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream Banking, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream Banking will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of €1,000 principal amount or less may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the common depository or its nominee for Euroclear and Clearstream Banking, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and

as described under “Description of the Notes—Additional Amounts”. If any such deduction or withholding is required to be made, then, to the extent described under “Description of the Notes—Additional Amounts” above, the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream Banking have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream Banking will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Indenture, each of Euroclear and Clearstream Banking reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (“Definitive Registered Notes”), and to distribute Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream Banking will be effected in accordance with Euroclear and Clearstream Banking rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream Banking and in accordance with the procedures set forth in the Indenture governing the Notes.

The Global Note for Rule 144A Book-Entry Interests will have a legend to the effect set forth under “Transfer Restrictions”. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream Banking notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days;
- if Euroclear or Clearstream Banking so requests following an Event of Default under the Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream Banking following an Event of Default under the Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar or a Transfer Agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €1,000 will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (a) the record date for any payment of interest on the Notes, (b) any date fixed for redemption of the Notes or (c) the date fixed for selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. We may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect ourselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by us in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "Transfer Restrictions".

So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, a notice of any issuance of Definitive Registered Notes will be published in a newspaper having general circulation in Luxembourg (which we expect to be the *Luxemburger Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the paying agent in Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require.

Information Concerning Euroclear and Clearstream Banking

We understand as follows with respect to Euroclear and Clearstream Banking. Euroclear and Clearstream Banking hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream Banking provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream Banking interface with domestic securities markets. Euroclear and Clearstream Banking participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream Banking is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream Banking participant, either directly or indirectly.

TAXATION

Prospective purchasers of the notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of notes including, without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the notes or any interest therein.

References in this discussion to notes acquired, owned, held or disposed of by noteholders include, except where otherwise expressly stated, the Book-Entry Interests held by purchasers in the notes in global form deposited with, and registered in the name of a common depositary for Euroclear and/or Clearstream Banking.

Dutch Taxation

The information set out below is only a summary of certain material Dutch tax consequences of the acquisition, ownership and disposition of the notes and it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than The Netherlands. This summary is based on the tax laws of The Netherlands as in effect on the date of this Offering Circular, as well as regulations, rulings and decisions of The Netherlands and its taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary. Because it is a general summary, holders of the notes should consult their own tax advisors as to the Dutch or other tax consequences of the purchase, holding and disposition of the notes including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Withholding tax. All payments to be made by the Issuer under the notes shall be made free of withholding or deduction for or on the account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Tax on Income and Capital Gains. A holder of a note will not be subject to Dutch taxation on (deemed) income or capital gains in respect of that note, provided that such holder of a note:

- (i) is neither a tax resident nor deemed to be a tax resident of The Netherlands, nor, if such holder is an individual, has elected to be taxed as a resident of The Netherlands;
- (ii) does not have an enterprise, or an interest in an enterprise, which is, in whole or in part carried on through a permanent establishment or permanent representative in The Netherlands to which or to whom such (deemed) income or capital gains are attributable or are deemed attributable;
- (iii) is not entitled to a share in the profits of or has an interest in an enterprise effectively managed in The Netherlands other than by way of the holding of securities or through an employment contract, to which enterprise the (deemed) income or capital gains are attributable;
- (iv) in the case such holder is an individual, does not perform activities in The Netherlands with respect to the notes that exceed normal asset management;
- (v) in the case such holder is an individual, does not have, and certain persons related or deemed related to that individual do not have, directly or indirectly, a substantial interest, as defined in The Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), in the Issuer or in any entity that has, or that is part of a cooperation ("*samenwerkingsverband*") that has, legally or in fact, directly or indirectly, the disposition of any part of the proceeds of the notes. A substantial interest is generally present if an individual holds, alone or together with his spouse or certain persons related or deemed related to that individual, whether directly or indirectly, the ownership of, or certain other rights over, shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or profit sharing certificates relating to five per cent or more of the profits of a company or five per cent or more of the distribution at liquidation. If an

individual does not have a substantial interest in the Issuer, a deemed substantial interest will be present if (part of) a substantial interest has been disposed of, or is deemed to be disposed of, on a non-recognition basis; and

- (vi) in the case such holder is not an individual, does not have, directly or indirectly, a substantial interest or a deemed substantial interest, as defined in The Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), in the Issuer, or, in the event that the holder does have such interest, it forms part of the assets of an enterprise.

If a holder of a note is not a resident or a deemed resident in The Netherlands, but is a resident in another country the following may apply. If a double taxation convention is in effect between The Netherlands and the country in which such holder of a note is resident, such holder may, depending on the terms of and subject to compliance with the procedures for claiming benefits under such double taxation convention, be eligible for a full or partial exemption from Netherlands taxes (if any) on (deemed) income or capital gains in respect of a note provided such holder is entitled to the benefits of that treaty.

Gift, Estate, or Inheritance Tax. No gift, estate or inheritance tax will arise in The Netherlands on a transfer of a note by way of gift by, or on the death of a holder of a note who is neither a resident, nor a deemed resident of The Netherlands, provided that:

- (i) such transfer is not construed as an inheritance, a bequest or a gift by or on behalf of a person who, at the time of the gift or his death, is or was a resident or a deemed resident of The Netherlands;
- (ii) such holder of a note does not have an enterprise, or an interest in an enterprise, which is carried on through a permanent establishment or permanent representative in The Netherlands and to which enterprise the note is or was attributable;
- (iii) such holder of a note is not entitled to a share in the profits of an enterprise effectively managed in The Netherlands other than by way of the holding of securities or through an employment contract, to which enterprise the note is or was attributable; and
- (iv) such holder of a note does not die while being a resident or a deemed resident of The Netherlands within 180 days after the gift of a note.

Value Added Tax. No Netherlands value added tax shall be payable by a holder of a note in consideration for the issue of the notes or in respect of the payment of interest or principal under the notes or the transfer of the notes.

Other Taxes or Duties. No Netherlands registration tax, custom duty, transfer tax, stamp duty or any other similar tax or duty, other than court fees, will be payable in The Netherlands by a holder of a note in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the notes or the performance by the Issuer of its obligations under the notes.

Residence. A holder of a note will not be treated as a tax resident in The Netherlands by reason only of the holding of a note or the execution, performance, delivery and/or enforcement of a note.

EU Savings Directive on the Taxation of Savings Income

The ECOFIN Council of the European Union has adopted a new directive regarding the taxation of savings income. Under this directive, subject to a number of important conditions being met, Member States will be required to provide to the tax or other relevant authorities of another Member State details of payments of interest (or other similar income) paid or secured by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria may instead operate a withholding system for a transitional period in relation to such payments.

United Kingdom Taxation

The following general summary describes the material UK tax consequences of ownership of the notes and is based upon the tax laws of the United Kingdom and United Kingdom Inland

Revenue published practice as in effect on the date of this Offering Circular and is subject to any change that may come into effect after such date. You are advised to consult your own tax advisor as to the tax consequences under the tax laws of the United Kingdom of a purchase or holding of notes.

Except where expressly stated, the summary relates only to the position of those persons who are the absolute beneficial owners of the notes and who hold those notes as investments. It may not apply to persons in special situations, such as dealers or traders in securities, financial institutions, investment funds and trustees. Similarly, it does not apply to any person who is or becomes connected with the Issuer other than through their purchase or holding of notes. Persons considering the purchase, ownership or disposition of the notes should consult their own tax advisors concerning U.K. tax consequences in light of their particular situations as well as any consequences arising under the law of any other relevant tax jurisdiction. No representations with respect to the tax consequences to any particular holder of notes are made below.

Payments of Interest on the Notes

Interest payments made on the notes, whether in global or definitive form, may be made without withholding or deduction for or on account of U.K. tax provided the notes are listed on a “recognized stock exchange”, within the meaning of section 841 of the U.K. Income and Corporate Taxes Act 1988. Therefore, if the notes are listed on a “recognized stock exchange”, payment of interest on the notes may be made without withholding on account of U.K. income tax. On the basis of the United Kingdom Inland Revenue’s published interpretation of the relevant legislation, securities which are to be listed on a stock exchange in a country which is a member state of the European Union will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognized stock exchange in that country. The Luxembourg Stock Exchange is a recognized stock exchange for these purposes. We cannot assure you that such listing or admission will be approved or maintained.

In other cases, including if the listing of the notes is not approved or maintained, unless there is a direction to the contrary by the Inland Revenue in accordance with an applicable double taxation treaty or the beneficial owner of the interest has satisfied the payer that it is subject to U.K. corporation tax in respect of that interest, there may be an amount withheld from interest paid through a paying agent in the United Kingdom on account of income tax at the lower rate, currently 20%.

Interest on the notes may constitute U.K. source income for U.K. tax purposes. Therefore, recipients of such interest may be subject to U.K. tax by direct assessment in respect of such interest even where it is paid without withholding. However, interest with a U.K. source received without deduction or withholding on account of U.K. tax will not be chargeable to U.K. tax in the hands of a holder who is not a resident for tax purposes in the United Kingdom unless that holder carries on a trade, profession or vocation in the United Kingdom through a U.K. branch, agency or (in the case of a holder which is a company) a U.K. permanent establishment in connection with which the interest is received or to which the notes are attributable. There are exemptions for interest received by certain categories of U.K. agents (such as some brokers and investment managers).

U.K. Corporation Tax Payers

In general, holders of notes that are within the charge to U.K. corporation tax will be subject to tax on returns on and fluctuations in the value of the notes as income broadly in accordance with their statutory accounting treatment so long as an authorized accounting method is used. Such holders will also generally be charged to tax in each accounting period by reference to interest accrued in that period and any profit or loss which, in accordance with such holders’ authorized accounting method, is applicable to that period.

Other U.K. Tax Payers

Capital Gains. The notes will not be qualifying corporate bonds (“QCBs”) within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the notes,

including their redemption, by a person subject to U.K. capital gains tax, may give rise to a chargeable gain or an allowable loss for the purposes of U.K. capital gains tax.

The notes will, however, be QCBs if the U.K. Inland Revenue view them as “relevant discounted securities” as defined in Schedule 13 of the Finance Act 1996 by virtue of the provisions described under “Description of the Notes—Purchase of the Notes upon a Change of Control” or “—Optional Redemption”. If the notes are treated as relevant discounted securities, individual holders will be charged to income tax in respect of profits on the notes.

Accrued Income Scheme. Under rules known as the Accrued Income Scheme, which will not apply to relevant discounted securities, a disposal by a non-corporate holder who is resident or ordinarily resident in the United Kingdom or an individual who is not so resident but who trades in the United Kingdom through a permanent establishment to which the notes are attributable, may result in any interest which has accrued since the later of the last payment date or the issue of the notes being chargeable to tax as income. The amount payable by noteholders on acquisition of the notes in respect of accrued interest will represent a relievable amount, for non-corporate holders as described above, available to set against note interest received or accrued.

Stamp Duty and SDRT

No U.K. stamp duty or stamp duty reserve tax is payable on the issue or transfer of the global note provided that at all times such note is not held on a register within the U.K. U.K. stamp duty or stamp duty reserve tax should not be payable on transfers of Book-Entry Interests and interests therein provided that such Book-Entry Interests are not held on a register within the United Kingdom.

United States Federal Income Tax Considerations

General

The following summary describes certain material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of notes by U.S. Holders (as defined below) who purchase notes in this offering at their “issue price” (as defined below). This summary addresses only U.S. federal income tax considerations of U.S. Holders that will hold the notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the notes. In particular, this summary does not address tax considerations applicable to U.S. Holders that may be subject to special tax rules including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in securities or currencies; (iv) tax-exempt entities; (v) persons that will hold notes as part of a “hedging” or “conversion” transaction or as a position in a “straddle” or as part of a “synthetic security” or other integrated transaction for U.S. federal income tax purposes; (vi) persons that have a “functional currency” other than the U.S. dollar; (vii) regulated investment companies; (viii) persons that have ceased to be U.S. citizens or lawful permanent residents of the U.S.; and (ix) persons that hold the notes through partnerships or other pass-through entities. Further, this summary does not address alternative minimum tax consequences.

This summary is based on the Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Offering Circular. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The “issue price” of a note will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of notes is sold for money.

Effective from the date of commencement of discussions concerning the offering, you and each of your employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and structure of the offering and all materials of any kind, including opinions or other tax analyses, that we have provided to you relating to such U.S. federal income tax treatment and structure.

Each prospective investor should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of notes. U.S. Holders should also review the discussion under “Dutch Taxation” for the Dutch tax consequences to a U.S. Holder of the ownership of notes.

For purposes of this summary a “U.S. Holder” is a beneficial owner of a note that is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation, or other entity treated as a corporation, created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); or (iii) an estate or trust, the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

Interest paid on a note will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

A U.S. Holder who uses the cash method of accounting will be required to include in income the U.S. dollar value of the euro payment received (determined based on a spot rate on the date the payment is received), regardless of whether the payment is in fact converted to U.S. dollars at that time.

A U.S. Holder who uses the accrual method of accounting will accrue interest income in euro and translate that amount into U.S. dollars based on the average spot rate of exchange in effect for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate for the partial period within the taxable year. A U.S. Holder that uses the accrual method will recognize ordinary income or loss with respect to accrued interest income on the date the interest payment or proceeds from the sale, exchange or other disposition attributable to accrued interest is actually received. The amount of ordinary income or loss recognized will equal the difference between the U.S. dollar value of the euro payment received (determined based on a spot rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above).

A U.S. Holder may elect to translate interest income into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the U.S. Internal Revenue Service.

Interest received by a U.S. Holder will be treated as foreign source income for purposes of calculating that holder’s foreign tax credit limitation. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. For this purpose, the interest on a note should generally constitute “passive income,” or in the case of certain U.S. Holders, “financial services income,” which may be relevant for certain U.S. Holders.

Disposition of a Note

Upon the sale, exchange, redemption or other taxable disposition of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on such disposition (except to the extent any amount realized is attributable to accrued but unpaid interest, which is treated as interest income as described above) and the U.S. Holder’s adjusted tax basis in the note. A U.S. Holder’s adjusted tax basis will generally be the dollar value of the euro paid for the note, determined on the date of purchase.

Except as discussed below with respect to foreign currency gain or loss, any gain or loss realized by a U.S. Holder on the disposition of a note will be U.S. source capital gain or loss and will be treated as long-term capital gain or loss if the note has been held for more than one year at the time of the disposition of the note. Under certain circumstances, capital gains derived by individuals are taxed at preferential rates. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, redemption or other taxable disposition of a note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in currency exchange rates will equal the difference between (i) the U.S. dollar value of the euro principal amount of the note (and, for an accrual method U.S. Holder, any payment with respect to accrued interest), determined on the date the note is retired or the note is disposed of, and (ii) the U.S. dollar value of the euro principal amount of the note, determined on the date the U.S. Holder acquired the note (and, for an accrual method U.S. Holder, the U.S. dollar value of the accrued interest received, determined by translating such interest at the average exchange rate (or spot rate elected, as described above) for the accrual period). The foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by a U.S. Holder on the sale, exchange, redemption or other disposition of the note. Any gain or loss realized in excess of the foreign currency gain or loss will be capital gain or loss. Generally, the foreign currency gain or loss will be U.S. source gain or loss.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments to U.S. Holders of interest on the notes and to the proceeds of a sale, exchange, redemption or other disposition of a note. Backup withholding may be required if the U.S. Holder fails (i) to furnish the U.S. Holder's taxpayer identification number, (ii) to certify that such U.S. Holder is not subject to backup withholding or (iii) to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability provided that the required information is furnished to the U.S. Internal Revenue Service.

PLAN OF DISTRIBUTION

The Issuer, the Parent Guarantor, each of the Subsidiary Guarantors and the initial purchasers have entered into a purchase agreement relating to the offering and sale of the notes. In the purchase agreement, the Issuer agrees to sell to the initial purchasers, and each initial purchaser severally agrees to purchase from the Issuer, the principal amount of the notes indicated in the following table:

| <u>Initial Purchasers</u> | <u>Principal Amount</u> |
|--|-------------------------|
| BNP Paribas | €102,900,000 |
| Citigroup Global Markets Limited | 68,600,000 |
| Davy Stockbrokers | 3,500,000 |
| Total | <u>€175,000,000</u> |

The initial purchasers agree to purchase all of the notes if any of them are purchased. The initial purchasers are not obligated to purchase any of the notes unless certain conditions contained in the purchase agreement are satisfied. The closing of the offering of the notes is conditional on the closing of the New Anglo Irish Senior Secured Credit Facility. The closing of the New Anglo Irish Senior Secured Credit Facility is conditional on the closing of the offering of the notes.

The initial purchasers have advised us that they intend to purchase the notes from the Issuer at a discount and that they proposed to offer the notes for resale at the offering price that appears on the cover of this Offering Circular. After the initial offering, the initial purchasers may change the offering price and any other selling terms.

In the purchase agreement, the Issuer, the Parent Guarantor and each of the Subsidiary Guarantors agrees to jointly and severally indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act.

The notes have not been and will not be registered under the Securities Act or qualified for sale under the securities laws of any state or jurisdiction outside the United States and may not be offered to, or for the account or benefit of, U.S. persons except in transactions exempt from the registration requirements of the Securities Act.

In the purchase agreement, each initial purchaser also acknowledges and agrees that:

- it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the notes, will not offer or sell any notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

In the purchase agreement, each initial purchaser also acknowledges and agrees that the notes will not be offered, transferred or sold in or from The Netherlands, whether directly or indirectly, to any individual or legal entity, other than to individuals or legal entities who or which trade in or invest in securities in their conduct of a profession or trade (which includes banks, brokers, dealers, insurance companies, pension funds, other institutional investors and commercial enterprises which as an ancillary activity regularly invest in securities).

In the purchase agreement, each initial purchaser also acknowledges and agrees that it has complied and will comply with all applicable laws and regulations in each jurisdiction in which it has offered or sold, or will offer or sell, the notes or has distributed, or will distribute, this Offering Circular.

Buyers of notes sold by the initial purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the initial offering price set forth on the cover of this Offering Circular.

Application has been made to list the notes on the Luxembourg Stock Exchange.

Delivery of the notes will be made against payment therefor on July 11, 2003, which will be the fourth business day following the date of pricing of the notes (such settlement being referred to as "T+4"). Under Rule 15c6-1 under the U.S. Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing or the succeeding business day will be required, by virtue of the fact that the notes will initially settle in T+4, to specify an alternate settlement cycle at the time of such trade to prevent failed settlement. Purchasers of the notes who wish to trade the notes on the day of pricing or the succeeding business day should consult their own advisors.

The notes are a new issue of securities, and there is currently no established trading market for the notes. The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time in their sole discretion. Accordingly, we cannot assure you that a liquid market will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

In connection with this offering, BNP Paribas or any person acting for it, may over-allot or effect transactions with a view to supporting the market prices of the notes at a level higher than that might otherwise prevail for a limited period after the issue date. However, there may be no obligation on BNP Paribas or any agent acting for it to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

BNP Paribas has performed and may in the future perform investment banking activities on our behalf. Davy Stockbrokers has performed and may in the future perform corporate finance advisory services on our behalf.

TRANSFER RESTRICTIONS

Each purchaser of notes from the initial purchasers, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

1. It understands and acknowledges that the notes have not been registered under the Securities Act or any other applicable securities law and that the notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in a transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. It is not an “affiliate” (as defined in Rule 144 under the Securities Act) of us or acting on behalf of us, and it is either (i) a “qualified institutional buyer” as defined in Rule 144A (a “QIB”) and is aware that any sale of the notes to it will be made in reliance on Rule 144A and such acquisition will be for its own account or for the account of another QIB or (ii) not a “U.S. person” as defined in Regulation S or purchasing for the account or benefit of a U.S. person (other than a distributor) and is purchasing notes in an offshore transaction in accordance with Regulation S (a “Non-U.S. Person”).
3. It acknowledges that neither we, the initial purchasers nor any person representing us or the initial purchasers has made any representation to it with respect to us or the offering, other than the information contained in this Offering Circular, which has been delivered to it and upon which it is relying in making its investment decision with respect to the notes. It has had access to such financial and other information concerning us and the notes as it has deemed necessary in connection with its decision to purchase the notes, including an opportunity to ask questions of and request information from us and the initial purchasers.
4. It is purchasing the notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such notes pursuant to Rule 144A under the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the notes, and each subsequent holder of the notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such notes prior to the date which is two years after the later of the date of original issue of such notes and the last date that we were the owner of such notes (or any predecessor thereto) (the “Resale Restriction Termination Date”) only:

(i) to Ardagh Glass Limited or any subsidiary thereof;

(ii) pursuant to a registration statement that has been declared effective under the Securities Act;

(iii) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A;

(iv) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act; or

(v) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available);

subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its

or their control and to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. Each purchaser acknowledges that we and the trustee reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date of the notes pursuant to clause (v) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee that such transfer is in compliance with the Securities Act. Each purchaser acknowledges that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE RESALE RESTRICTION TERMINATION DATE) WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO ARDAGH GLASS LIMITED OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), SUBJECT IN EACH CASE TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAW AND SUBJECT TO THE ISSUER AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE U.S. SECURITIES ACT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

5. It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of notes is no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

Certain legal matters with respect to the notes and the guarantees are being passed upon for us by Davis Polk & Wardwell, U.S. counsel to the Issuer and the Guarantors, Slaughter and May, U.K. counsel to the Issuer and the Guarantors, P+P Pöllath + Partner, German counsel to the Issuer and the Guarantors, Carey Olsen, Guernsey counsel to the Issuer and the Guarantors, William Fry, Irish counsel to the Issuer and the Guarantors, Stibbe, Dutch counsel to the Issuer and the Guarantors, and Studio Avvocati Zappalà, Italian counsel to the Issuer and the Guarantors. Certain legal matters in connection with the offering of the notes will be passed upon for the initial purchasers by Shearman & Sterling LLP, U.S., U.K. and German counsel to the initial purchasers.

INDEPENDENT AUDITORS

The audited combined financial statements of Ardagh Glass Limited and its subsidiaries for each year in the three year period ended December 31, 2002 and as at December 31, 2002 and 2001, included in this Offering Circular, have been audited by PricewaterhouseCoopers, independent auditors, as stated in their report appearing herein.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is an indirect wholly-owned finance subsidiary of the Parent Guarantor incorporated in The Netherlands, and the Parent Guarantor is a company incorporated in Guernsey. The Subsidiary Guarantors are incorporated, among other places, in England, Italy and Germany. All of the directors and executive officers of the Issuer, the Parent Guarantor and the Subsidiary Guarantors reside outside the United States. In addition, all of the assets of the Issuer, the Parent Guarantor and the Subsidiary Guarantors are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Parent Guarantor, any of the Subsidiary Guarantors or any of their directors, or to enforce against them, judgments of U.S. courts predicated upon civil liability provisions of the U.S. federal or state securities laws.

If a judgment is obtained in a U.S. court against the Issuer, the Parent Guarantor or any Subsidiary Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for England, Italy, Germany and The Netherlands, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

The following discussion with respect to the enforceability of certain U.S. court judgments in England is based upon advice provided to us by our U.S. and English legal advisors, Davis Polk & Wardwell and Slaughter and May, respectively. The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be enforceable in England. In order to enforce any U.S. judgment in England, proceedings must be initiated by way of a common law action before a court of competent jurisdiction in England. In a common law action, an English court generally will not (subject to the following sentence) reinvestigate the merits of the original matter decided by a U.S. court and will order summary judgment on the basis that there is no defense to the claim for payment. The entry of an enforcement order by an English court is conditional upon the following:

- the U.S. court having had jurisdiction over the original proceeding according to English conflicts of laws principles;
- the judgment being final and conclusive on the merits and being for a debt for a definite sum of money;
- the judgment not contravening English public policy;
- the judgment being not for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;

- the judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damaged sustained; and
- the judgment not having been obtained by fraud or in breach of the principles of natural justice.

Subject to the foregoing, investors may be able to enforce judgments in England, in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England in an original action predicated solely upon U.S. federal securities laws.

The following discussion with respect to the enforceability of certain U.S. court judgments in Italy is based upon advice provided to us by our Italian legal advisors, Zappala. The United States and Italy currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters.

Notwithstanding, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would be recognized by an Italian court upon the following:

- (a) the judge who pronounced it could take cognizance of the case in accordance with the principles on jurisdictional competence according to the Italian system;
- (b) the document introducing the proceedings was made known to the defendant in conformity with the provisions of the law of the place where the proceedings were held and the essential rights of defense were not infringed;
- (c) the parties entered appearances in the proceedings in accordance with the law of the place where the proceedings were held or their failure to appear was declared in conformity with that law;
- (d) the judgment became *res judicata* in accordance with the law of the place where it was pronounced;
- (e) the judgment is not contrary to another judgment rendered by an Italian judge and which became *res judicata*;
- (f) no proceedings are pending before an Italian judge for the same matter and between the same parties, which were initiated prior to the foreign proceedings;
- (g) its provisions do not produce effects contrary to Italian public policy.

In cases of non-compliance with or objection to the recognition of a foreign judgment, or when it is necessary to proceed with forceful execution, any person in interest may apply to the court of appeals of the location of implementation for a determination of the existence of the pre-requisites above for recognition. The foreign judgment, jointly with the decision allowing the application referred to above, constitute entitlement to the implementation and forceful execution. If the objection to the foreign judgment is raised in the content of other proceedings pending in Italy, the decision on the objection is made by the Italian judge with effect limited to those proceedings only.

The following discussion with respect to the enforceability of certain U.S. court judgments in Germany is based upon advice provided to us by our German legal advisors, P+P Pöllath + Partner. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters.

Notwithstanding, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would generally be recognized by a German court upon all of the following:

- (a) U.S. courts could take jurisdiction of the case in accordance with the principles on jurisdictional competence according to German law;
- (b) the document introducing the proceedings was duly made known to the defendant in a timely manner that allowed for adequate defense;

- (c) the judgment is not contrary to (i) any prior judgment which became *res judicata* rendered by a German court or (ii) any prior judgment which became *res judicata* rendered by a foreign court which is to be recognized in Germany and the procedure leading to the respective judgment is not in contradiction to any such prior judgment;
- (d) the effects of its recognition will not be in conflict with material principles of German law, including without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- (e) the reciprocity of enforcement of judgments is guaranteed; and
- (f) the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany, in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

The United States of America and The Netherlands currently do not have a treaty with respect to the mutual recognition and enforcement of civil judgments.

However, under current practice, the courts of The Netherlands may be expected to render a judgment in accordance with the judgment of the relevant foreign court, provided that such judgment:

- (a) has not been rendered in violation of elementary principles of fair trial;
- (b) is not contrary to the public policy of The Netherlands;
- (c) is a final judgment; and
- (d) it has been rendered by a court which has established its jurisdiction on the basis of a valid submission.

It is uncertain whether this practice extends to default judgments as well.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the notes from the initial purchasers will be furnished with a copy of this Offering Circular and any related amendments or supplements to this Offering Circular. Each person receiving this Offering Circular acknowledges that:

- such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- such person has not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided above, no person has been authorized to give any information or to make any representation concerning the notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

This Offering Circular contains summaries, believed to be accurate in all material respects, of certain terms of certain agreements, but reference is made to the actual agreements (copies of which will be made available upon request to us or the initial purchasers) for complete information with respect thereto, and all such summaries are qualified in their entirety by this reference. While any notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of notes the information required pursuant to Rule 144A(d)(4) under the Securities Act during any period in which we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 (the “Exchange Act”) or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Requests for such information and requests for the agreements summarized in this Offering Circular should be directed to John Riordan, Finance Director, Ardagh Glass Limited, 7 New Street, St. Peter Port, Guernsey GY1 4BZ, Channel Islands. So long as the notes are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange rules so require, copies of the documents described in the foregoing paragraphs will be available for inspection at the specified office of the Paying Agent in Luxembourg. Our website can be found at www.ardaghglass.com. Information contained on our websites is not incorporated by reference into this Offering Circular and is not part of this Offering Circular.

CERTAIN DIFFERENCES BETWEEN U.K. GAAP AND U.S. GAAP

The combined financial statements of Ardagh Glass Limited included in this document have been prepared in accordance with U.K. GAAP, which differs in certain significant respects from U.S. GAAP. The differences that could have a significant effect on our financial statements for the years ended December 31, 2000, 2001 and 2002 and the three month periods ended March 31, 2001 and 2002 on profit after taxation and shareholders' funds as shown under U.K. GAAP in the financial statements included in this Offering Circular are summarized below. Given the inherent differences between U.K. GAAP and U.S. GAAP, the financial statements presented under U.K. GAAP are not presented fairly in all material respects under U.S. GAAP. We have not quantified these differences, nor undertaken a reconciliation of U.K. GAAP to U.S. GAAP financial statements. Had we undertaken any such quantification or reconciliation, other potentially significant accounting and disclosure differences may have come to our attention that are not identified below. Accordingly, we can provide no assurance that the identified differences in the summary below represent all principal differences relating to us. Further, no attempt has been made to identify future differences between U.K. GAAP and U.S. GAAP as a result of prescribed changes in or newly enacted accounting standards. Finally, no attempt has been made to identify all differences between U.K. GAAP and U.S. GAAP that may affect the financial statement results as a result of transactions or events that may occur in the future.

In making an investment decision, investors must rely upon their own examination of us, the terms of this offering and our financial statements. Potential investors should consult their own professional advisors for an understanding of the differences between U.K. GAAP and U.S. GAAP and how those differences might have affected the financial statements contained herein. The summary does not purport to be complete and is subject and qualified in its entirety by reference to the respective pronouncements of the U.K. accounting profession, together with the Securities Act and the pronouncements of the U.S. accounting profession.

Goodwill

Under U.K. GAAP, positive goodwill arising on acquisitions is capitalized and amortized over its estimated useful life to a maximum of 20 years. Negative goodwill arising on acquisitions is shown as a negative asset and is amortized over the period over which the related fixed assets are depreciated.

Under U.S. GAAP, for all accounting periods up to December 31, 2001, positive goodwill arising on consolidation would have been capitalized and amortized over its estimated useful life to a maximum of 40 years. Negative goodwill would have been allocated to reduce fair values of the non-current assets acquired and any remaining balance would be classified as a deferred credit and amortized over the period estimated to be benefited, but not to exceed 40 years.

In June 2001, Financial Accounting Standard Number 141 "Business Combinations" and Number 142 "Goodwill and Other Intangible Assets" were issued by the Financial Accounting Standards Board. Under the new standards, which would have applied in full after the year ended December 31, 2001 and for acquisitions made after July 1, 2001, goodwill would no longer be amortized, but rather would be subject to impairment reviews annually or on a more frequent basis in certain circumstances. In addition, under the new Standards, the balance of any negative goodwill that remained would have been immediately credited to the profit and loss account as an extraordinary item.

Business Combinations and Intangibles

Under U.K. GAAP, the results of acquired companies are included in the group results from the date of acquisition or the date at which management effectively controls all aspects of the business and operations of the acquired company.

Under U.S. GAAP, results of acquired companies are included only from the date of acquisition which includes the exercise date of a call option.

U.K. GAAP requires that, under the purchase method, the cost of an investment is allocated to the acquired entity's assets and liabilities based on fair values to the acquirer when the acquisition

becomes unconditional. The date of acquisition is where the control of the net assets and operations of the acquiree is effectively transferred to the acquirer.

Under U.K. GAAP, FRS 10 “Goodwill and Intangible Assets”, for periods ending on or after December 23, 1998, goodwill represents the excess of the cost of an investment over the fair value of the acquired assets and liabilities. Intangible assets acquired such as brands may be regarded as indistinguishable from goodwill and accounted for as such. There is a rebuttable presumption that the useful economic life of goodwill and intangible assets are limited and do not exceed 20 years from the date of acquisition, however, the useful economic lives may be greater than 20 years or even indefinite.

U.S. GAAP requires that, the cost of investment is allocated to the acquired entity’s assets and liabilities based on fair values to the acquirer at the date of acquisition. This could include certain adjustments to record specific items (i.e. inventory, fixed assets) at fair value at the time of the acquisition. The date of acquisition is focused on the consummation of the transaction, i.e. the legal transfer.

Under U.S. GAAP, SFAS 141 “Business Combinations” and SFAS 142, “Goodwill and Other Intangible Assets”, the excess of the cost of an acquired entity over the net amounts assigned to assets acquired and liabilities assumed represents goodwill. The provisions of SFAS 141 provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill. SFAS 141 also requires that, upon adoption of SFAS 142, we reclassify the carrying amounts of certain intangible assets into or out of goodwill, based on certain criteria.

Pensions

Under U.K. GAAP, the expected cost of providing pensions to employees is charged to the statement of income as incurred over the period of employment of pensionable employees, following triennial actuarial valuations of scheme assets and obligations. Any surplus or deficit of plan obligation over plan assets is amortized, in a systematic manner, to the statement of income, over the expected future service lives of the active employees. Under U.S. GAAP, the projected benefit obligation computed using the market value of the plan assets and current discount rates is material against the market values of assets and any excess above a pre-determined level is amortized to the statement of income over the average remaining service lives of active employees.

In addition, under U.S. GAAP, an additional minimum pension liability is recognized and a charge made to other comprehensive income when the accumulated benefit obligation exceeds the fair value of plan assets to the extent that this amount is not covered by the net liability recognized in the balance sheet.

Under U.S. GAAP annual actuarial valuations are required whereas under U.K. GAAP an actuarial valuation is only required every three years.

Derivative Instruments and Hedging Activities

We use interest rate derivative contracts to hedge our exposure to movements in interest rates. As a result of this hedging, a certain proportion of floating rate debt is synthetically converted into fixed rate debt. Under U.K. GAAP, the gains or losses arising on the hedging contracts are amortized through the interest charge over the underlying hedge period.

Under U.S. GAAP, all derivatives would be recognized as either assets or liabilities on the balance sheet at their fair value. Financial Accounting Standard Number 133 “Accounting for Derivative Instruments and Hedging Activities,” has specific requirements that need to be met to qualify for hedge accounting treatment and prescribes the accounting to be followed for changes in fair values of derivatives depending on their intended use. Changes in the fair value of derivatives are recorded each period in earnings or other comprehensive income (outside of earnings) depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction and whether or not the hedge is effective. Gains and losses on derivative instruments reported in other comprehensive income are reclassified into earnings in the periods in which earnings are affected by the hedge items.

SFAS 133 would have been effective for the group from January 1, 2001 and there are transitional rules which would have been followed upon adoption.

Prior to the adoption of SFAS Number 133, certain contracts used to hedge future transactions would not have been treated as hedges under U.S. GAAP and, accordingly, the gain or loss arising on the translation of these contracts would have been included in the determination of net income.

Debt Issuance Costs

Under U.K. GAAP, deferred financing fees are deducted from the related borrowings. Under U.S. GAAP, such fees would have been included in current and non-current assets.

Sale and leaseback of properties

Under U.K. GAAP, income is recognized at the date of sale of an asset which is subject to a subsequent leaseback by way of operating lease. Under U.S. GAAP there are specific criteria to be met in order to qualify as a sale and leaseback. Under U.S. GAAP, only the income which represents the excess above the net present value of the future minimum lease payments is recognized at the date of sale. The remaining gain is deferred and amortized over the life of the lease, in proportion to the gross lease rentals.

Under U.K. GAAP, sale and leaseback transactions between related parties may qualify for "sale and leaseback" accounting as set out in SSAP 21 "Accounting for Leases and Hire Purchase Contracts", and the recognition of a profit or loss on disposal may be allowable.

Under U.S. GAAP, sale and leaseback transactions in which the seller-lessee holds a beneficial interest in the buyer-lessor do not qualify for sale and leaseback accounting and are required to be accounted for as financing arrangements. Accordingly, no revenues on the sale are recognized. In addition, the seller-lessee is required to account for a portion of payments to the buyer-lessor as interest expense, while the balance of the payments are debited to the liability account over the term of the lease.

As a result of the differences above, any profit or loss on disposal will vary under U.S. GAAP from that reported under U.K. GAAP.

Exceptional items

Under U.K. GAAP, we have presented as exceptional items certain items which are derived from events or transactions that fall within our ordinary activities but which we consider to be infrequent in nature. Under U.S. GAAP, extraordinary items are events and transactions that are distinguishable by their unusual nature and by the infrequency of their occurrence. The underlying event or transaction should possess a high degree of abnormality, be of a type clearly unrelated to the ordinary and typical activities of the entity, and should not reasonably be expected to reoccur. If the underlying events and transactions do not meet this criteria, the effects of the transactions are included within operating income. Exceptional items recorded in our financial statements would have been recorded in operating income under U.S. GAAP.

Deferred Taxation

Under U.K. GAAP, deferred taxation is provided on all timing differences, except those that relate to revaluations of fixed assets (and similar fair value adjustments) where there is no binding agreement to dispose of the assets concerned or where it is more likely than not that rollover relief or losses will be applied to the gain, and also to the remittance of the retained earnings of overseas subsidiaries except where no dividends have been accrued as receivable at the balance sheet date. Under U.S. GAAP, deferred taxation would have been provided on all differences between the book and tax bases of assets and liabilities.

Under U.S. GAAP, deferred taxation is provided on all temporary differences between the tax and book bases of assets and liabilities at the applicable enacted statutory rate at the reporting date, subject to a valuation allowance to reduce deferred tax assets to the amount which "more likely than not" will be realized in the future. Deferred tax balances are not discounted.

Cash Flows

Our combined statements of cash flows are prepared in accordance with Financial Reporting Standard No. 1 (Revised) (FRS 1) and present substantially the same information as that required under U.S. GAAP by SFAS 95 "Statement of Cash Flows". However, there are certain differences in classification of items within the cash flow statement and with regard to the definition of cash and cash equivalents between U.K. and U.S. GAAP.

Cash flows from (i) operating activities; (ii) returns on investments and servicing of finance; (iii) taxation; (iv) capital expenditure and financial investment; (v) acquisitions and disposals; (vi) equity dividends paid; (vii) management of liquid resources; and (viii) financing activities are presented separately under U.K. GAAP. However, U.S. GAAP only requires presentation of cash flows from three activities: (i) operating, (ii) investing and (iii) financing.

Cash flows from returns on investments and servicing of finance are, with the exception of non-equity dividends paid and interest paid but capitalized, included as operating activities under U.S. GAAP. The payment of non-equity dividends is included under financing activities and capitalized interest is included under investing activities for U.S. GAAP purposes.

Cash flows from taxation are included as operating activities under U.S. GAAP.

Cash flows from capital expenditure and financial investment, with the exception of purchase of own shares, as well as cash flows from acquisitions and disposals are included as investing activities under U.S. GAAP.

Cash flows from the management of liquid resources are included in the overall cash movement since liquid resources are considered cash equivalents under U.S. GAAP.

Cash, for the purposes of the cash flow under U.K. GAAP, includes bank overdrafts but excludes liquid resources. For the purpose of FRS 1 liquid resources are current asset investments held as readily disposable stores of value. Disposal of such assets does not curtail or disrupt the business of the reporting entity. Under U.S. GAAP, bank overdrafts are considered loans and the movements thereon are included in financing activities; liquid resources are considered cash equivalents and the movements thereon are included in the overall cash movement.

GENERAL INFORMATION

Application has been made to list the notes on the Luxembourg Stock Exchange. In connection with that application, the Articles of Association (or equivalent organizational documents) of the Issuer, Ardagh Glass Limited and the Subsidiary Guarantors and a legal notice (*Notice Légale*) relating to the issue of the notes will have been deposited prior to listing with the Trade and Companies Register (*Régistre de Commerce et des Sociétés*) in Luxembourg, where copies thereof may be obtained on request.

The issue of the notes by Ardagh Glass Finance B.V. was authorized pursuant to a resolution of its board of directors on July 2, 2003 and the guarantee of the notes by Ardagh Glass Limited was authorized pursuant to a resolution of the board of directors of Ardagh Glass Limited on June 27, 2003. The guarantees of the notes by the Subsidiary Guarantors were or will be authorized by resolutions of the board of directors of each Subsidiary Guarantor passed on or before July 11, 2003.

- (1) Except as disclosed herein, there has been no material adverse change in the combined financial position of Ardagh Glass Limited and its subsidiaries that is material in the context of the issue and offering of the notes since the date of its last audited combined financial statements. Except as disclosed herein, there has been no material adverse change in the financial position of the Issuer since the date of its incorporation.
- (2) Except as disclosed herein, none of the Issuer, Ardagh Glass Limited or any Subsidiary Guarantor is involved in, has knowledge of a threat of, any litigation, administrative proceedings or arbitration which is or may be material in the context of the issue and offering of the notes.
- (3) So long as the notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, copies of the Issuer's, Ardagh Glass Limited's and each of the Subsidiary Guarantor's Articles of Association (or equivalent organizational documents) and the Indenture governing the notes will be available at the specified office of the Trustee and the Paying Agent in Luxembourg. So long as the notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, copies in each case of the audited annual financial statements of the Issuer, Ardagh Glass Limited and each of the Subsidiary Guarantors for fiscal years subsequent to 2002 (to the extent available) will be available during normal business hours on any weekday at the offices of such Paying Agent in Luxembourg. None of the Issuer, Ardagh Glass Limited or any of the Subsidiary Guarantors currently publishes any of its interim unconsolidated financial statements.
- (4) Ardagh Glass Finance B.V. has appointed The Bank of New York (Luxembourg) S.A. as its Paying Agent in Luxembourg. Ardagh Glass Finance B.V. reserves the right to vary that appointment. So long as the notes are listed on the Luxembourg Stock Exchange, Ardagh Glass Finance B.V. will maintain a paying and transfer agent in Luxembourg.
- (5) Ardagh Glass Finance B.V. was incorporated in The Netherlands on June 25, 2003 as a private company with limited liability under the laws of The Netherlands (with registered number 34192108). Ardagh Glass Finance B.V.'s registered office is located at Fred. Roeskestraat 123, 1076 EE Amsterdam, The Netherlands, and its telephone number is +31 20 577 1177. The objects of Ardagh Glass Finance B.V. under clause 3 of its articles of association are: to finance enterprises and companies; to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with the foregoing; to participate in, to finance, to collaborate with, to conduct the management of companies and other enterprises and provide advice and other services; to acquire, use and/or assign industrial and intellectual property rights; to provide security for the debts of legal persons or of other companies with which the company is affiliated in a group; and to undertake any thing connected to the foregoing or in furtherance of the foregoing, all in the widest sense of the word.
- (6) Ardagh Glass Limited was incorporated in Guernsey on December 17, 2002 as a limited liability company under the Companies (Guernsey) Law, 1994 as amended (with registered number 40338). Ardagh Glass Limited's registered office is located at 7 New Street, St. Peter

Port, Guernsey GY1 4BZ, Channel Islands, and its telephone number at this location is +44 1481 736 465.

- (7) Copies of the Indenture and the Paying and Transfer Agency Agreement may be freely obtained at the specified office of the Listing Agent in Luxembourg for as long as the notes are listed on the Luxembourg Stock Exchange.
- (8) The auditors of Ardagh Glass Limited are PricewaterhouseCoopers, who have audited Ardagh Glass Limited's combined financial statements for the fiscal years included in this Offering Circular, as stated in their report appearing herein. The auditors of Ardagh Glass Finance B.V. are expected to be PricewaterhouseCoopers.
- (9) The Regulation S notes have been accepted for clearance through Euroclear and Clearstream under the Common Code 017244531, and the Rule 144A notes have been accepted for clearance through Euroclear and Clearstream under the Common Code 017244540. The ISIN for the Regulation S notes is XS0172445313, and the ISIN for the Rule 144A notes is XS0172445404.
- (10) Certain additional information about the Subsidiary Guarantors:

Ardagh International Holdings Limited was incorporated on December 17, 2002 as a company with limited liability under the laws of Guernsey. Its registered office is located at 7 New Street, St. Peter Port, Guernsey. It acts as a holding company. Ardagh Glass Limited owns all of the issued and outstanding ordinary share capital of Ardagh International Holdings Limited and, following the completion of this offering, Ardagh Glass Limited will own all of the issued and outstanding special preference shares of Ardagh International Holdings Limited.

Heye Holding GmbH is a company with limited liability organized under the laws of Germany, incorporated on November 20, 2002 and registered with the commercial register at the local court at Stadthagen, Germany under registration number HRB 2369. Ardagh International Holdings Limited holds all of the issued and outstanding share capital of Heye Holding GmbH. Its corporate seat is Obernkirchen, Germany, and its registered business address is Lohplatz 1, 31682 Obernkirchen, Germany.

Heye International GmbH is a company with limited liability organized under the laws of Germany, incorporated on March 2, 2001 and registered with the commercial register at the local court at Stadthagen, Germany under registration number HRB 2047. Heye Holding GmbH holds all of the issued and outstanding share capital of Heye International GmbH. Its corporate seat is Obernkirchen, Germany, and its registered business address is Am Ziegeleiweg 3, 31682 Obernkirchen, Germany.

Ardagh Glass (UK) Limited was incorporated as a private company with limited liability under the laws of England and Wales. Its registered office is located at Headlands Lane, Knottingley, West Yorkshire WF11 OHP, England. It acts as a holding company. Ardagh International Holdings Limited owns all of the issued and outstanding ordinary share capital of Ardagh Glass (UK) Limited and, following the completion of this offering, Ardagh Glass Limited will own all of the issued and outstanding special preference shares of Ardagh Glass (UK) Limited.

Rockware Group Limited was incorporated as a private company with limited liability under the laws of England and Wales. Its registered office is located at Headlands Lane, Knottingley, West Yorkshire WF11 OHP, England. It acts as a holding company. Ardagh Glass (UK) Limited owns all of the issued and outstanding share capital of Rockware Group Limited.

Rockware Glass Limited was incorporated as a private company with limited liability under the laws of England and Wales. Its registered office is located at Headlands Lane, Knottingley, West Yorkshire WF11 OHP, England. It is engaged in the glass container manufacturing business. Rockware Group Limited owns all of the issued and outstanding share capital of Rockware Glass Limited.

Ardagh Holdings B.V. was incorporated on August 25, 1989 as a private company with limited liability under the laws of the Netherlands. Its registered office is located at Fred. Roeskestraat 123, 1076 EE Amsterdam, The Netherlands. It acts as a holding and finance company. Ardagh

International Holdings Limited owns all of the issued and outstanding share capital of Ardagh Holdings B.V.

Abruzzo Vetro S.r.l. is a company organized under the laws of Italy and was incorporated on February 22, 1996. Its registered office is located at Zona Industriale, S.S. Trinità, 64046 - Montorio al Vomano - Teramo, Italy. Abruzzo Vetro S.r.l. is engaged in the industrial production of glass containers. Ardagh Holdings B.V. holds 99.9993% of its outstanding shares with a total par value of €286,108 and Yeoman International Group Limited holds a share with a par value equal to €2 (0.0007%).

Ardagh Treasury Limited is a limited company incorporated under the laws of Ireland on August 24, 1989. Its corporate seat is in Ireland and its registered business address is South Bank Road, Ringsend, Dublin 4, Ireland. Ardagh International Holdings Limited holds all of the issued and outstanding share capital of Ardagh Treasury Limited.

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INDEPENDENT AUDITOR'S REPORT

To the directors of Ardagh Glass Limited,

We report on the combined financial statements of Ardagh Glass Limited and its subsidiaries for each year in the three year period ended 31 December 2002 which comprise the profit and loss account, and cash flows, for each year in the three year period ended 31 December 2002 and the balance sheet as at 31 December 2002 and 2001 and the related notes and the accounting policies. These combined financial statements have been prepared under the historical cost convention and the accounting policies set out on pages F-6 to F-8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the combined financial statements in accordance with United Kingdom Accounting Standards.

Our responsibility is to audit the combined financial statements in accordance with Auditing Standards issued by the Auditing Practices Board applicable in Ireland.

We report to you our opinion as to whether the combined financial statements give a true and fair view and are properly prepared in accordance with United Kingdom Accounting Standards. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board applicable in Ireland. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the combined financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the combined financial statements.

Opinion

In our opinion the combined financial statements give, for the purposes of this Offering Circular, a true and fair view of the state of the combined affairs of Ardagh Glass Limited and its subsidiaries as at 31 December 2002 and 2001 and of the combined profit and cash flows of the company and its subsidiaries for each year in the three year period ended 31 December 2002 and have been properly prepared in accordance with United Kingdom Accounting Standards.

PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
27 June 2003
Dublin

COMBINED PROFIT AND LOSS ACCOUNT

| | Note | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|---|------|---------------|---------------|---------------|
| Turnover | | | | |
| Continuing operations | | 277,472 | 266,925 | 280,204 |
| Acquisitions | 22 | 12,205 | — | — |
| | | 1 | 289,677 | 266,925 |
| Cost of sales | 4 | (244,106) | (226,549) | (234,920) |
| Gross profit | | 45,571 | 40,376 | 45,284 |
| Administrative expenses | 4 | (12,730) | (12,951) | (12,578) |
| Operating profit | | | | |
| Continuing operations | | 30,678 | 27,425 | 32,706 |
| Acquisitions | 22 | 2,163 | — | — |
| | | 32,841 | 27,425 | 32,706 |
| Exceptional item—profit on disposal of fixed assets | | — | 6,294 | — |
| Profit on ordinary activities before interest and taxation | | 32,841 | 33,719 | 32,706 |
| Net interest payable and similar charges | 5 | (21,004) | (21,550) | (28,181) |
| Profit on ordinary activities before taxation | 6 | 11,837 | 12,169 | 4,525 |
| Tax on profit on ordinary activities | 7 | (864) | 140 | (3,609) |
| Profit for the financial year | 16 | 10,973 | 12,309 | 916 |

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

COMBINED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | Note | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|---|------|---------------|---------------|---------------|
| Retained profit for the financial year | 16 | 10,973 | 12,309 | 916 |
| Foreign currency translation adjustments | | (4,301) | 1,229 | (62) |
| Total recognised gains and losses for the year | | 6,672 | 13,538 | 854 |

See accompanying notes to audited financial statements

COMBINED BALANCE SHEET

| | Note | 2002 €'000 | 2001 €'000 |
|--|------|----------------|----------------|
| Fixed assets | | | |
| Intangible assets | 8 | 66,428 | 74,554 |
| Tangible assets | 9 | 220,267 | 237,733 |
| | | <u>286,695</u> | <u>312,287</u> |
| Current assets | | | |
| Stocks | 10 | 51,335 | 57,251 |
| Debtors—amounts falling due within one year | 11 | 42,329 | 35,602 |
| Debtors—amounts falling due after one year | 11 | 25,966 | 28,360 |
| | | 68,295 | 63,962 |
| Cash at bank and in hand | | 29,945 | 4,634 |
| | | 149,575 | 125,847 |
| Creditors—amounts falling due within one year | 12 | (95,754) | (86,759) |
| Net current assets | | 53,821 | 39,088 |
| Total assets less current liabilities | | 340,516 | 351,375 |
| Creditors—amounts falling due after more than one year | 13 | (236,943) | (253,132) |
| Provisions for liabilities and charges | 14 | (33,271) | (37,749) |
| Net assets | | <u>70,302</u> | <u>60,494</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 1 | — |
| Share premium account | 16 | 38,088 | 38,088 |
| Profit and loss account | 16 | 9,430 | 2,758 |
| Contributed capital | 16 | 22,780 | 19,648 |
| Equity shareholders' funds | 17 | 70,299 | 60,494 |
| Minority interest | 18 | 3 | — |
| Capital employed | | <u>70,302</u> | <u>60,494</u> |

See accompanying notes to audited financial statements

COMBINED CASH FLOW STATEMENT

| | Note | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|--|------|---------------|---------------|---------------|
| Net cash inflow from operating activities | 19 | 69,565 | 61,888 | 71,148 |
| Returns on investment and servicing of finance | | | | |
| Interest received | | 196 | 828 | 1,049 |
| Interest paid | | (7,206) | (12,084) | (14,503) |
| Issue costs of new bank borrowings | | — | (1,674) | — |
| Net cash (outflow) from returns on investments and servicing of finance | | (7,010) | (12,930) | (13,454) |
| Corporation tax paid | | (2,780) | (1,110) | (2,167) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | | (20,483) | (37,060) | (43,715) |
| Acquisition related costs | | — | (33) | — |
| Exceptional sale of tangible fixed assets | | — | 17,753 | — |
| Net cash (outflow) for capital expenditure and financial investment | | (20,483) | (19,340) | (43,715) |
| Acquisitions and disposals | | | | |
| Net overdraft acquired with subsidiary | | (2,116) | — | — |
| Capital introduced by minority interest | | 3 | — | — |
| Net cash (outflow) from acquisitions and disposals | | (2,113) | — | — |
| Net cash inflow before management of liquid resources and financing | | 37,179 | 28,508 | 11,812 |
| Financing | | | | |
| Capital introduced—Ardagh Treasury Limited | | — | 125 | — |
| Repayment of bank borrowings | | (18,204) | (156,767) | (21,343) |
| Draw down of bank loans | | — | 104,535 | 7,611 |
| Net cash (outflow) from financing | | (18,204) | (52,107) | (13,732) |
| Increase/(decrease) in cash in the period | 20 | 18,975 | (23,599) | (1,920) |

See accompanying notes to audited financial statements

ACCOUNTING POLICIES

Basis of preparation

The combined financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in the United Kingdom.

Basis of consolidation

On 28 February 2003 the glass business of Ardagh plc, consisting primarily of glass manufacturing operations in the UK and Italy, were demerged to Ardagh Glass Limited ("Ardagh Glass").

The combined financial statements consist of an aggregation of the stand-alone financial statements of the companies that comprise the Ardagh Glass group (see note 24 for details). The results of subsidiary undertakings acquired during the period have been included in the profit and loss account from the date of acquisition using the acquisition method of accounting. All direct investments in and transactions and balances between group companies have been eliminated.

Goodwill

Goodwill represents the difference between the fair value of the consideration paid for acquired businesses and the fair value of their underlying net assets. Goodwill is recorded in the combined balance sheet as either an asset or a liability and amortised over its estimated useful life, which will not exceed 20 years. The directors have assessed the useful economic life of the goodwill arising on acquisitions as 20 years.

Turnover

Turnover represents the amounts invoiced to third parties (excluding VAT and similar taxes, trade discounts and intra-group transactions) of goods and services in the normal course of business.

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the purchase cost less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | |
|------------------------------|------------------------|
| Motor vehicles | 10%-20% |
| Factory and office equipment | 10%-33 $\frac{1}{3}$ % |

Land and buildings

Freehold buildings and long leasehold land and buildings are depreciated over their expected useful lives which are between twenty and forty years. Short term leasehold buildings are written off over the period of the lease.

Furnaces

Depreciation is provided on the cost of furnaces on a straight line basis over their expected useful lives. The major portion of the cost of a furnace, representing about two-thirds of the total, has a life of between eight and nine years. The remaining one-third of the furnace cost has a life of thirteen years.

Depreciation does not commence until the furnace is capable of running at normal efficiency levels which would usually be within three months of the furnace being brought into operation.

Plant and machinery

Depreciation is provided on the cost of plant and machinery, excluding moulds at 7.5% to 12.5% on a straight line basis.

Moulds

Moulds are depreciated over varying periods up to three years to reflect their useful economic life. Depreciation is charged monthly on a straight line basis commencing in the month the mould is first used. Moulds which have a useful economic life of one year at the point of purchase are classified in the balance sheet as stocks and valued at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition includes the cost of direct materials and an appropriate proportion of labour and overheads in the case of work in progress and finished goods. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences calculated at the rate of tax at which it is anticipated that the timing differences will reverse. Timing differences arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes. The group has adopted FRS 19 "Deferred Tax" for all periods presented in the combined financial statements.

Foreign currencies

Transactions designated in foreign currencies are translated into euro at the rate of exchange ruling at the transaction date. Monetary assets and liabilities designated in foreign currencies are re-translated at the rates ruling at the balance sheet date (closing rate) with the resulting profit or loss included in the profit for the period.

The balance sheets of foreign subsidiary and associated undertakings are translated into euro using the closing rate method and profit and loss accounts are translated using the average rate for the period. Exchange differences arising from translation of the opening net investment together with the difference between the profit and loss translated at the average rate and the closing rate, net of related foreign currency financing are dealt with as adjustments to reserves.

Lease and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalized at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Pension costs

The expected costs of providing pensions are charged to the profit and loss account so as to spread the costs over the service lives of the participating employees. The costs are assessed in accordance with the advice of qualified independent actuaries.

Finance costs

Finance costs associated with issuing debt are amortised over the repayment term of the specific debt instruments.

Government grants

Government grants on capital expenditure are credited to deferred income and are released to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. Turnover and segmental analysis

Turnover is wholly attributable to the group's principal activity. An analysis of turnover by geographical segment is given below:

| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|--------------------------------|----------------|----------------|----------------|
| Turnover by source | | | |
| United Kingdom | 277,472 | 266,925 | 280,204 |
| Rest of Europe | 12,205 | — | — |
| | <u>289,677</u> | <u>266,925</u> | <u>280,204</u> |
| | 2002 €'000 | 2001 €'000 | 2001 €'000 |
| Turnover by destination | | | |
| United Kingdom | 267,006 | 259,115 | 272,408 |
| Rest of Europe | 20,629 | 7,615 | 5,997 |
| Rest of the World | 2,042 | 195 | 1,799 |
| | <u>289,677</u> | <u>266,925</u> | <u>280,204</u> |

Net assets and profit before tax by geographical segment are not disclosed because of the commercial sensitivity of the information.

2. Employee information

The average monthly number of persons (including executive directors) employed by the group during the year was:

| By activity | 2002 Number | 2001 Number | 2000 Number |
|------------------------------------|----------------|----------------|----------------|
| Production | 984 | 945 | 944 |
| Selling and distribution | 39 | 36 | 34 |
| Administration | 99 | 95 | 95 |
| | <u>1,122</u> | <u>1,076</u> | <u>1,073</u> |
| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
| Wages and salaries | 45,878 | 43,791 | 43,699 |
| Severance payments | 208 | 979 | 603 |
| Social security costs | 3,525 | 3,241 | 3,326 |
| Other pensions costs | 3,789 | 1,435 | 1,645 |
| | <u>53,400</u> | <u>49,446</u> | <u>49,273</u> |

3. Directors emoluments

The company's directors received the following remuneration in respect of qualifying services:

| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|--|---------------|---------------|---------------|
| Aggregate emoluments | 438 | 391 | 386 |
| Benefits in kind | 29 | 104 | 98 |
| Contributions paid to money purchase pension schemes | — | 22 | 36 |
| | <u>467</u> | <u>517</u> | <u>520</u> |

4. Cost of sales and administrative expenses

| | Continuing 2002 €'000 | Acquisitions 2002 €'000 | Total 2002 €'000 | 2001 €'000 | 2000 €'000 |
|-----------------------------------|-----------------------------|-------------------------------|---------------------|---------------|---------------|
| Cost of sales | (234,205) | (9,901) | (244,106) | (226,549) | (234,920) |
| Administrative expenses | (12,589) | (141) | (12,730) | (12,951) | (12,578) |

5. Net interest payable and similar items

| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|--|---------------|---------------|---------------|
| On bank loans and overdrafts | 6,998 | 9,080 | 13,382 |
| Interest on subordinated loan notes | 11,876 | 10,897 | 10,005 |
| Interest on deferred consideration loan notes | 1,805 | 1,726 | 1,665 |
| Amortization of issue costs on bank borrowings | 331 | 280 | 893 |
| Amortization of hedging instrument | 191 | 212 | 215 |
| Interest payable and similar charges | 21,201 | 22,195 | 26,160 |
| Interest receivable and similar income | (197) | (645) | (1,049) |
| Write-off of deferred financing costs | — | — | 3,070 |
| Net interest payable and similar items | 21,004 | 21,550 | 28,181 |

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|---|---------------|---------------|---------------|
| Depreciation of owned tangible fixed assets | 36,539 | 34,521 | 35,740 |
| Amortization of goodwill | 4,131 | 4,159 | 4,246 |
| Auditors' remuneration | | | |
| —Audit | 160 | 137 | 164 |
| —Non-audit services | 41 | 100 | 144 |
| Research and development expenditure | 1,070 | 1,012 | — |
| Operating lease rentals | | | |
| —Plant and machinery | 1,243 | 1,234 | 2,714 |
| —Land and buildings | 1,633 | 1,407 | 197 |

7. Tax on profit on ordinary activities

7(a) Analysis of charge/(credit) in period

| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|--|----------------|---------------|---------------|
| Current tax: | | | |
| UK Corporation tax on profits of the period | 4,118 | 2,385 | 3,360 |
| Italian taxation | 161 | — | — |
| Sale of unutilised tax losses | (658) | — | — |
| Adjustments in respect of previous periods | — | (2,412) | 284 |
| Total current tax (note 7(b)) | 3,621 | (27) | 3,644 |
| Deferred tax: | | | |
| Origination and reversal of timing differences | (2,757) | (1,914) | 566 |
| Adjustments in respect of previous periods | — | 1,801 | (601) |
| Total deferred tax (note 14) | (2,757) | (113) | (35) |
| Tax on profit on ordinary activities | 864 | (140) | 3,609 |

7. Tax on profit on ordinary activities (Continued)

7(b) Factors affecting tax charge for period

The tax assessed for the period is higher (2001: lower) than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below

| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|--|---------------|---------------|---------------|
| Profit on ordinary activities before tax | 11,837 | 12,169 | 4,525 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% | 3,551 | 3,651 | 1,358 |
| Effects of: | | | |
| Expenses not deductible for tax purposes/non-taxable items | (2,266) | (1,289) | 2,568 |
| Capital allowances for period in excess of depreciation | 3,293 | 2,062 | (469) |
| Movement on pension prepayment | 45 | (148) | (97) |
| Utilisation of capital gains tax losses | — | (1,891) | — |
| Sale of unutilised tax losses | (658) | — | — |
| Lower rate of taxation on Italian income | (344) | — | — |
| Adjustments to tax charge in respect of previous periods | — | (2,412) | 284 |
| Current tax charge for period (note 7(a)) | 3,621 | (27) | 3,644 |

8. Intangible fixed assets

Goodwill

| | 2002 €'000 | 2001 €'000 |
|---|---------------|---------------|
| Cost | | |
| At 1 January | 86,221 | 85,251 |
| Exchange movements | (5,669) | 178 |
| Adjustments relating to prior year acquisitions | — | 792 |
| Arising on acquisition (note 22) | 758 | — |
| At 31 December | 81,310 | 86,221 |
| Amortization | | |
| At 1 January | 11,667 | 7,274 |
| Charge for year | 4,131 | 4,159 |
| Exchange movements | (916) | 234 |
| At 31 December | 14,882 | 11,667 |
| Net book amount | | |
| At 31 December | 66,428 | 74,554 |
| At 1 January | 74,554 | 77,977 |

9. Tangible fixed assets

| | Land and buildings €'000 | Plant and machinery €'000 | Equipment and vehicles €'000 | Moulds €'000 | Total €'000 |
|---------------------------------------|-----------------------------------|---------------------------------|------------------------------------|-----------------|----------------|
| Cost | | | | | |
| At 1 January 2002 | 86,137 | 363,058 | 7,526 | 17,300 | 474,021 |
| Acquisitions | 2,339 | 24,704 | — | — | 27,043 |
| Additions | 650 | 12,674 | 347 | 6,247 | 19,918 |
| Disposals | (464) | (17,353) | (1,942) | (3,925) | (23,684) |
| Exchange Movement | (5,672) | (23,740) | (495) | (1,137) | (31,044) |
| At 31 December 2002 | 82,990 | 359,343 | 5,436 | 18,485 | 466,254 |
| Depreciation | | | | | |
| At 1 January 2002 | 15,646 | 206,465 | 5,545 | 8,632 | 236,288 |
| Acquisitions | 181 | 12,627 | — | — | 12,808 |
| Charge for the year | 1,975 | 27,557 | 765 | 6,242 | 36,539 |
| Disposals | (464) | (17,353) | (1,942) | (3,925) | (23,684) |
| Exchange Movement | (1,083) | (13,948) | (365) | (568) | (15,964) |
| At 31 December 2002 | 16,255 | 215,348 | 4,003 | 10,381 | 245,987 |
| NBV 31 December 2002 | 66,735 | 143,995 | 1,433 | 8,104 | 220,267 |
| NBV 31 December 2001 | 70,491 | 156,593 | 1,981 | 8,668 | 237,733 |

The net book value of land and buildings comprises:

| | 2002 €'000 | 2001 €'000 |
|--------------------------|---------------|---------------|
| Freehold | 48,284 | 50,525 |
| Long leasehold | 18,451 | 19,966 |
| | <u>66,735</u> | <u>70,491</u> |

10. Stocks

| | 2002 €'000 | 2001 €'000 |
|--|---------------|---------------|
| Raw materials and consumables | 3,906 | 3,233 |
| Engineering spares and pallets | 9,102 | 10,682 |
| Moulds | 1,758 | 1,783 |
| Finished goods | 36,569 | 41,553 |
| | <u>51,335</u> | <u>57,251</u> |

11. Debtors

| | 2002 €'000 | 2001 €'000 |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Trade debtors | 36,554 | 30,463 |
| Amounts owed by Ardagh plc group companies | 2,529 | 1,165 |
| Corporation tax recoverable | — | 13 |
| Other debtors | 763 | 610 |
| Prepayments | 2,483 | 3,351 |
| | <u>42,329</u> | <u>35,602</u> |
| Amounts falling due after one year | | |
| Pension surplus | 25,966 | 27,948 |
| Other debtors | — | 412 |
| | <u>25,966</u> | <u>28,360</u> |
| | <u>68,295</u> | <u>63,962</u> |

The pension surplus will be realised over the average future service lives of the scheme's members.

12. Creditors—Amounts falling due within one year

| | 2002 €'000 | 2001 €'000 |
|--|---------------|---------------|
| Bank loans and overdrafts | 38,103 | 25,349 |
| Trade creditors | 43,828 | 42,742 |
| Amounts owed to Ardagh plc group companies | 1,752 | 1,238 |
| Corporation Tax | 1,571 | — |
| Other tax and social security payable | 3,034 | 3,765 |
| Other creditors | 3,637 | 4,090 |
| Accruals and deferred income | 2,322 | 8,030 |
| Pallet deposits | 1,507 | 1,545 |
| | <u>95,754</u> | <u>86,759</u> |

13. Creditors—Amounts falling due after more than one year

| | 2002 €'000 | 2001 €'000 |
|---|----------------|----------------|
| Bank loans | 53,949 | 71,875 |
| Subordinated loan notes | 149,139 | 148,333 |
| Deferred consideration loan notes | 31,946 | 32,333 |
| | <u>235,034</u> | <u>252,541</u> |
| Accruals | 965 | 591 |
| Capital grants | 944 | — |
| | <u>236,943</u> | <u>253,132</u> |

Apart from €11,898,000 (2001: €Nil) the group's bank borrowings and loan notes are denominated in sterling.

The euro bank borrowings bear interest based on EURIBOR and sterling bank loans based on LIBOR. At 31 December 2002 the group had an interest rate cap agreement in place, which matures in December 2004 (2001: October 2002) capping interest rates at 6.0% (2001 : 6.05%). The group also had an interest rate floor agreement in place at 31 December 2002 and 2001, which

13. Creditors—Amounts falling due after more than one year (Continued)

puts a floor on interest rates at 5.1%. The amount capped and floored reduces in line with the repayment profile of the bank borrowings.

The group's subordinated loan notes and deferred consideration loan notes are redeemable in March 2006. Interest on the subordinated loan note is fixed at a rate of 8% until 31 December 2003 and at 10% per annum thereafter. The subordinated loan note is expected to be repaid before the 10% interest rate becomes effective and hence interest is currently being charged at 8% per annum.

The deferred consideration loan note is non-interest bearing. The redemption principal amount of €38,314,000 has been discounted to a net present value of €31,946,000 at 31 December 2002, based on the directors' assessment of the group's prevailing cost of capital of 5.7% per annum. The increase in the nominal value of the loan note during the period of €1,805,000 has been charged as an interest cost to the profit and loss account.

The maturity analysis of the group's bank and other borrowings is as follows:

| | 2002 €'000 | 2001 €'000 |
|--------------------------------------|----------------|----------------|
| Within 1 year or on demand | 38,103 | 25,349 |
| Between 1 and 2 years | 22,836 | 22,448 |
| Between 2 and 5 years | 212,198 | 230,093 |
| | <u>273,137</u> | <u>277,890</u> |

The above maturity analysis is based on the contracted repayment terms of the group's borrowings at the balance sheet date. The UK parent company has provided a legal mortgage over its freehold and leasehold land and fixed and floating charges over its other assets and undertaking as security for its own borrowings and those of other group companies from BNP Paribas and The Royal Bank of Scotland. At 31 December 2002 the amounts outstanding under these guarantees totalled €79,533,000 (2001: €101,964,000). The UK parent company loan notes are secured by joint and several guarantees provided by it and certain of its subsidiaries in favour of United Glass Limited.

The Italian subsidiary has provided a legal mortgage over its freehold land and fixed and floating charges over its other assets as security for its own borrowings in favour of Mediocredito Centrale S.P.A. At 31 December 2002 the amounts outstanding under these guarantees totalled €9,316,000.

14. Provisions for liabilities and charges

| | Deferred taxation €'000 | Employee provisions €'000 | Total €'000 |
|--------------------------------------|-------------------------------|---------------------------------|----------------|
| At 1 January 2001 | 34,765 | 2,801 | 37,566 |
| Profit and loss account | (113) | — | (113) |
| Released during the year | — | (180) | (180) |
| Utilised during the year | — | 289 | 289 |
| Exchange movements | 717 | (530) | 187 |
| At 31 December 2001 | 35,369 | 2,380 | 37,749 |
| Acquired | — | 657 | 657 |
| Profit and loss account | (2,757) | 112 | (2,645) |
| Utilised during the year | — | (112) | (112) |
| Exchange movements | (2,226) | (152) | (2,378) |
| At 31 December 2002 | <u>30,386</u> | <u>2,885</u> | <u>33,271</u> |

14. Provisions for liabilities and charges (Continued)

Employee provisions include:

- a) The UK group's obligations to pay certain employees accrued holiday entitlements when they leave the group's employment amounting to €1,769,000 (2001: €1,896,000). The holiday pay obligation has been calculated as at 31 December 2002 and will crystallise as the service lives of the employees concerned comes to an end.
- b) The UK group's ongoing liability to provide death benefits to employees who have previously been made redundant amounting to €349,000 (2001: €484,000). The liability to provide death benefits to employees has been calculated by reference to quotations provided by the group's insurance advisers to insure the risk. The directors plan to take out annual insurance cover throughout the period the group is obliged to provide former employees with life assurance.
- c) The Italian subsidiary's legal obligation to pay benefits to its employees when they cease to be employed amounting to €767,000.

Deferred taxation

Deferred taxation provided in the combined financial statements and the amounts not provided are as follows:

| | 2002 Provided €'000 | 2002 Amounts unprovided €'000 | 2001 Provided €'000 | 2001 Amounts unprovided €'000 |
|--|---------------------------|--|---------------------------|--|
| Accelerated capital allowances | 22,735 | — | 28,296 | — |
| Other timing differences | 7,651 | — | 7,073 | — |
| | <u>30,386</u> | <u>—</u> | <u>35,369</u> | <u>—</u> |
| Potential capital gain on properties | — | 10,728 | — | 10,728 |
| | <u>30,386</u> | <u>10,728</u> | <u>35,369</u> | <u>10,728</u> |

The unprovided amount relating to capital gains represents the surplus that might arise if the group disposed of certain properties at their balance sheet amounts. As the directors currently have no intention of disposing of the properties concerned, no provision is deemed necessary.

15. Called up share capital

| | 2002 €'000 | 2001 €'000 |
|---|---------------|---------------|
| Authorised | | |
| 40,000,000 preferred ordinary shares of €Nil each | — | — |
| 1,000 special redeemable preference shares of €1 each | — | — |
| 1 deferred share of €1 | — | — |
| Allotted and fully paid | | |
| 1,000 special redeemable preference shares of €1 each | 1 | — |
| 1 deferred share of €1 | — | — |
| To be allotted on demerger | | |
| 34,625,690 preferred ordinary shares of €Nil each | — | — |

Preferred ordinary shares

(a) The holders have the sole right to participate in all dividends or distributions in respect of the profits or assets of the company.

(b) On winding up the holders have the right, in priority to the holders of the other classes of shares, to the repayment of the amounts paid up. Thereafter the holders have the sole right to

15. Called up share capital (Continued)

participate in any surplus assets after the repayment of the amounts paid up on the other classes of shares.

(c) Transfers of the preferred ordinary shares require the approval of the Board of Directors.

Special redeemable preference shares

The holders of the special shares have the sole right to appoint the directors of the company.

Ardagh plc holds the 1,000 special redeemable preference shares of Ardagh Glass Limited, which entitle Ardagh plc to all voting rights of shareholders in relation to the election of directors of Ardagh Glass Limited. The special redeemable preference shares are only redeemable at par and do not entitle Ardagh plc to any dividend or other right to share in the profits of Ardagh Glass Limited. The special redeemable preference shares may be redeemed by Ardagh Glass Limited and must be redeemed by no later than 31 December 2006.

Deferred ordinary share

There are no rights attaching to the deferred ordinary share.

16. Reserves

| | Share premium account €'000 | Profit and loss account €'000 | Contributed capital €'000 | Total €'000 |
|--|--------------------------------------|--|---------------------------------|----------------|
| At 1 January 2001 | 38,088 | (10,780) | 19,523 | 46,831 |
| Retained profit for the year | — | 12,309 | — | 12,309 |
| Capital introduced—Ardagh Treasury Ltd | — | — | 125 | 125 |
| Exchange adjustments | — | 1,229 | — | 1,229 |
| At 31 December 2001 | 38,088 | 2,758 | 19,648 | 60,494 |
| Retained profit for the year | — | 10,973 | — | 10,973 |
| Loan assigned from Ardagh plc | — | — | 3,132 | 3,132 |
| Exchange adjustments | — | (4,301) | — | (4,301) |
| At 31 December 2002 | 38,088 | 9,430 | 22,780 | 70,298 |

Contributed capital represents investments and loans assigned to the group arising from the re-organisation of the glass business of Ardagh plc.

17. Reconciliation of movements in shareholders' funds

| | 2002 €'000 | 2001 €'000 |
|---|---------------|---------------|
| Shareholders' funds at 1 January | 60,494 | 46,831 |
| Retained profit for the year | 10,973 | 12,309 |
| Special redeemable preference shares subscribed | 1 | — |
| Capital introduced—Ardagh Treasury Ltd | — | 125 |
| Loan assigned from Ardagh plc | 3,132 | — |
| Exchange movement | (4,301) | 1,229 |
| Shareholders' funds at 31 December | 70,299 | 60,494 |

18. Minority interest

| | 2002 €'000 | 2001 €'000 |
|--|---------------|---------------|
| Special redeemable preference shares | | |
| —Ardagh International Holdings Limited | 1 | — |
| —Ardagh Glass (UK) Limited | 2 | — |
| | 3 | — |
| | = | = |

Ardagh plc holds the special redeemable preference shares which entitle Ardagh plc to all voting rights of shareholders in relation to the election of directors of the companies. The special redeemable preference shares are only redeemable at par and do not entitle Ardagh plc to any dividend or other right to share in the profits of the companies. The special redeemable preference shares may be redeemed by the companies and must be redeemed by no later than 31 December 2006.

19. Reconciliation of operating profit to net cash inflow from operating activities

| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|---|---------------|---------------|---------------|
| Operating profit | 32,841 | 27,425 | 32,706 |
| Depreciation of tangible fixed assets | 36,539 | 34,521 | 35,740 |
| Amortization of goodwill | 4,131 | 4,159 | 4,246 |
| Decrease/(Increase) in stocks | 4,903 | (1,928) | (6,994) |
| Increase in debtors | (1,569) | (4,949) | 3,638 |
| (Decrease)/Increase in creditors | (7,587) | 3,130 | 2,108 |
| Decrease in other provisions | 307 | (470) | (296) |
| Net cash inflow from continuing operating activities | 69,565 | 61,888 | 71,148 |

20. Analysis of movement in net debt

| | 1 Jan 2000 €'000 | Cash flow changes €'000 | Non- cash changes €'000 | Exchange movement €'000 | 31 Dec 2000 €'000 | Cash flow changes €'000 | Non-cash changes €'000 | Exchange movement €'000 | 31 Dec 2001 €'000 | Cash flow changes €'000 | Acquisition (excl. cash & o/drafts) €'000 | Non-cash changes €'000 | Exchange movement €'000 | 31 Dec 2002 €'000 |
|--|------------------------|----------------------------------|----------------------------------|-------------------------------|-------------------------|----------------------------------|------------------------------|-------------------------------|-------------------------|----------------------------------|---|------------------------------|-------------------------------|-------------------------|
| Cash at bank | 22,343 | (1,920) | — | 22 | 20,445 | (20,420) | — | 13 | 38 | 30,921 | — | — | (1,014) | 29,945 |
| Liquid resources | 4,507 | — | — | (4) | 4,503 | — | — | 93 | 4,596 | (4,455) | — | — | (141) | — |
| Overdrafts | — | — | — | — | — | (3,179) | — | (64) | (3,243) | (7,491) | — | — | 391 | (10,343) |
| | <u>26,850</u> | <u>(1,920)</u> | <u>—</u> | <u>18</u> | <u>24,948</u> | <u>(23,599)</u> | <u>—</u> | <u>42</u> | <u>1,391</u> | <u>18,975</u> | <u>—</u> | <u>—</u> | <u>(764)</u> | <u>19,602</u> |
| Bank loans less than one year | (19,955) | 13,732 | (21,497) | 179 | (27,541) | 27,559 | (21,673) | (451) | (22,106) | 18,206 | (2,819) | (22,691) | 1,650 | (27,760) |
| Bank loans over one year | (289,855) | — | 6,115 | 106 | (283,634) | 26,349 | 9,881 | (5,137) | (252,541) | — | (8,384) | 9,601 | 16,290 | (235,034) |
| | <u>(309,810)</u> | <u>13,732</u> | <u>(15,382)</u> | <u>285</u> | <u>(311,175)</u> | <u>53,908</u> | <u>(11,792)</u> | <u>(5,588)</u> | <u>(274,647)</u> | <u>18,206</u> | <u>(11,203)</u> | <u>(13,090)</u> | <u>17,940</u> | <u>(262,794)</u> |
| | <u>(282,960)</u> | <u>11,812</u> | <u>(15,382)</u> | <u>303</u> | <u>(286,227)</u> | <u>30,309</u> | <u>(11,792)</u> | <u>(5,546)</u> | <u>(273,256)</u> | <u>37,181</u> | <u>(11,203)</u> | <u>(13,090)</u> | <u>17,176</u> | <u>(243,192)</u> |

Liquid resources represent amounts placed on deposit with restricted access, and which could only be used for capital expenditure projects.

Non-cash changes comprise the amortization of debt issuance costs, interest rolled up on the subordinated loan note, notional interest charged on the deferred consideration loan note and transfers between categories of bank borrowings.

21. Reconciliation of net cash flow to movement in debt

| | 2002 €'000 | 2001 €'000 | 2000 €'000 |
|---|------------------|------------------|------------------|
| Increase/(decrease) in cash in the year | 18,975 | (23,599) | (1,920) |
| Cash inflow from increase in liquid resources | 18,206 | 53,908 | 13,732 |
| Debt acquired with subsidiary | (11,203) | — | — |
| Non-cash changes | (13,090) | (11,792) | (15,382) |
| Exchange movement | 17,176 | (5,546) | 303 |
| Change in net funds | 30,064 | 12,971 | (3,267) |
| Opening net debt | (273,256) | (286,227) | (282,960) |
| Closing net debt | <u>(243,192)</u> | <u>(273,256)</u> | <u>(286,227)</u> |

22. Acquisitions

On 2 July 2002 the group acquired the whole of the issued share capital of Abruzzo Vetro S.r.l. (formerly Consumers Glass S.r.l.) for a gross consideration of €2,853,000. The following table sets out, at the date of acquisition, the adjustments required to the book values of the assets and liabilities of the company acquired in order to present the net assets at fair value to the group.

| | Book value €'000 | Fair value adjustments €'000 | Accounting Policy alignment €'000 | Fair value €'000 |
|---|---------------------|------------------------------------|--|---------------------|
| Fixed assets | | | | |
| Tangible assets | 14,235 | — | — | 14,235 |
| Intangible assets | 281 | (281) | — | — |
| | <u>14,516</u> | <u>(281)</u> | <u>—</u> | <u>14,235</u> |
| Current assets | | | | |
| Stocks | 2,538 | — | — | 2,538 |
| Debtors | 8,950 | (1,343) | (476) | 7,131 |
| | <u>11,488</u> | <u>(1,343)</u> | <u>(476)</u> | <u>9,669</u> |
| Total assets acquired | 26,004 | (1,624) | (476) | 23,904 |
| Liabilities | (21,956) | (136) | 125 | (21,967) |
| Provisions | (2,179) | 446 | — | (1,733) |
| | <u>1,869</u> | <u>(1,314)</u> | <u>(351)</u> | <u>204</u> |
| Goodwill on acquisition | | | | 758 |
| | | | | <u>962</u> |
| Consideration satisfied by: | | | | |
| Cash | | | | 2,853 |
| Receivable assigned from vendor | | | | (1,891) |
| | | | | <u>962</u> |

The book value of the assets and liabilities acquired has been taken from the management accounts of Abruzzo Vetro S.r.l. (formerly Consumers Glass S.r.l.) as at 2 July 2002, the date of acquisition. Fair value adjustments in respect of intangible fixed assets amounting to €281,000, comprise the write-off of costs not capitalizable under U.K. GAAP. Reduction of debtors amounting to €1,343,000 reflects the write-off of a receivable which is not considered collectible. The adjustment to creditors, amounting to €136,000, reflects an amount repayable to the Italian authorities in respect of a capital grant. The adjustment to provisions, amounting to €446,000 is due to deferred grant income previously recognised but which will not now be received. The adjustment to debtors and creditors for the alignment of accounting policies, amounting to €476,000 and

22. Acquisitions (Continued)

€125,000 respectively, represents the reversal of revenues previously recognised and the related discount provision, which are not in accordance with the group's accounting policies.

23. Pension commitments

The combined group operates a funded pension scheme in the UK providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the combined group, being invested with professional investment managers. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Actuarial valuation—1 May 1999

The actuarial valuation indicated that, on the basis of a transfer value of €158,482,000, the actuarial value of the scheme's assets at 1 May 1999, the scheme's inception date, represented 138% of the value of the benefits that had accrued to members, after allowing for expected future increases in pensionable salaries.

The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8% per annum, that salary increases would average 4% per annum and that present and future pensions would increase at the rate of 3.25% per annum.

Actuarial valuation—6 April 2002

The actuarial valuation indicated that the actuarial value of the scheme's assets at 6 April 2002 was €152,343,000 and represented 113% of the value of benefits that had accrued to members, after allowing for expected future increases in pensionable salaries.

The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 7.5% per annum pre-retirement and 6% per annum post retirement; that salary increases would average 4% per annum and that present and future pensions would increase at the rate of 3% per annum.

Financial statement amounts

After amortising the experience surplus identified by the actuarial valuation, the pension charge for the year was:

| 2002 €'000 | 2001 €'000 | 2000 €'000 |
|---------------|---------------|---------------|
| 3,789 | 1,435 | 1,645 |

The experience surplus is being written off over 12 years, being the assessed average future service lives of the scheme's members. The following amounts have been included in debtors due after more than one year, representing the unamortised experience surplus:

| 2002 €'000 | 2001 €'000 | 2000 €'000 |
|---------------|---------------|---------------|
| 25,966 | 27,948 | 26,887 |

23. Pension commitments (Continued)

FRS 17 Disclosures

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 6 April 2002 and updated to 31 December 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

| | 31 Dec 2002 % | 31 Dec 2001 % |
|--|------------------|------------------|
| Rate of increase in salaries | 2.80 | 3.1 |
| Rate of increase in pensions | 3.00 | 3.0 |
| Discount rate | 5.50 | 5.75 |
| Inflation assumption | <u>2.30</u> | <u>2.6</u> |

The assets in the scheme and the expected rate of return were:

| | Long-term rate of return expected at 31 December 2002 | Value at 31 December 2002 € million | Long-term rate of return expected at 31 December 2001 | Value at 31 December 2001 € million |
|--------------------|---|--|---|--|
| Equities | 8.00% | 97.2 | 7.50% | 132.9 |
| Bonds | 5.75% | 15.7 | 5.75% | 14.9 |
| Cash | 4.00% | 0.5 | 4.00% | 2.1 |
| | | <u>113.4</u> | | <u>149.9</u> |

The following amounts at 31 December 2002 were measured in accordance with the requirements of FRS 17.

| | 2002 € million | 2001 € million |
|--|-------------------|-------------------|
| Total market value of assets | 113.4 | 149.9 |
| Present value of scheme liabilities | (156.6) | (145.5) |
| (Deficit)/surplus in the scheme | (43.2) | 4.4 |
| Related deferred tax asset/(liability) | 13.0 | (1.3) |
| Net pension (deficit)/surplus | <u>(30.2)</u> | <u>3.1</u> |

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 December 2002 would be as follows:

| | 2002 € million | 2001 € million |
|---|-------------------|-------------------|
| Net assets excluding pension (deficit)/surplus | 70.3 | 60.5 |
| Pension (deficit)/surplus | (30.2) | 3.1 |
| Net assets including pension (deficit)/surplus | <u>40.1</u> | <u>63.6</u> |
| Profit and loss reserve excluding pension (deficit)/surplus | 9.4 | 2.8 |
| Pension (deficit)/surplus | (30.2) | 3.1 |
| Profit and loss reserve | <u>(20.8)</u> | <u>5.9</u> |

23. Pension commitments (Continued)

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS 17:

| | 2002 €'m |
|---|---------------|
| Amounts charged to operating profit | |
| Current service cost | 5.9 |
| Past service cost | — |
| Total operating charge | <u>5.9</u> |
| Amounts credited/(charged) to other finance income | |
| Expected return on pension scheme assets | 10.5 |
| Interest on pension scheme liabilities | <u>(8.1)</u> |
| Net credit to financial income | <u>2.4</u> |
| Analysis of amounts recognised in the statement of total recognised gains and losses ('STRGL') | |
| Actual return less expected return on pension scheme assets | (38.5) |
| Experience gains arising on the scheme liabilities | (6.2) |
| Change in assumptions underlying the present value of the scheme liabilities | <u>(4.3)</u> |
| Actuarial loss recognised in STRGL | <u>(49.0)</u> |
| Movement in surplus/(deficit) during the year | |
| Surplus in scheme at beginning of year | 4.4 |
| Movement in year: | |
| Current service cost | (5.9) |
| Contributions | 3.3 |
| Other finance income | 2.4 |
| Exchange movement | 1.6 |
| Actuarial loss | <u>(49.0)</u> |
| Deficit in scheme at end of year | <u>(43.2)</u> |

24. Group Companies

| Company | Business | Interest % |
|--|--------------------------|------------|
| Incorporated in the Island of Guernsey with registered office at 7 New Street, St. Peter Port, Guernsey GY1 4BZ | | |
| Ardagh Glass Limited | Holding company | 100 |
| Ardagh International Holdings Limited | Holding company | 100 |
| Incorporated in the United Kingdom with registered office at Headlands Lane, Knottingley, West Yorkshire WF11 OHP | | |
| Ardagh Glass (UK) Limited | Holding company | 100 |
| Rockware Group Limited | Holding company | 100 |
| Rockware Glass Limited | Glass manufacturer | 100 |
| Incorporated in Ireland with registered office at South Bank Road, Ringsend, Dublin 4 | | |
| Ardagh Treasury Limited | Property leasing company | 100 |
| Incorporated in The Netherlands with registered office at 2001 Strawinskylaan, PO Box 75640, 1070 AP Amsterdam | | |
| Ardagh International BV (in liquidation) | Holding company | 100 |
| Ardagh Holdings BV | Holding company | 100 |
| Incorporated in Italy with registered office at Zona Industriale SS Trinita 1, 6046 Montorio al Vomano (TE), Italy | | |
| Abruzzo Vetro S.r.l. | Glass manufacturer | 100 |
| Incorporated in Gibraltar with registered office at 57-63 Line Wall Road, Gibraltar | | |
| Catterick Holdings Limited | Holding company | 100 |

25. Capital and other financial commitments

Capital commitments

Capital commitments at the year end were as follows:

| Group | 2002 €'000 | 2001 €'000 |
|---|---------------|---------------|
| Contracted for but not provided for | 5,255 | 2,229 |

Lease commitments

At 31 December 2002 the group had annual commitments under non-cancellable operating leases to make payments in 2001 under agreements expiring as follows:

| | Land and buildings | | Other | |
|--------------------------------------|--------------------|---------------|---------------|---------------|
| | 2002 €'000 | 2001 €'000 | 2002 €'000 | 2001 €'000 |
| Operating leases which expire: | | | | |
| Within 1 year | — | — | 130 | 208 |
| Within 2-5 years inclusive | 193 | 207 | 564 | 420 |
| After 5 years | 1,574 | 1,685 | — | — |
| | <u>1,767</u> | <u>1,892</u> | <u>694</u> | <u>628</u> |

26. Contingent liabilities

As was mentioned in note 14 to the financial statements, the combined group has an ongoing liability to provide death benefits to employees who have previously been made redundant, as part of their severance packages.

26. Contingent liabilities (Continued)

The benefits provided are payable if the employee dies during a specific period after being made redundant:

- If the employee was within ten years of normal retirement age at the age of redundancy (taken to be 65 for men and 60 for women), up to the normal retirement age
- For one year

The amount of the death benefit payable is two times the employee's salary at the date of redundancy.

The directors intend to take out annual insurance cover to meet any future liabilities in this respect and have already taken out life assurance for the year ending 31 December 2003. In the event that these obligations are not insured in the future, the group's total contingent liability in this respect at 31 December 2002 is as follows:

| <u>Year ending 31 December</u> | <u>€'000</u> |
|--------------------------------|--------------|
| 2004 | 995 |
| 2005 | 1,363 |
| 2006 | 1,197 |
| 2007 | 694 |
| 2008 | 418 |
| 2009 | 133 |
| 2010 | 179 |
| 2011 | 112 |
| | <u>5,091</u> |

The above liability will either crystallise or lapse during the next nine years.

Charges and guarantees

Details of charges and guarantees are included in note 13.

27. Related party transactions

On 6 January 2003 Yeoman International Holdings S.A. granted an option to Ardagh International Holdings Limited to purchase all of the shares in Heye Holding GmbH, which it had acquired on the 6 January 2003. This option was exercised on 3 March 2003.

The company's controlling party at 31 December 2002 was Ardagh plc, a company incorporated in the Republic of Ireland. Copies of Ardagh plc's consolidated financial statements can be obtained from the Company Secretary at South Bank Road, Ringsend, Dublin 4, Republic of Ireland.

As the company was a wholly-owned subsidiary of Ardagh plc, the consolidated financial statements of which are publicly available, advantage has been taken of the exemption available under FRS 8 "Related Party Transactions" from disclosing transactions with other group companies.

28. Derivatives and other financial instruments

The treasury activities of the group are subject to controls imposed by the board of directors. The overall objective of the board, in the management of the various treasury related risks faced by the group in the normal course of business, is to protect the underlying value of the business from changes in the value of underlying markets. Treasury risks are managed, on an on-going basis, by the directors on the advice of senior management. The group does not permit the use of treasury instruments for speculative purposes, under any circumstances.

28. Derivatives and other financial instruments (Continued)

Interest Rate Risk Management

The directors' policy, in the management of interest rate risk, is to strike the right balance between the group's fixed and floating rate balance sheet financial instruments. The balance struck by the directors is dependent on prevailing interest rate markets at any point in time. At 31 December 2002 the group had direct fixed rate debt amounting to €149.1m (2001: €148.3m), and a further €51.1m (2001: €123.0m) fixed synthetically through the use of interest rate derivatives. When combined, this represents 73% (2001: 98%) of the group's total debt portfolio as at the same date.

Foreign Currency Risk Management

Group policy is, where practical, to match net investments in foreign currencies with borrowings in the same currencies. In relation to operational exposures, group policy is to place all excess foreign currency cashflow on currency deposit until such time as these cashflows are required to make payments to foreign currency creditors.

Commodity Price Risk Management

The group is exposed to movements in the natural gas markets. Group Policy is to purchase all natural gas requirements on spot markets, using, where possible, surplus liquidity to purchase fuel in advance of actual requirements where the prevailing spot price is conducive to doing so.

Credit Risk

Group policy is to extend credit to customers of pre-determined credit standing. Credit risk is managed, on an on-going basis by dedicated credit controllers. Provision is made, where deemed necessary by the directors for bad and doubtful accounts. Group policy is to place excess liquidity on deposit, only with recognised and reputable financial institutions.

Liquidity Risk

Group policy is to maintain, at all times, access to sufficient liquid resources, both on and off balance sheet, to meet foreseeable short term financial requirements.

The group is availing of the exemption available to it under FRS 13 to exclude short term debtors and creditors from notes A to C below.

A. Interest Rate Risk Profile of Financial Assets & Liabilities

The Group's financial assets comprise bank balances, cash deposits and commercial notes as detailed below.

| | 2002 €'000 | 2001 €'000 |
|------------------------|---------------|---------------|
| Euro | 15,078 | 38 |
| Sterling | 14,867 | 4,596 |
| Total | <u>29,945</u> | <u>4,634</u> |

These are placed at market interest rates, for periods not longer than three months.

28. Derivatives and other financial instruments (Continued)

The interest rate profile of the Group's financial liabilities is as follows:

| | Total €'000 | Floating rate financial liabilities €'000 | Fixed rate financial liabilities €'000 | Financial liabilities on which no interest is paid €'000 |
|--------------------|----------------|---|--|---|
| 2002 | | | | |
| Euro | 11,898 | 11,898 | — | — |
| Sterling | 261,239 | 80,154 | 149,139 | 31,946 |
| | <u>273,137</u> | <u>92,052</u> | <u>149,139</u> | <u>31,946</u> |
| 2001 | | | | |
| Sterling | <u>277,890</u> | <u>97,217</u> | <u>148,339</u> | <u>32,334</u> |

At 31 December 2002 the group had an interest rate cap agreement in place, which matures in December 2003 (2001: October 2002) capping interest rates at 6.0% (2001 : 6.05%). The Group also had an interest rate floor agreement in place at 31 December 2002 and 2001, which puts a floor on interest rates at 5.1%.

The financial liabilities on which no interest is paid relates to the deferred purchase consideration and has a maturity of more than one year. The Euro bank borrowings bear interest based on EURIBOR and sterling bank loans based on LIBOR. The fixed rate financial liabilities relate to a portion of the Group's subordinated loan notes. The interest rate on these notes is fixed at 8% for the next year.

B. Fair Value of Financial Assets & Liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and liabilities as at 31 December 2002.

| | 2002 Book value €'000 | 2002 Fair value €'000 | 2001 Book value €'000 | 2001 Fair value €'000 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Primary financial instruments | | | | |
| Cash at bank and in hand | 29,945 | 29,945 | 4,634 | 4,634 |
| Overdrafts and short term borrowings | (38,103) | (38,103) | (25,349) | (25,349) |
| Long term borrowings | (235,034) | (239,255) | (252,541) | (259,508) |
| Derivative financial instruments | | | | |
| Interest rate collar | 261 | (1,439) | 143 | (1,068) |

The fair values of primary financial instruments have been calculated using discounted cash flow techniques.

The fair value of derivative financial instruments are calculated by reference to prevailing market values.

C. Gains and Losses on Hedging Contracts

| | 2002 €'000 | 2001 €'000 |
|--|----------------|----------------|
| Unrecognised losses at 1 January | (1,211) | (163) |
| Losses arising in the current year that are not recognised | (489) | (1,048) |
| Unrecognised losses at 31 December | <u>(1,700)</u> | <u>(1,211)</u> |

28. Derivatives and other financial instruments (Continued)

D. Currency Exposure

The table below shows the Group's currency exposures; i.e. those transactional (or non-structural) exposures that give rise to net currency gains or losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved, other than sterling borrowings which are treated as hedges of net investments in U.K. subsidiaries.

| Financial currency of group operation | Euro €'000 | US Dollar €'000 | Total €'000 |
|---------------------------------------|---------------|--------------------|----------------|
| 2002 | | | |
| Sterling | 12,941 | (152) | 12,789 |
| 2001 | | | |
| Sterling | (287) | (156) | (443) |

29. Subsequent events

On 28 February 2003 the UK and Italian glass operations (comprising the companies contained in these combined accounts and listed in note 24) were demerged from Ardagh plc to Ardagh Glass Limited.

All qualifying shareholders in Ardagh plc, being all Ordinary Shareholders on the register of Ardagh plc at 5.00 p.m. on 28 February 2003, other than Overseas Shareholders, were issued 1 Preferred Ordinary Share in Ardagh Glass Limited for every 1 Ordinary Share in Ardagh plc then held. Retention Notices in respect of the Preferred Ordinary Shares in Ardagh Glass were issued to all Preferred Ordinary Shareholders on Thursday 6 March 2003. Preferred Ordinary Shareholders were then able to elect to retain the Preferred Ordinary Shares in Ardagh Glass, or to receive cash in the amount of €1.10 per Preferred Ordinary Share, in respect of their holding. The holders of 13,703,238 shares (Hg Capital: 10,565,113) elected not to retain their Preferred Ordinary Shares in Ardagh Glass Limited. Ardagh Glass Limited is committed to issue a further 361,652 Preferred Ordinary Shares prior to 30 June 2003. On conclusion of this process, Ardagh Glass Limited will have 21,284,104 Preferred Ordinary Shares remaining in issue.

On 6 January 2003 Ardagh International Holdings Limited entered into an option agreement with Yeoman International Holdings S.A., pursuant to which Ardagh International Holdings Limited acquired an option exercisable until 30 June 2003 to purchase Heye Holding GmbH. Ardagh International Holdings Limited exercised this option on 3 March 2003 at a total consideration for the acquisition of €100 plus assumed debt.

UNAUDITED INTERIM PROFIT AND LOSS ACCOUNT

| | | Unaudited Consolidated One month ended 31 March 2003 €'000 | Unaudited Combined | |
|---|------|--|---|--|
| | Note | | Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
| Turnover | | | | |
| Continuing operations | | 22,307 | 39,510 | 55,869 |
| Acquisitions | | 13,383 | 25,431 | — |
| | 1 | 35,690 | 64,941 | 55,869 |
| Cost of sales | 2 | (28,164) | (55,619) | (49,269) |
| Gross profit | | 7,526 | 9,322 | 6,600 |
| Administrative expenses | 2 | (2,808) | (5,339) | (3,068) |
| Operating profit | | | | |
| Continuing operations | | 2,928 | 3,492 | 3,532 |
| Acquisitions | | 1,790 | 491 | — |
| | | 4,718 | 3,983 | 3,532 |
| Net interest payable and similar charges | 3 | (2,009) | (3,333) | (5,168) |
| Profit/(loss) on ordinary activities before taxation . | 4 | 2,709 | 650 | (1,636) |
| Tax on profit of ordinary activities | | (243) | 6 | 448 |
| Profit/(loss) for the financial period | | 2,466 | 656 | (1,188) |

UNAUDITED INTERIM STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | Unaudited | Unaudited Combined | |
|--|--|--|---|
| | One month ended 31 March 2003 €'000 | Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
| Profit for the financial period | 2,466 | 656 | (1,188) |
| Foreign currency translation adjustments | (29) | (2,749) | (173) |
| Total recognised gains and losses for the period | 2,437 | (2,093) | (1,361) |

UNAUDITED INTERIM BALANCE SHEET

| | Consolidated 31 March 2003 €'000 | Combined 31 March 2002 €'000 |
|---|---|---------------------------------------|
| Fixed assets | | |
| Goodwill | 72,715 | 73,085 |
| Negative goodwill | (17,649) | — |
| Intangible assets | 55,066 | 73,085 |
| Tangible assets | 219,214 | 233,321 |
| | <u>274,280</u> | <u>306,406</u> |
| Current assets | | |
| Stocks | 84,731 | 64,253 |
| Debtors | 69,126 | 68,374 |
| Cash at bank and in hand | 18,618 | 4,592 |
| | 172,475 | 137,219 |
| Creditors—amounts falling due within one year | (116,647) | (94,751) |
| Net current assets | 55,828 | 42,468 |
| Total assets less current liabilities | 330,108 | 348,874 |
| Creditors—amounts falling due after more than one year | (244,007) | (251,977) |
| Provisions for liabilities and charges | (45,572) | (37,964) |
| Net assets | <u>40,529</u> | <u>58,933</u> |
| Capital and reserves | | |
| Called up share capital | 1 | — |
| Share premium account | 38,088 | 38,088 |
| Contributed capital | — | 19,648 |
| Profit and loss account | 2,437 | 1,197 |
| Equity shareholders' funds | 40,526 | 58,933 |
| Minority interest | 3 | — |
| Capital employed | <u>40,529</u> | <u>58,933</u> |

UNAUDITED INTERIM CASH FLOW STATEMENT

| | | Unaudited Consolidated One month ended 31 March 2003 €'000 | Unaudited Combined Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
|--|------|--|---|--|
| | Note | | | |
| Net cash inflow/(outflow) from operating activities | 6 | <u>13,272</u> | <u>(19,584)</u> | <u>907</u> |
| Returns on investment and servicing of finance | | | | |
| Interest paid | | <u>(855)</u> | <u>(46)</u> | <u>(1,593)</u> |
| Net cash outflow from returns on investments and servicing of finance | | <u>(855)</u> | <u>(46)</u> | <u>(1,593)</u> |
| Corporation tax paid | | <u>—</u> | <u>(742)</u> | <u>—</u> |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | | <u>(4,484)</u> | <u>(3,697)</u> | <u>(5,505)</u> |
| Net cash (outflow) for capital expenditure and financial investment | | <u>(4,484)</u> | <u>(3,697)</u> | <u>(5,505)</u> |
| Acquisitions and disposals | | | | |
| Net cash acquired with subsidiaries | | <u>6,394</u> | <u>6,320</u> | <u>—</u> |
| Net cash inflow/(outflow) from acquisitions and disposals | | <u>6,394</u> | <u>6,320</u> | <u>—</u> |
| Net cash inflow/(outflow) before management of liquid resources and financing | | <u>14,327</u> | <u>(17,749)</u> | <u>(6,191)</u> |
| Financing | | | | |
| Repayment of bank borrowings | | <u>(5,107)</u> | <u>—</u> | <u>(5,438)</u> |
| Draw down of bank loans | | <u>1,990</u> | <u>6,028</u> | <u>—</u> |
| Net cash (outflow)/inflow from financing | | <u>(3,117)</u> | <u>6,028</u> | <u>(5,438)</u> |
| Increase/(decrease) in cash in the period | 7 | <u>11,210</u> | <u>(11,721)</u> | <u>(11,629)</u> |

ACCOUNTING POLICIES

Basis of preparation

The interim financial statements are prepared under the historical cost convention and the accounting policies used are consistent with those used in the combined financial statements for the year ended 31 December 2002 except as set out below.

Basis of consolidation

The interim financial statements for the one-month period ended 31 March 2003 consolidate the financial statements of the company and its subsidiaries. The results of subsidiary undertakings have been included in the profit and loss account from the effective date of acquisition, which was 1 March 2003 for all subsidiaries, using the acquisition method of accounting. All transactions and balances between group companies have been eliminated.

Certain Polish subsidiaries (Fabryka Urzadzen Przemyslowych Sp. Z.o.o. and Heye Fabryka Form Szklarskich Sp. Z.o.o.) and a German joint venture (Eura Glasrecycling GmbH) have been excluded from the interim financial statements on the grounds of immateriality.

The combined financial statements presented for the two-month period ended 28 February 2003 and the three-month period ended 31 March 2002 consist of an aggregation of the stand-alone financial statements of the companies that now comprise the Ardagh Glass group prior to their acquisition by Ardagh Glass Limited. The results of subsidiary undertakings acquired during the period have been included in the profit and loss account from the date of acquisition, except as described below for Heye Holding GmbH, using the acquisition method of accounting. All direct investments in and transactions and balances between group companies have been eliminated.

Although Ardagh Glass Limited did not exercise its option from Yeoman to acquire the assets of Heye Holding until 3 March 2003, the unaudited interim combined financial information for the two-month period ended 28 February 2003 includes the results of operations of Heye Holding and its subsidiaries since 1 January 2003 because Ardagh Glass Limited's current senior executive officers managed all aspects of the business and operations of Heye Holding and its subsidiaries during this period.

Revenue—Long term contracts

Turnover from long-term construction contracts are recorded on a percentage of completion basis under which we compare the total costs incurred to date to the total estimated cost of the contract and record that proportion of the total contract turnover in the period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Turnover and segmental analysis

Turnover is wholly attributable to the group's principal activities. An analysis of turnover by geographical segment is given below:

| | Unaudited Consolidated One month ended 31 March 2003 €'000 | Unaudited Combined | |
|--------------------------------|---|---|--|
| | | Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
| Turnover by source | | | |
| United Kingdom | 20,122 | 35,759 | 55,869 |
| Germany | 13,383 | 25,431 | — |
| Italy | 2,185 | 3,751 | — |
| | <u>35,690</u> | <u>64,941</u> | <u>55,869</u> |
| Turnover by destination | | | |
| United Kingdom | 19,841 | 34,281 | 55,225 |
| Rest of Europe | 12,818 | 21,615 | 542 |
| Rest of the World | 3,031 | 9,045 | 102 |
| | <u>35,690</u> | <u>64,941</u> | <u>55,869</u> |

Net assets and profit before tax by geographical segment are not disclosed because of the commercial sensitivity of the information.

2. Cost of sales and administrative expenses

| | Unaudited Consolidated One month ended 31 March 2003 €'000 | Unaudited Combined | |
|---------------------------------|---|---|--|
| | | Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
| Cost of sales | | | |
| Continuing operations | 18,206 | 33,430 | 49,269 |
| Acquisitions | 9,958 | 22,189 | — |
| | <u>28,164</u> | <u>55,619</u> | <u>49,269</u> |
| Administrative expenses | | | |
| Continuing operations | 1,173 | 2,588 | 3,068 |
| Acquisitions | 1,635 | 2,751 | — |
| | <u>2,808</u> | <u>5,339</u> | <u>3,068</u> |

3. Net interest payable and similar charges

| | Unaudited Consolidated One month ended 31 March 2003 €'000 | Unaudited Combined | |
|--|--|--|---|
| | | Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
| On bank loans and overdrafts | 850 | 993 | 1,760 |
| Interest on subordinated loan notes | 943 | 1,938 | 2,876 |
| Interest on deferred consideration loan notes | 136 | 279 | 441 |
| Amortization of issue costs on bank borrowings | 91 | 107 | 82 |
| Amortization of hedging instrument | 16 | 33 | 52 |
| Interest payable and similar charges | 2,036 | 3,350 | 5,211 |
| Interest receivable and similar income | (27) | (17) | (43) |
| Net interest payable and similar items | <u>2,009</u> | <u>3,333</u> | <u>5,168</u> |

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

| | Unaudited Consolidated One month ended 31 March 2003 €'000 | Unaudited Combined | |
|---|--|--|---|
| | | Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
| Depreciation of owned tangible fixed assets | 2,966 | 5,820 | 8,520 |
| Amortization of goodwill | 308 | 663 | 1,029 |
| Operating lease rentals: | | | |
| —Plant and machinery | 86 | 197 | 313 |
| —Land and buildings | 126 | 258 | 409 |

5. Acquisitions

(a) Ardagh's glass business

The provisional goodwill recognised on the acquisition of Ardagh plc's glass business on 28 February 2003 has been calculated as follows:

| | Book value €'000 | Fair value adjustments €'000 | Fair value €'000 |
|---|---------------------|------------------------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 207,106 | — | 207,106 |
| Current assets | | | |
| Stocks | 64,926 | — | 64,926 |
| Debtors—amounts falling due within one year | 44,160 | — | 44,160 |
| Debtors—amounts falling due after one year | 24,842 | (24,842) | — |
| | 69,002 | (24,842) | 44,160 |
| Cash at bank | 5,517 | — | 5,517 |
| | 139,445 | (24,842) | 114,603 |
| Total assets acquired | 346,551 | (24,842) | 321,709 |
| Liabilities | (310,289) | (22,562) | (332,851) |
| Provisions | (31,243) | — | (31,243) |
| Net assets acquired | 5,019 | (47,404) | (42,385) |
| Goodwill on acquisition | | | 80,473 |
| Consideration | | | 38,088 |
| Consideration satisfied by: | | | |
| Shares issued | | | 38,088 |

The accounts of Ardagh Glass (UK) Limited included a pension asset amounting to €24,842,000 at the date of acquisition. An actuarial valuation of the pension scheme at the acquisition date shows a pension liability of €22,562,000. The fair value adjustment represents the difference between the pension asset included in the acquired subsidiary's accounts and the recognition of a pension scheme liability.

5. Acquisitions (Continued)

(b) Heye

The provisional goodwill recognised on the acquisition of Heye Holding GmbH and its subsidiaries on 3 March 2003 has been calculated as follows:

| | Book value €'000 | Fair value adjustments €'000 | Fair value €'000 |
|--|---------------------|------------------------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 2,957 | 9,175 | 12,132 |
| Current assets | | | |
| Stocks | 26,329 | — | 26,329 |
| Debtors | 29,540 | — | 29,540 |
| Cash at bank | 875 | — | 875 |
| | 56,744 | — | 56,744 |
| Total assets acquired | 59,701 | 9,175 | 68,876 |
| Liabilities | (51,227) | — | (51,227) |
| Net assets acquired | 8,474 | 9,175 | 17,649 |
| Goodwill on acquisition | | | (17,649) |
| Consideration | | | — |

The fair value adjustment relates to an uplift in the value of land held by Heye Glas GmbH following a valuation which was performed by an independent valuer.

6. Reconciliation of operating profit to net cash inflow from operating activities

| | Unaudited Consolidated One month ended 31 March 2003 €'000 | Unaudited Combined | |
|---|--|---|--|
| | | Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
| Operating profit | 4,718 | 3,983 | 3,532 |
| Depreciation of tangible fixed assets | 2,966 | 5,820 | 8,520 |
| Amortization of goodwill | 308 | 663 | 1,029 |
| Decrease/(Increase) in stocks | (2,394) | (16,294) | (7,135) |
| (Increase)/Decrease in debtors | 1,501 | (19,583) | (5,246) |
| (Decrease)/Increase in creditors | 6,173 | 5,827 | 207 |
| Net cash inflow/(outflow) from continuing operating activities | 13,272 | (19,584) | 907 |

7. Analysis of movement in net debt

(a) 2003 Interims One Month

| | 1 Mar 2003 €'000 | Cash flow changes €'000 | Acquisitions (excl. cash and o/drafts) €'000 | Non-cash changes €'000 | Exchange movement €'000 | 31 Mar 2003 €'000 |
|---------------------------------------|---------------------|-------------------------------|---|------------------------------|-------------------------------|----------------------|
| Cash at bank | — | 18,499 | — | — | 119 | 18,618 |
| Overdrafts | — | (7,289) | — | — | 8 | (7,281) |
| | — | 11,210 | — | — | 127 | 11,337 |
| Bank loans less than one year | — | 3,117 | (36,710) | (5,502) | 591 | (38,504) |
| Bank loans over one year | — | — | (244,702) | (1,096) | 1,791 | (244,007) |
| | — | 3,117 | (281,412) | (6,598) | 2,382 | (282,511) |
| | — | 14,327 | (281,412) | (6,598) | 2,509 | (271,174) |

(b) 2003 Combined Two Months

| | 1 Jan 2003 €'000 | Cash flow changes €'000 | Acquisitions (excl. cash and o/drafts) €'000 | Non-cash changes €'000 | Exchange movement €'000 | 28 Feb 2003 €'000 |
|---------------------------------------|---------------------|-------------------------------|---|------------------------------|-------------------------------|----------------------|
| Cash at bank | 29,945 | (11,153) | — | — | (934) | 17,858 |
| Overdrafts | (10,343) | (568) | — | — | 322 | (10,589) |
| | 19,602 | (11,721) | — | — | (612) | 7,269 |
| Bank loans less than one year | (27,760) | (6,028) | (3,478) | (335) | 1,230 | (36,371) |
| Bank loans over one year | (235,034) | — | (20,182) | (34) | 10,548 | (244,702) |
| | (262,794) | (6,028) | (23,660) | (369) | 11,778 | (281,073) |
| | (243,192) | (17,749) | (23,660) | (369) | 11,166 | (273,804) |

(c) 2002 Combined Three Months

| | 1 Jan 2002 €'000 | Cash flow changes €'000 | Non-cash changes €'000 | Exchange movement €'000 | 31 Mar 2002 €'000 |
|---|---------------------|-------------------------------|------------------------------|-------------------------------|----------------------|
| Cash at bank | 38 | (17) | — | — | 21 |
| Liquid resources | 4,596 | — | — | (25) | 4,571 |
| Overdrafts | (3,243) | (11,612) | — | (284) | (15,139) |
| | 1,391 | (11,629) | — | (309) | (10,547) |
| Bank loans less than one year | (22,106) | 5,440 | (5,440) | 122 | (21,984) |
| Bank loans over one year | (252,541) | — | (816) | 1,380 | (251,977) |
| | (274,647) | 5,440 | (6,256) | 1,502 | (273,961) |
| | (273,256) | (6,189) | (6,256) | 1,193 | (284,508) |

8. Reconciliation of net cash flow to movement in debt

| | Unaudited Consolidated One month ended 31 March 2003 €'000 | Unaudited Combined | |
|---|--|---|--|
| | | Two months ended 28 February 2003 €'000 | Three months ended 31 March 2002 €'000 |
| Increase/(decrease) in cash in the period | 11,210 | (11,721) | (11,629) |
| Cash inflow/(outflow) from increase/(decrease) in liquid resources | 3,117 | (6,028) | 5,440 |
| Debt acquired with subsidiaries | (281,412) | (23,660) | — |
| Non-cash changes | (6,598) | (369) | (6,256) |
| Exchange movement | 2,509 | 11,166 | 1,193 |
| Change in net funds | (271,174) | (30,612) | (11,252) |
| Opening net debt | — | (243,192) | (273,256) |
| Closing net debt | (271,174) | (273,804) | (284,508) |

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