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Coveris Holdings S.A. And Subsidiaries

QUARTERLY REPORT

For the Quarterly Period Ended September 30,2014

COVERIS HOLDINGS S.A. AND SUBSIDIARIES
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QUARTERLY REPORT

For the Quarterly Period Ended September 30, 2014

SECTION I

Coveris Holdings S.A. and Subsidiaries
Condensed Combined Consolidated Balance Sheets (unaudited)

(in thousands of U.S. dollars, except share information)	September 30, 2014	December 31, 2013 *
ASSETS		
Current assets:		
Cash	$ 50,137	$ 69,487
Trade accounts receivable (net of allowance for uncollectible accounts of $9,109 and $9,998 as of September 30, 2014 and December 31, 2013, respectively)	395,111	407,171
Inventories	343,818	312,311
Deferred income taxes	6,430	6,375
Prepaid expenses and other current assets	61,526	59,973
Total current assets	**857,022**	**855,317**
Property, plant, and equipment, net	803,922	837,285
Intangible assets, net	329,069	350,105
Goodwill	498,389	497,128
Deferred income taxes	15,853	18,232
Pension assets	11,603	12,029
Noncurrent deferred financing costs, net	51,267	57,385
Other assets	12,212	8,735
Total assets	**$ 2,579,337**	**$ 2,636,216**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Current portion of interest-bearing debt and capital leases	$ 246,800	$ 162,700
Accounts payable	323,094	358,794
Accrued liabilities	206,426	173,872
Income taxes payable	7,835	7,427
Total current liabilities	**784,155**	**702,793**
Noncurrent liabilities:		
Long-term debt, less current portion	1,205,922	1,254,537
Capital lease obligations, less current portion	47,513	55,686
Shareholder loans	206,886	224,582
Deferred income taxes	101,212	112,690
Pension and post-retirement obligation	32,332	36,395
Other liabilities	9,920	8,490
Total liabilities	**2,387,940**	**2,395,173**
Commitments and contingencies		
Shareholders' invested equity (deficiency):		
Ordinary shares of par value EUR 1.00 per share	40	40
Additional paid-in capital	456,186	444,605
Accumulated deficit	(249,292)	(189,461)
Accumulated other comprehensive loss, net	(15,909)	(14,580)
Total shareholders' equity (deficiency)	**191,025**	**240,604**
Non-controlling interest	372	439
Total liabilities and shareholders' equity (deficiency)	**$ 2,579,337**	**$ 2,636,216**

The accompanying notes are an integral part of these condensed combined consolidated financial statements.

* The Company's condensed combined consolidated balance sheet for the prior period has been recast to retrospectively include the results of KubeTech. The Company acquired KubeTech on May 30, 2014. KubeTech was previously owned and controlled by Sun Capital Partners V, L.P., a majority shareholder of the Company. As such, the Company has accounted for the acquisition as a business combination under common control. The Company has presented the effects of the acquisition on prior period information in *Note 15, KubeTech Common Control Reconciliation*.

Coveris Holdings S.A. and Subsidiaries
Condensed Combined Consolidated Statements of Operations (unaudited)

(in thousands of U.S. dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
		*		*
Net sales	$ 686,781	$ 653,759	$ 2,095,747	$ 1,649,053
Cost of sales	(590,492)	(573,747)	(1,794,033)	(1,448,728)
Gross margin	**96,289**	**80,012**	**301,714**	**200,325**
Operating expenses:				
Selling, general and administrative expenses	(76,053)	(71,576)	(214,322)	(183,300)
Depreciation and amortization	(10,965)	(10,741)	(32,398)	(24,804)
Operating income (loss)	**9,271**	**(2,305)**	**54,994**	**(7,779)**
Nonoperating income (expense):				
Interest expense, net	(32,617)	(27,977)	(96,797)	(60,933)
Other income (expense), net	163	3,301	(304)	11,980
Foreign currency exchange gain (loss)	(17,969)	(949)	(15,403)	(1,576)
Nonoperating income (expense)	**(50,423)**	**(25,625)**	**(112,504)**	**(50,529)**
Income (loss) before taxes from continuing operations	**(41,152)**	**(27,930)**	**(57,510)**	**(58,308)**
Income tax benefit (provision)	1,443	2,757	(1,760)	2,069
Income (loss) from continuing operations	**(39,709)**	**(25,173)**	**(59,270)**	**(56,239)**
Income (loss) from discontinued operations, net of income tax expense (benefit) of $0	$ (140)	$ 1,627	$ (596)	$ 4,494
Net income (loss)	**$ (39,849)**	**$ (23,546)**	**$ (59,866)**	**$ (51,745)**
Net income (loss) attributable to non-controlling interest	95	(968)	(35)	(1,419)
Net income (loss) attributable to parent	**$ (39,944)**	**$ (22,578)**	**$ (59,831)**	**$ (50,326)**

The accompanying notes are an integral part of these condensed combined consolidated financial statements.

* The Company's condensed combined consolidated statement of operations for the prior periods have been recast to retrospectively include the results of KubeTech. The Company acquired KubeTech on May 30, 2014. KubeTech was previously owned and controlled by Sun Capital Partners V, L.P., a majority shareholder of the Company. As such, the Company has accounted for the acquisition as a business combination under common control. The Company has presented the effects of the acquisition on prior period information in *Note 15, KubeTech Common Control Reconciliation*.

Coveris Holdings S.A. and Subsidiaries
Condensed Combined Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(in thousands of U.S. dollars)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013 *	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013 *
Net income (loss)	**$ (39,849)**	**$ (23,546)**	**$ (59,866)**	**$ (51,745)**
Other comprehensive income (loss):				
Foreign currency translation adjustment	(2,599)	6,940	(768)	(10,513)
Actuarial gains (losses) on employee benefit obligations, net of income taxes of $0 and $26 for the three months ended September 30, 2014 and 2013, respectively, and $332 and $227 for the nine months ended September 30, 2014 and 2013, respectively	28	427	(593)	(41)
Other comprehensive income (loss)	**(2,571)**	**7,367**	**(1,361)**	**(10,554)**
Comprehensive income (loss)	**$ (42,420)**	**$ (16,179)**	**$ (61,227)**	**$ (62,299)**
Comprehensive income (loss) attributable to non-controlling interest	68	(74)	(67)	(724)
Comprehensive income (loss) attributable to parent	**$ (42,488)**	**$ (16,105)**	**$ (61,160)**	**$ (61,575)**

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* The Company's condensed combined consolidated statement of comprehensive income (loss) for prior periods have been recast to retrospectively include the results of KubeTech. The Company acquired KubeTech on May 30, 2014. KubeTech was previously owned and controlled by Sun Capital Partners V, L.P., a majority shareholder of the Company. As such, the Company has accounted for the acquisition as a business combination under common control. The Company has presented the effects of the acquisition on prior period information in *Note 15, KubeTech Common Control Reconciliation*.

Coveris Holdings S.A. and Subsidiaries
Condensed Combined Consolidated Statement of Shareholders' Equity (Deficiency) (unaudited)

(in thousands of U.S. dollars, except share information)	Share Capital: Shares	Share Capital: Amount	(Distributions in Excess of) Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Non-Controlling Interest	Total Equity (Deficiency)
Balances as of December 31, 2013 *	12,500	$ 40	$ 444,605	$ (189,461)	$ (14,580)	$ 240,604	$ 439	$ 241,043
Net income (loss)	—	—	—	(59,831)	—	(59,831)	(35)	(59,866)
Foreign currency translation adjustment	—	—	—	—	(736)	(736)	(32)	(768)
Actuarial gain (loss), net of tax of $332	—	—	—	—	(579)	(579)	—	(579)
Amortization of actuarial gain (loss)	—	—	—	—	(14)	(14)	—	(14)
Additional Paid-in Capital **	—	—	11,581	—	—	11,581	—	11,581
Balances as of September 30, 2014	12,500	$ 40	$ 456,186	$ (249,292)	$ (15,909)	$ 191,025	$ 372	$ 191,397

The accompanying notes are an integral part of these condensed combined consolidated financial statements.

* The Company's condensed combined consolidated statement of shareholders' equity (deficiency) for the prior period has been recast to retrospectively include the results of KubeTech. The Company acquired KubeTech on May 30, 2014. KubeTech was previously owned and controlled by Sun Capital Partners V, L.P., a majority shareholder of the Company. As such, the Company has accounted for the acquisition as a business combination under common control. The Company has presented the effects of the acquisition on prior period information in *Note 15, KubeTech Common Control Reconciliation*.

** As a part of the acquisition of KubeTech on May 30, 2014, the Company received a capital contribution in the form of loan forgiveness and equipment transfers between KubeTech and a related party. Refer to *Note 5, Business Combinations*, for further disclosures regarding the KubeTech acquisition.

Coveris Holdings S.A. and Subsidiaries

Condensed Combined Consolidated Statements of Cash Flows (unaudited)

	Nine Months Ended	
(in thousands of U.S. dollars)	**September 30, 2014**	**September 30, 2013**
		*
OPERATING ACTIVITIES		
Net income (loss)	**$ (59,866)**	**$ (51,745)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	117,349	83,815
Amortization of deferred financing costs and debt premium	7,958	3,718
Unrealized loss (gain) on remeasurement of foreign currency loans	17,854	—
Unrealized loss (gain) on derivative financial instruments	(2,226)	—
Loss (gain) on sale and disposition of property, plant and equipment	(1,276)	(7,687)
Loss (gain) on sale of investments	2,923	—
Deferred income tax provision (benefit)	(14,215)	(10,343)
Changes in operating assets and liabilities:		
Receivables, prepaid expenses, and other assets	13,760	3,212
Inventories	(34,727)	(13,209)
Accounts payable and accrued and other liabilities	(19,364)	47,440
Net cash provided (used) by operating activities	**28,170**	**55,201**
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(69,598)	(93,978)
Proceeds from sales of property, plant and equipment	4,381	7,328
Proceeds from sale of investments	5,645	—
Investment in equity of affiliate	—	62
Cash paid for purchase of subsidiaries, net of cash acquired	(33,455)	(49,837)
Net cash provided (used) by investing activities	**(93,027)**	**(136,425)**
FINANCING ACTIVITIES		
Repayments of New Term Loan	(5,042)	—
Proceeds from NA ABL Facility	636,669	253,781
Repayments of NA ABL Facility	(593,125)	(252,324)
Proceeds from European ABL Facilities	395,468	—
Repayments of European ABL Facilities	(349,997)	—
Proceeds from £47,375 Revolving Credit Facility	56,946	—
Repayments of £47,375 Revolving Credit Facility	(48,908)	—
Proceeds (repayments) from Related Party Note	(4,174)	18,000
Proceeds from PNC Credit Facility	6,631	13,939
Repayments of PNC Credit Facility	(16,073)	(1,133)
Repayments of legacy Closures debt	(3,286)	—
Repayments of legacy St. Neots and Learoyd debt	(18,383)	—
Proceeds from other credit facilities	—	174,364
Repayments of other credit facilities and capital lease obligations	(7,674)	(204,378)
Deferred financing costs paid	(1,245)	(1,213)
Parent's capital contribution	—	32,218
Net cash provided (used) by financing activities	**47,807**	**33,254**
Effect of exchange rate changes on cash	(2,300)	2,088
Increase (decrease) in cash	(19,350)	(45,882)
Beginning cash and cash equivalents	69,487	105,561
Ending cash and cash equivalents	**$ 50,137**	**$ 59,679**

The accompanying notes are an integral part of these condensed combined consolidated financial statements.

* The Company's condensed combined consolidated financial statements for prior periods have been recast to retrospectively include the results of KubeTech. The Company acquired KubeTech on May 30, 2014. KubeTech was previously owned and controlled by Sun Capital Partners V, L.P., a majority shareholder of the Company. As such, the Company has accounted for the acquisition as a business combination under common control. The Company has presented the effects of the acquisition on prior period information in *Note 15, KubeTech Common Control Reconciliation*.

1. Organization and Significant Accounting Policies

The accompanying unaudited condensed combined consolidated financial statements include the assets, liabilities, revenues and expenses directly attributable to the operations of Coveris Holdings S.A. and its subsidiaries (collectively referred to as the "Company"). Coveris Holdings S.A. was formed as a result of the conversion of Exopack Holdings S.a.r.l. into a public limited liability company (*société anonyme*) on July 4, 2013. The Company is majority owned by a series of holding companies primarily owned by Sun Capital Partners V, L.P., an affiliate of Sun Capital Partners Inc. ("Sun Capital").

The Company is one of the largest manufacturers of plastic packaging products in the world, offering a broad range of value-added flexible and rigid plastic and paper packaging products that include primary packaging (such as bags, pouches, cartonboard, cups, tubs, lids and trays, films, laminates, sleeves and labels). The Company operates through a network of 65 production and warehousing facilities worldwide, which allows the Company to supply global customers reliably, quickly and efficiently across multiple regions. The Company operates 18 facilities in North America, 45 facilities across Europe, as well as two strategically located facilities in the Middle East and China.

The Company conducts business principally through two operating segments: Flexible and Rigid. In the Flexible packaging segment, the Company manufactures a variety of flexible and semi-rigid plastic and paper products, including bags, pouches, roll stocks, films, laminates, sleeves and labels. These products are sold primarily in North America and Europe. In the Rigid packaging segment, the Company manufactures injection molded or thermoformed and decorated rigid plastic and paper packaging solutions, including bowls, cups, lids and trays. These products are sold primarily in Europe and North America.

Group Restructuring

On May 31, 2013, the shareholders of Island Lux S.a.r.l. & Partners S.C.A. ("Paccor"), Copper Management S.a.r.l. & Partners S.C.A. ("Britton"), Eifel Management S.a.r.l. & Partners S.C.A. ("Kobusch"), and Paragon Management S.a.r.l. ("Paragon") indirectly contributed their outstanding shares to Coveris Holdings S.A. Concurrently, Convertible Preferred Equity Certificates ("CPECs") issued by those entities were redeemed by the shareholders in exchange for newly issued Yield Free Preferred Equity Certificates ("YFPECs"). As part of the restructuring, YFPECs (including the new instruments issued in connection with the redemption of CPECs) were subsequently transferred to Coveris Holdings S.A. in exchange for shares while Preferred Equity Certificates ("PECs") and Asset Linked Preferred Equity Certificates ("ALPECs") were transferred by the shareholders in exchange for new PECs and ALPECs with the same terms.

The Company accounted for the restructuring as a combination of businesses under common control and recognized the assets and liabilities of Paccor, Britton, Kobusch and Paragon (collectively, the "Predecessor Companies") at their historical carrying amounts as of May 31, 2013. The shareholder's redemption of CPECs in exchange for YFPECs and its subsequent transfer to Coveris Holdings S.A. in exchange for the shares of the latter is accounted for as a capital transaction. Accordingly, the difference between the carrying values of CPECs and its redemption values was recorded to additional paid-in capital in the condensed combined consolidated statement of shareholders' equity.

In December 2013, the Company acquired the remaining non-controlling interests in the legacy Paccor, Britton and Kobusch companies held by Neuheim Lux Group Holding V (“Neuheim”), a related party. A related party shareholder of the Company satisfied these non-controlling interests held by Neuheim through the issuance of equity in said shareholder.

Acquisition of Exopack Holding Corp

On May 31, 2013, Sun Capital Partners III, LP and Sun Capital Partners IV, LP, the controlling shareholders of Exopack Holding Corp. ("Exopack"), transferred their ownership interests in Exopack to Coveris Holdings S.A. in exchange for the shares of the latter via a series of intermediate holding companies. The Company accounted for the transaction as business combination, with Coveris Holdings S.A. together with the Predecessor Companies, as the accounting acquirer. The shareholders of the Predecessor Companies continue to control the combined Company, and the Predecessor companies are, in aggregate, larger than Exopack in terms of assets, revenues and relative fair values of equity exchanged.

Basis of Presentation

Prior to May 31, 2013, the results of operations, cash flows and balance sheets of the Predecessor Companies were presented on a combined basis as they were not consolidated into any common parent or holding company but were all under the common control of Sun Capital Partners V, L.P. The combined statement of shareholders' equity prior to group restructuring represents the sum of the underlying invested equity in the Predecessor Companies listed above and does not represent shares in a single stand-alone basis. Also, the combined financial statements of the Predecessor Companies prior to restructuring did not include the assets and liabilities of Copper Management S.a.r.l. & Partners S.C.A., the intermediate parent company of Britton's operating companies. Beginning May 31, 2013, the financial statements of the Group are presented on a consolidated basis and include the accounts of Copper Management S.a.r.l. & Partners S.C.A, which is being accounted for as a change in reporting entity. The balances of Copper Management S.a.r.l. & Partners S.C.A. are therefore shown retrospectively in the financial statements as if they were part of the combined group as of the beginning of the reporting period. The various financial statements presented in this quarterly report are herein referred to as the condensed combined consolidated statement of operations, condensed combined consolidated statement of comprehensive income (loss), condensed combined consolidated statement of cash flows, condensed combined consolidated statement of shareholders' equity (deficit) and the notes thereto.

The accompanying unaudited condensed combined consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in the United States of America ("US GAAP") for interim financial information. The condensed combined consolidated balance sheet as of December 31, 2013 was derived from audited financial statements, excluding the results of KubeTech as defined and discussed in more detail below. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted from this report. It is Management's opinion, however, that all material adjustments (consisting of normal recurring adjustments, unless otherwise noted) have been made, which are necessary for a fair statement of the company's financial position, results of operations, comprehensive income (loss), stockholder's equity (deficit), and cash flows. These condensed combined consolidated financial statements include the accounts of all the entities and their subsidiaries. Material intercompany balances and transactions among the consolidated entities have been eliminated. Results of operations of companies acquired are generally included from their respective dates of acquisition. The results for the interim periods presented are not necessarily indicative of the results to be expected for any other interim period, for the fiscal year or for any future period. These condensed combined consolidated financial statements should be read in conjunction with the notes thereto and the annual report for the year ended December 31, 2013.

Non-controlling interests in subsidiaries not fully owned, but controlled, by the Company are initially valued at fair value if the non-controlling interests arise from a business combination accounted for using purchase accounting method or at its proportionate interests in the subsidiaries if the combination is accounted for as a common control transaction. Subsequent to initial measurement the non-controlling interest is measured at the percentage ownership in the carrying value of the condensed combined consolidated subsidiary. Net income (loss) and total comprehensive income (loss) from non-controlling interest is valued at the percentage ownership of the condensed combined consolidated subsidiaries' underlying net income not held by the Company.

Common Control Acquisition of KubeTech

On May 30, 2014, the Company acquired 100% of the shares of Rose HPC Holding, LLC and its subsidiaries, including KubeTech Custom Molding, Inc. and KubeTech Custom Molding International, Inc. (collectively referred to as "KubeTech"). Through a series of intermediate holding companies, KubeTech was previously owned and controlled by Sun Capital Partners V, L.P., which is also the ultimate shareholder of the Company. As both parties were owned and controlled by Sun Capital Partners V, L.P., this transaction is treated as a business combination under common control. Accordingly, the Company's condensed combined consolidated financial statements and the notes presented herein have been recast to retrospectively include the results of KubeTech from the date of which common control was established. Common control was established on the date Sun Capital Partner V, L.P. acquired control of the shares of Rexam Consumer Plastics Inc. on December 31, 2012 and formed KubeTech. Refer to *Note 5. Business Combinations* for further disclosures regarding the KubeTech acquisition and *Note 15. KubeTech Common Control Reconciliation* for a reconciliation of the retrospective consolidation of KubeTech to the Company's condensed combined consolidated balance sheet as of December 31, 2013, the condensed combined consolidated statements of operations for the three and nine months ended September 30, 2013 and the condensed combined consolidated statement of cash flows for the nine months ended September 30, 2013.

Discontinued Operations

During 2014, the Flexibles group has disposed of its resin trade business. The Company's resin trade business consisted of buying and reselling resins from wholesalers to customers. The resin trade business has been discontinued to further focus the Company's operations around the Company's long-term strategy and organizational goals. The Company has reclassified all income and expenses for the resin trade business in the prior year condensed combined consolidated statement of operations to income (loss) from discontinued operations for the three and nine months ended September 30, 2013 to conform to current period presentation.

Reclassification

The Company has reclassified certain amounts in the prior year condensed combined consolidated statement of operations for the three months ended September 30, 2013 to conform to current period presentation. The results of this reclassification increased cost of sales and decreased selling, general and administrative expenses by $9,581 for the three months ended September 30, 2013.

2. Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, requiring an entity to present the effects on the line items of net income of significant amounts reclassified out of Accumulated Other Comprehensive Income, but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. ASU 2013-2 has been adopted as of January 1, 2014. This ASU did not have a material impact on the Company's condensed combined consolidated financial statements as of September 30, 2014.

In March 2013, FASB issued ASU No. 2013-05, Parent’s Accounting for the Cumulative Translation Adjustment upon De-recognition of Certain Subsidiaries or Company Assets within a Foreign Entity or of an Investment in a Foreign Entity. This guidance clarifies the accounting treatment of the cumulative foreign currency translation reserve when a parent ceases to have a controlling financial interest in the group of assets that give rise to the reserve. In addition, this ASU resolves the diversity in practice for the treatment of business combinations achieved in involving a foreign entity. ASU 2013-05 has been adopted as of January 1, 2014. This ASU did not have a material impact on the Company's condensed combined consolidated financial statements as of September 30, 2014.

In July 2013, FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a similar Tax Loss, or a Tax Credit Carryforward Exists. ASU No. 2013-11 clarifies companies should present an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. ASU No. 2013-11 has been adopted as of January 1, 2014. This ASU did not have a material impact on the Company's condensed combined consolidated financial statements as of September 30, 2014.

In April 2014, FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360). ASU 2014-08 changes the criteria for reporting discontinued operations and enhances convergence of the FASB and the International Accounting Standards Board ("IASB") reporting requirements for discontinued operations. The amendments in this Update change the requirements for reporting discontinued operations in ASC 205. The ASU updates the reporting requirements of a disposal activity to be included in discontinued operations to include the disposal of a component of an entity or a group of components of an entity that represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This ASU is not expected to have a material impact on the Company's condensed combined consolidated financial statements. The ASU will become effective for annual periods beginning on or after December 15, 2014, and for interim periods within annual periods beginning on or after December 15, 2015.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). In ASU 2014-09, FASB amends the Accounting Standards Codification and creates a new Topic 606, Revenues from Contracts with Customers. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is not expected to have a material impact on the Company's condensed combined consolidated financial statements. The ASU will become effective for annual periods beginning on or after December 15, 2017, and for interim periods within annual periods beginning on or after December 15, 2018.

(in thousands of U.S. dollars)

In August 2014, FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern (Topic 205-40). Prior to this ASU, US GAAP did not contain guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. This ASU requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently U.S. auditing standards and requires certain disclosures when substantial doubt exists. The ASU will become effective for annual periods ending on or after December 15, 2016, and for interim periods thereafter.

3. Balance Sheet Information

The major components of certain balance sheet accounts as of September 30, 2014 and December 31, 2013 are as follows:

Assets	September 30, 2014	December 31, 2013
Inventories		
Raw materials and supplies	$ 106,084	$ 93,463
Work in progress	46,247	36,701
Finished goods	182,383	170,747
Spare parts and other inventories	9,104	11,400
Total inventories	**$ 343,818**	**$ 312,311**
Property, plant, and equipment		
Land	$ 37,093	$ 36,236
Buildings and improvements	180,440	191,999
Machinery and equipment	848,096	840,961
Other	9,589	11,479
Construction in progress	48,953	37,760
Gross property, plant and equipment	1,124,171	1,118,435
Less: Accumulated depreciation	(320,249)	(281,150)
Property, plant, and equipment, net	**$ 803,922**	**$ 837,285**

Depreciation expense for the three months ended September 30, 2014 and 2013 was $28,774 and $22,495, respectively. Depreciation expense for the nine months ended September 30, 2014 and 2013 was $85,327 and $62,398, respectively.

4. Accumulated Other Comprehensive Income

Comprehensive income (loss) consists of net loss, adjustments due to actuarial gains (losses) on employee benefit obligations, and unrealized gains and losses on foreign currency translation.

The following table represents the components of accumulated other comprehensive income (loss):

	Foreign Currency Translation Adjustments	Pension and OPEB Plans Liability	Cumulative Deferred Tax Effect on Pension and OPEB Liability	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2013	**$ (10,249)**	**$ (3,996)**	**$ (642)**	**$ (14,887)**
Change during 2014, net of tax	(768)	(925)	332	(1,361)
Balance as of September 30, 2014	**$ (11,017)**	**$ (4,921)**	**$ (310)**	**$ (16,248)**

5. Business Combinations

(in thousands of U.S. dollars)

Exopack

As discussed in *Note 1, Organization and Significant Accounting Policies*, on May 31, 2013, the Company acquired 100% of the shares of Exopack in exchange for the issuance of shares in Coveris Holdings S.A., formerly Exopack Holdings S.A., to Sun Capital Partners III, LP and Sun Capital Partners IV, LP. The fair value of the consideration transferred was derived from the enterprise value of Exopack based on a combination of the discounted cash flows and comparable companies' methods. This fair value measurement is based on significant inputs that are not observable in the market. Key assumptions include a discount rate of 11.5%, a terminal value based on a long-term sustainable growth rate of 2.5% and financial multiples of entities deemed to be similar to Exopack. No material acquisition related costs were incurred.

The following table discloses the net liabilities acquired in the business combination and the goodwill arising from it, as previously reported in the condensed combined consolidated financial statements and as adjusted through the final purchase accounting:

	Initial Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
Assets acquired:			
Financial assets	$ 106,571		$ 106,571
Inventory	92,189	7,861	100,050
Other assets	8,000		8,000
Property, plant and equipment	239,000	2,000	241,000
Customer relationships	156,000	(14,000)	142,000
Acquired technology	27,000	1,000	28,000
Brand Name	56,000	15,000	71,000
Total assets acquired	**684,760**		**696,621**
Liabilities assumed:			
Financial liabilities	731,572	588	732,160
Pension liabilities	28,886	(6,896)	21,990
Net deferred tax liabilities	74,936	(2,102)	72,834
Total liabilities assumed	**835,394**		**826,984**
FV of equity exchanged	**156,478**	**(588)**	**155,890**
Goodwill	**$ 307,112**		**$ 286,253**

The goodwill arising from the acquisition is primarily attributable to synergies from the acquisition, combined with forecasted market penetration in adjacent product lines, expanding capacity and improving production efficiency. The fair value of the financial assets acquired includes trade receivables whose gross contractual amount due is $97,530, of which $1,749 is expected to be uncollectible.

In order to determine the fair value of the customer relationships acquired in the Exopack acquisition, the Company adopted the multi-period excess earnings method (level 3) based on forecasted customer relationship revenue, net of an average churn rate ranging from 4.0% to 13.0%. The Company applied contributory asset charges for working capital, fixed assets, the workforce, technology and the Exopack brand ranging from 3.2% to 6.1% of revenue. After-tax earnings of customer revenues in excess of estimated contributory asset charges were then discounted using discount rates ranging between 10.9% and 13.1%.

In order to determine the fair value of the technology assets acquired in the Exopack acquisition, the Company adopted the relief from royalty method (level 3) based on forecasted technology revenues. The Company then applied royalty rates ranging from 2.0% to 5.0% in determining royalty savings. The Company then discounted after-tax royalty savings using discount rates ranging between 12.5% and 14.7%.

In order to determine the fair value of the Exopack brand name, the Company adopted the relief of royalty method (level 3). The Company then applied royalty rates of 1.0% in determining royalty savings. The Company then discounted after-tax royalty savings using a discount rates ranging between 12.5% and 14.7%.

The Company has recorded several measurement period adjustments based on the Company's ongoing valuation and purchase price allocation procedures, which was completed during the quarterly period ended March 31 2014. The measurement period adjustments recorded during the three months ended March 31, 2014 do not have a material impact on the financial statements. The condensed combined consolidated balance sheet as of September 30, 2014 has been adjusted to reflect the impact of these measurement period adjustments as if they were recorded as of the acquisition date of May 31, 2013. The financial results of Exopack subsequent to the acquisition are included within the Company's Flexible reporting segment.

InteliCoat

On August 28, 2013, the Company purchased certain assets and assumed certain liabilities from Sun Capital portfolio companies InteliCoat Technologies Image Products S. Hadley LLC and Image Products Group LLC (collectively referred to as “InteliCoat”) for total purchase consideration of $8,000, of which $6,580 was in cash consideration and the remaining $1,420 was in debt forgiveness. The Company completed the purchase price allocation during the second quarter of the 2014 fiscal year and has recorded goodwill of $223. The financial results of InteliCoat subsequent to the acquisition date are included within the Company's Flexible reporting segment. In conjunction with the finalized purchase price allocation, the Company recorded the following identifiable intangible assets: (1) customer list of $3,790, (2) product trademarks of $880 and (3) technology assets of $2,360. The condensed combined consolidated balance sheet as of September 30, 2014 has been adjusted to reflect the impact of these measurement period adjustments as if they were recorded as of the acquisition date of August 28, 2013. Other business combination disclosures have been omitted due to the immaterial nature of this acquisition.

Closures

On October 23, 2013, the Company purchased 100% of the share capital of Daisy UK Bidco Limited, the parent company of Closures Limited in the UK (collectively referred to as "Closures"). The purchase price allocation for Closures was completed during the fourth quarter of the 2013 fiscal year. The Company purchased the share capital of Closures for cash consideration of £34,007 ($54,578), which has been allocated as follows:

(in thousands of U.S. dollars)

		Purchase Price Allocation
Assets acquired:		
Financial assets	$	8,258
Inventory		3,423
Other assets		1,741
Property, plant and equipment		27,634
Customer relationships		15,121
Design rights		2,255
Total assets acquired		**58,432**
Liabilities assumed:		
Financial liabilities		5,294
Accrued expenses and other liabilities		7,657
Capital lease obligations		1,982
Deferred tax liabilities, net		5,941
Total liabilities assumed		**20,874**
Purchase consideration		**54,578**
Goodwill	**$**	**17,020**

The goodwill arising from the acquisition is primarily attributed to synergies from merging with the rest of the Coveris Holdings S.A. business combined with forecasted market penetration in adjacent product lines, expanding capacity and improving production efficiency. No goodwill is deductible for tax purposes. The fair value of the financial assets acquired includes trade receivables whose gross contractual amount due is $8,258 of which $21 is expected to be uncollectible.

In order to determine the fair value of the customer relationships acquired in the Closures acquisition, the Company adopted the multi-period excess earnings method (level 3) based on forecasted customer information. In valuing the customer relationships, the Company applied contributory asset charges for working capital, fixed assets, design rights and the workforce totaling 7.6% of revenue. After-tax earnings of customer revenues in excess of estimated contributory asset charges were then discounted using a discount rate of 17.0%. The 17.0% discount rate, which is approximately 1.0% higher than the transaction's internal rate of return ("IRR"), was deemed appropriate in order to capture the risk of non-renewal of customer contracts in the medium to long term future.

In order to determine the fair value of the design rights acquired in the Closures acquisitions, The Company adopted the relief from royalty approach (level 3) based on forecasted percentage of revenues attributable to design rights. The Company then applied a royalty rate of 3.0% based on royalty rates commonly used in the rigid plastic and wider plastic manufacturing industries. After-tax royalty savings were then discounted at 17.0%, consistent with the Closures customer relationships asset. The financial results of Closures subsequent to the acquisition are included within the Company's Rigid reporting segment.

KubeTech

On May 30, 2014, the Company acquired 100% of the equity interest of KubeTech. KubeTech was indirectly, wholly owned by Sun Capital Partners V, L.P., the ultimate majority shareholder of the Company. As such, the Company has accounted for this acquisition as a business combination under common control and has recorded the assets and liabilities transferred at the date of the transaction at their historical carrying values. The Company has presented this information retrospectively in the financial statements for the prior periods through the date under which both entities came under common control through the formation of KubeTech by Sun Capital Partners V, L.P. on December 31, 2012.

In the original transaction on December 31, 2012, KubeTech was acquired for total purchase consideration of $45,178, satisfied by capital contributions of $27,178 and a loan from Albea, a related party, in the amount of $18,000. The Company has accounted for this acquisition on December 31, 2012 under the purchase method of accounting prescribed in ASC 805. Accordingly, the purchase consideration was allocated to the assets acquired and liabilities assumed based on their fair values as of the original transaction date.

Subsequent to May 30, 2014, KubeTech's long-term debt liabilities were paid off for total consideration of $21,046 (including accrued interest of $799). In addition, the related party note in the amount of $11,581 was forgiven, which was treated as a capital contribution to KubeTech. KubeTech has been incorporated into the Company's Rigid reporting segment.

St. Neots

On June 12, 2014, the Company purchased 100% of the share capital of St. Neots Holdings Limited ("St. Neots"). St. Neots consists of two manufacturing facilities located in the UK with a sourcing office in Hong Kong. St. Neots is a leading manufacturer of cartonboard solutions for the food-to-go and convenience markets. The Company purchased St. Neots for purchase consideration of £13,301 ($22,195), net of cash acquired. The Company has provisionally allocated the purchase price and recorded goodwill of £8,259 ($13,412). In addition, the Company has estimated identifiable intangible assets consisting of customer lists valued at £2,597 ($4,217) and technology assets valued at £1,795 ($2,915). The financial results of St. Neots subsequent to the acquisition date are included within the Company's Flexible reporting segment. Other business combination disclosures have been omitted due to the immaterial nature of this acquisition.

Learoyd

On August 21, 2014, the Company acquired the shares of Learoyd Packaging Limited ("Learoyd") for purchase consideration of £6,745 ($11,260), net of cash acquired. Learoyd is one of the UK's leading flexographic print specialists supplying flexible packaging solutions to major supermarkets, own brands and food manufacturers and retailers. The acquisition of Learoyd supports and strengthens Coveris' UK flexible packaging offering through advanced processes and technologies in addition to providing access to new customer and product markets. The purchase price allocation is provisional pending the Company's review of the fair value of assets acquired and liabilities assumed. In conjunction with the provisional purchase price allocation, the Company has recorded goodwill of £1,453 ($2,360) as of September 30, 2014. The financial results of Learoyd subsequent to the acquisition date are included within the Company's Flexible reporting segment.

6. Goodwill and Other Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. Effective March 1, 2014, the Europe Industrials reporting unit was consolidated into the UK Food and Consumer reporting unit and the Europe Food and Consumer reporting unit. Management elected to consolidate the Europe Industrial reporting unit in order to leverage shared services in the Company's European operations and better align the two reporting units for strategic growth and effective performance evaluation. Goodwill reporting unit disclosures for the year ended December 31, 2013 have been recast to reflect this change in reporting structure in accordance with ASC 350.

The changes in the Company's goodwill balances by reporting unit from December 31, 2013 through September 30, 2014 are as follows:

(in thousands of U.S. dollars)

Goodwill Reporting Unit	Reportable Segment	December 31, 2013	PPA Adjustments	Additions	Foreign Currency Translation[5]	September 30, 2014
NA Food and Consumer[1]	Flexible	$ 234,113	$ (355)	$ —	$ —	$ 233,758
NA Performance Packaging[1]	Flexible	30,674	(146)	—	—	30,528
Coveris Advanced Coatings[2]	Flexible	29,220	(7,030)	—	—	22,190
UK Food and Consumer[3][4]	Flexible	103,184	—	15,772	(1,591)	117,365
Europe Food and Consumer[3]	Flexible	81,006	—	—	(5,097)	75,909
Europe Rigid	Rigid	18,931	—	—	(292)	18,639
Total goodwill		$ 497,128	$ (7,531)	$ 15,772	$ (6,980)	$ 498,389

(1) The reductions in the goodwill balances of the NA Food and Consumer reporting unit and NA Performance Packaging reporting unit are driven by the finalization of the Exopack purchase price allocation, during the quarterly period ended March 31, 2014.
(2) The $7,030 reduction to the goodwill balance for the Coveris Advanced Coatings reporting unit is driven by the purchase price allocation for the InteliCoat acquisition.
(3) The goodwill balances for the UK Food and Consumer and the Europe Food and Consumer reporting units have been retrospectively recast as of December 31, 2013 to reflect the consolidation of the Europe Industrials reporting unit into these two reporting units. The retrospective recast of these two reporting units increased the UK Food and Consumer reporting unit's goodwill by $35,502 and the Europe Food and Consumer reporting unit's goodwill by $16,641.
(4) The $15,772 of additions to the UK Food and Consumer reporting unit are due to the acquisitions of St Neots and Learoyd. Please see *Note 5, Business Combinations* for further details.
(5) The goodwill components in the NA Food and Consumer, NA Performance Packaging and Coveris Advanced Coatings reporting units are all comprised of U.S. dollar denominated balances. The UK Food and Consumer reporting unit is comprised solely of Great British pound denominated balances. The Europe Food and Consumer reporting unit is primarily comprised of euro denominated balances. The Europe Rigid reporting unit is comprised primarily of euro denominated balances and secondarily of balances denominated in the Great British pound.

The Company reviews goodwill for impairment on a reporting unit basis annually as of October 1 of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. During the third quarter of fiscal year 2014, the Company disposed of its resin trade business, which management has interpreted as an event that may indicate the carrying value of the goodwill related to Europe Food and Consumer may not be recoverable. As a result, management has reviewed the goodwill for Europe Food and Consumer for impairment as of September 30, 2014.

The goodwill impairment test involves a two-step process. In step one, the Company compares the fair value of each reporting unit to its carrying value, including the goodwill allocated to the reporting unit. If the fair value of the reporting unit exceeds its carrying value, there is no indication of impairment and no further testing is required. If the fair value of the reporting unit is less than the carrying value, the Company must perform step two of the impairment test to measure the amount of impairment loss, if any. In step two, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss. Considerable judgment is necessary in estimating future cash flows, discount rates and other factors affecting the estimated fair value of the reporting units, including operating and macroeconomic factors.

Based on the impairment testing performed, the Company concluded that the fair value of Europe Food and Consumer is above its carrying value and, therefore, there was no indication of impairment.

The Company estimated the fair value of Europe Food and Consumer using the discounted cash flow, guideline company and similar transaction methods. The discounted cash flow method was weighted the heaviest for this test. These cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rates used are based on a weighted average cost of capital ("WACC") adjusted for relevant risk associated with the characteristics of each reporting unit and the projected cash flows. The Company used a WACC of 9.0% and a terminal growth rate of 2.5% in the Europe Food and Consumer impairment test.

(in thousands of U.S. dollars)

The Company notes that the estimated fair value of the Europe Food and Consumer reporting unit did not exceed its carrying value by a significant amount. Based on the assumptions noted above, the estimated fair value of the Europe Food and Consumer reporting unit exceed its carrying value by $9,392 or 3.3%. If the assumptions for the WACC or terminal growth rate increased or decreased by 50 basis points and all other variables held constant, including the assumptions used in the guideline company and similar transaction methods, the estimated fair value in excess of carrying value would range between a surplus of $23,341 or 8.3% at the high end and a deficit of ($2,560) or (0.9%) at the low end. Even though the low end of the range resulted in a deficit, the Company has concluded that the results of the step one test are not indicative of impairment as the midpoint of WACC assumptions results in a surplus, and there is not a requirement to proceed to a step two goodwill impairment test.

Intangible assets

Contractual or separable intangible assets with finite useful lives are being amortized using the straight-line method over their estimated useful lives of 3 - 20 years for customer relationships, 3 - 20 years for trademarks and licenses and 3 - 15 years for other intangible assets. The straight-line method of amortization reflects an appropriate allocation of the costs of the intangible assets in proportion to the amount of economic benefits obtained by the Company in each reporting period. The Company tests finite-lived assets for impairment whenever there is an impairment indicator. Finite lived intangible assets are tested for impairment by comparing anticipated related undiscounted future cash flows from operations to the carrying value of the asset. The Company's intangible assets as of September 30, 2014 and December 31, 2013 consisted of the following:

	September 30, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 357,806	$ (63,904)	$ 293,902	$ 355,323	$ (42,546)	$ 312,777
Technologies, patents and licenses	62,568	(27,401)	35,167	56,168	(18,840)	37,328
	$ 420,374	**$ (91,305)**	**$ 329,069**	**$ 411,491**	**$ (61,386)**	**$ 350,105**

Amortization expense for definite-lived intangible assets was $10,018 and $9,154 for the three months ended September 30, 2014 and 2013, respectively. For the nine months ended September 30, 2014 and 2013, amortization expense for definite-lived intangible assets was $31,494 and $21,417 respectively.

7. Financing Arrangements

On November 8, 2013, the Company recapitalized its legacy debt structure with a new bond issuance and term loan structure (the "Refinancing") in order to establish a sustainable credit structure, strategically position the Company for future growth and fund current working capital needs across all of the Company's jurisdictions.

As of September 30, 2014 and December 31, 2013, the Company had the following third party debt facilities and financing arrangements outstanding:

(in thousands of U.S. dollars)

	September 30, 2014	December 31, 2013
NA ABL Facility	$ 57,114	$ 13,259
European ABL Facility	106,431	69,382
$ 325,000 7 7/8 % Senior Notes	325,000	325,000
$ 235,000 10% Exopack Notes	235,431	235,519
New Term Loan - USD Tranche	431,738	435,000
New Term Loan - EUR Tranche	220,323	240,975
£ 47,375 Revolving Credit Facility	68,665	61,838
PNC Term Loan	—	8,530
PNC Revolver	—	1,284
Related Party Note	—	16,904
Capital lease obligations	55,533	65,232
Total third party debt and financing arrangements	**1,500,235**	**1,472,923**
Less: current portion	(246,800)	(162,700)
Total long term third party debt and capital leases	**$ 1,253,435**	**$ 1,310,223**

North American ABL Facility

On May 31, 2013, the Company entered into the North American asset-backed lending facility (the "NA ABL Facility") with General Electric Capital Corporation and certain other financial institutions party thereto from time to time in conjunction with the Exopack acquisition. The NA ABL Facility provides a maximum credit facility of $75,000, which includes a Canadian dollar sub-facility available to the Company’s Canadian subsidiaries for up to $15,000 (the Canadian dollar equivalent). The NA ABL Facility also provides the Company’s United States and Canadian subsidiaries with letter of credit sub-facilities. Availability under the NA ABL Facility is subject to borrowing base limitations for both the U.S. and the Canadian subsidiaries, as defined in the loan agreement. In general, in the absence of an event of default, the NA ABL Facility matures on November 8, 2018.

On May 2, 2014, the Company entered into an agreement with the Company's lender to engage the $25,000 accordion feature under the NA ABL Facility. In addition, the Company entered into an agreement on July 18, 2014, to increase the available borrowings under the NA ABL Facility from $100,000 to $110,000 through the collateralization of KubeTech accounts receivable and inventory. The increase in borrowing availability gives the Company flexibility to fund incremental working capital needs as the Company continues to expand.

Availability under the NA ABL Facility is capped at the lesser of the then-applicable commitment and the borrowing base. The borrowing base consists of a percentage of eligible trade receivables and eligible inventory owned by U.S. borrowers, in the case of U.S. borrowings, or Canadian borrowers, in the case of Canadian borrowings. Under the terms of a lock box arrangement, remittances automatically reduce the revolving debt outstanding on a daily basis and therefore the NA ABL Facility is included in the current portion of interest-bearing debt and capital leases on the Company's condensed combined consolidated balance sheets as of September 30, 2014.

Interest accrues on amounts outstanding under the U.S. facility at a variable annual rate equal to the US Index Rate plus 1.00% to 1.25%, depending on the utilization of the NA ABL Facility, or at the Company's election, at an annual rate equal to the LIBOR Rate (as defined therein) plus 2.00% to 2.25%, depending on utilization. In general, interest will accrue on amounts outstanding under the Canadian sub-facility subsequent at a variable rate equal to the Canadian Index Rate (as defined therein) plus 1.00% to 1.25%, depending upon utilization, at the Company's election, at an annual rate equal to the BA Rate (as defined therein) plus 2.00% to 2.25%, depending upon utilization. Pricing will increase by an additional 50 basis points above the rates described in the foregoing sentences on any loans made against the last 5.00% of eligible accounts receivable and eligible inventory. The NA ABL Facility also includes unused facility, ticking and letter-of-credit fees which are reflected in interest expense. The weighted average interest rate on borrowings outstanding under the NA ABL Facility was 2.47% as of September 30, 2014.

The NA ABL Facility is secured by the accounts receivable, inventory, proceeds therefrom and related assets of the Exopack Business on a first lien basis (subject to permitted liens) and by substantially all other asset of the legacy Exopack business on a second lien basis (subject to permitted liens). However, the assets of any non-U.S. entities in the legacy Exopack business do not secure the obligations under the U.S. facility.

The NA ABL Facility contains certain customary affirmative and negative covenants restricting the Company's and its subsidiaries' ability to, among other things, incur additional indebtedness, grant liens, engage in mergers, acquisitions and asset sales, declare dividends and distributions, redeem or repurchase equity interests, incur contingent obligations, prepay certain subordinated indebtedness, make loans, certain payments and investments and enter into transactions with affiliates. As of September 30, 2014, the Company was in compliance with these covenants.

As of September 30, 2014, $57,114 was outstanding and $45,479 was available for additional borrowings, net of outstanding letters of credit of $4,505 under the NA ABL Facility.

The Company recognized $720 in deferred financing costs related to the amendment of the NA ABL Facility in 2013, which are being amortized on a straight-line basis over the term of the NA ABL Facility.

European ABL Facility

On November 8, 2013, the Company entered receivables and inventory financing arrangements in each of France, Germany and the United Kingdom whereby cash is made available to the Company in consideration for inventory and certain trade receivables generated in these respective countries. The aggregate of any advances or borrowings under the GE French Facilities, the GE Germany Facilities and the GE UK Facility is limited to $175,000 (equivalent) and the GE French Facilities, the GE Germany Facilities and the GE UK Facility and the security and guarantees granted in respect thereof are, in the cases of the GE French Facilities and the GE UK Facility, subject to the terms of the Intercreditor Agreement.

As of September 30, 2014, $106,431 was outstanding, $47,461 was available for additional borrowings and the weighted average interest rate on borrowings outstanding under the European ABL Facility was 2.94%.

France

Under the French Facilities with GE Factofrance and Cofacredit (the "Factors"), certain wholly-owned subsidiaries shall sell and assign to the Factors certain debts which, subject to the terms and conditions of the French Facilities, the assignees are obliged to buy and accept. The sale price for the assigned debt is approximately 85%. The facilities are non-recourse facilities. The maximum aggregate funded amount under the French Facilities is limited to €48,000. The French Facilities have an unfixed term with a five year commitment period under which the Factors shall not be entitled to terminate the contracts except upon the occurrence of (i) a breach of any of the covenants listed under the French Facilities, (ii) an event of default under any facility granted by a GE Capital entity or (iii) a revocation of the mandates as defined under the contracts. Apart from the commitment period, any termination of the contracts requires three months' prior notice, save that (i) the Factors may terminate at any time without prior notice upon the occurrence of certain events described under the French Facilities, (ii) the parties may terminate if Coveris Holdings S.A ceases to directly or indirectly own at least 51% of the equity interests of the Company, (iii) the Factors may terminate the contracts with a ten (10) working days prior notice, and with immediate effect in the event any representation or warranty made by Coveris Holdings S.A. pursuant to the Side Letter is not complied with or proves to have been incorrect or misleading when made or deemed to be made and is not remedied within the above notice period by any means or party. Within the frame of the French Facilities, certain wholly-owned subsidiaries have pledged to the benefit of the Factors, the receivables held over the Factors on the current accounts opened in their books, in order to secure the obligations under the terms of the French Facilities.

Germany

Under the German facilities with GE Capital Bank AG, to be entered into by certain wholly-owned subsidiaries as originators and GE Capital Bank AG as factoring bank (the "GE Germany Facilities"), certain wholly-owned subsidiaries may sell and assign to GE Capital Bank AG certain receivables which, subject to the terms and conditions of the GE Germany Facilities, the assignee is obliged to buy and accept. It is further intended that certain wholly-owned subsidiaries provide certain limited cross guarantees for the benefit of GE Capital Bank AG to guarantee their obligations under the GE Germany Facilities. The factoring fee for the

GE Germany Facilities is 0.15% calculated as a multiple of the gross turnover of assigned receivables and bears interest at 3M EURIBOR +2.25%. The facilities are non-recourse facilities. The maximum aggregate funded amount under the GE Germany Facilities is limited to €25,000. The GE Germany Facilities have a five year term and any termination of the contract requires three months' prior notice to the second anniversary, the third anniversary or the fourth anniversary of the relevant commencement date, save that GE Capital Bank AG may terminate at any time if one of the following termination events, amongst others, occurs: a change of control, a cross-default and breach of the relevant fixed charge coverage.

United Kingdom

Under the GE UK Facility with GE Capital Bank Limited ("GE"), certain wholly-owned subsidiaries (the "Clients") assign to GE Capital Bank Limited certain debts which, subject to customary conditions, GE is obliged to buy and accept. Certain wholly-owned subsidiaries are guarantors under the GE UK Facility (the "UK Obligors"). The Clients and UK Obligors have granted security in favor of GE over non-vesting debts and a floating charge over all assets subject to the terms of the Intercreditor Agreement. The GE UK Facility is comprised of an invoice finance facility for which the aggregate loan advance limit is £69,000 (the "Invoice Facility") and a revolving inventory finance facility for which the aggregate current account limit is £20,000 (the "Revolving Inventory Facility"). Under the Invoice Facility, the advance percentage for the assigned debts is 90% of the nominal amount of the debt, subject to reduction in respect of the discount rate, service charges and other liabilities. Under the Revolving Inventory Facility, the loan advance percentage of the eligible inventory is 80% of the net orderly liquidation value of that inventory, subject to reduction in respect of certain customary reserves. The GE UK Facility has recourse terms where the Clients and UK Obligors bear the credit risk of the transactions (including where the underlying debtor fails to pay). The GE UK Facility has a term of five years and any termination of the contract requires either three months' prior notice where there is a refinancing or one month's prior notice where there is a sale of the Company. Customary representations and warranties are included in the GE UK Facility and customary restrictions on disposals of assets and granting liens are also included. Events of default include failure to pay, misrepresentation, insolvency, insolvency proceedings, breach of obligations and cross-acceleration and cross-default to other indebtedness of the Clients or the UK Obligors. A mandatory prepayment is required upon the change of control of a Client or UK Obligor subject to minimum thresholds in respect of EBITDA, gross assets or turnover being satisfied. In addition, if the availability under the Invoice Facility plus the availability under the Revolving Inventory Facility plus the equivalent concept of availability under the GE Germany Facility and the GE French Facilities is less than $14,583, the Clients shall not permit the ratio of operating cash flow of the Company to the fixed charges of the Company to be less than 1.00:1.00.

$325,000 7 7/8% Senior Notes

On November 8, 2013 the Company issued $325,000 in aggregate principal amount 7 7/8% Senior Notes (the "Senior Notes") maturing on November 1, 2019. Interest on the Senior Notes is paid semi-annually on each November 1 and May 1, commencing on May 1, 2014. The Senior Notes are senior unsecured obligations of the Company, ranking senior in right of payment to all of the Company's future debt that is expressly subordinated in right of payment to the Senior Notes and rank pari passu in right of payment with the Company's existing and future debt that is not so subordinated, including the Company's obligations under the New Term Loan, the European ABL Facilities, the NA ABL Facility and the Exopack Notes.

The Senior Notes are guaranteed on a senior unsecured basis (the "Guarantees") by substantially all of the Company's subsidiaries organized in the United States, the United Kingdom, Canada, Austria, Germany, Finland, Luxembourg and Poland (the "Guarantors"). Each of the Guarantees ranks senior in right of payment to the applicable Guarantor's future debt that is expressly subordinated in right of payment to such Guarantee and ranks pari passu in right of payment with such Guarantor's existing and future debt that is not so subordinated, including the applicable Guarantor's obligations under the New Term Loan, the European ABL Facilities, the NA ABL Facility and the Exopack Notes, as applicable. The validity and enforceability of the Guarantees and the liability of each Guarantor is subject to certain limitations described in the offering memorandum relating to the Senior Notes dated October 24, 2013. The Notes and Guarantees are structurally subordinated to all obligations of the Company's subsidiaries that do not guarantee the Notes and effectively subordinated to any existing and future secured debt of the Company and its subsidiaries, to the extent of the value of the property and assets securing such debt.

At any time prior to November 1, 2016, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 107.875% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, with the net cash proceeds of an Equity Offering of (i) the Company or (ii) any Parent Holdco of the Company to the extent the proceeds from such Equity Offering are contributed to the Company's common equity capital or are paid to the Company as consideration for the issuance of ordinary shares; *provided* that:

(in thousands of U.S. dollars)

(1) at least 60% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

Further, at any time prior to November 1, 2016, the Company may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of such Notes redeemed plus the Applicable Premium, as defined in the Indenture governing the Senior Notes, as of, and accrued and unpaid interest and Additional Amounts, as defined in the Indenture, if any, to the date of redemption.

On or after November 1, 2016, the Company may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice (subject to such longer period as may be determined by the Company, in the case of a defeasance of the Notes or a satisfaction and discharge of the Indenture), at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on November 1 of the years indicated below:

Year	**Redemption Price**
2016	103.938%
2017	101.969%
2018 and thereafter	100.000%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

The Senior Notes require the Company to comply with customary affirmative and negative covenants applicable to the Company and its restricted subsidiaries. Set forth below is a brief description of the affirmative and negative covenants, all of which will be subject to customary exceptions, materiality thresholds and qualifications, including, in the case of certain negative covenants, the ability to grow baskets with retained excess cash flow, the proceeds of qualified equity issuances and certain other amounts:

- The affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of certain obligations; (v) inspection rights; (vi) compliance with laws, including employee benefits and environmental laws; (vii) use of proceeds; (viii) further assurances; (ix) additional collateral and guarantor requirements; (x) maintenance of ratings; (xi) designation of unrestricted subsidiaries; (xii) information regarding collateral; and (xiv) post-closing matters.
- The negative covenants include limitations on: (i) indebtedness and the issuance of preferred stock; (ii) restricted payments; (iii) liens; (iv) dividend and other payment restrictions; (v) layered debt; (vi) mergers, consolidation or sale of assets and (vii) transactions with affiliates.

As of September 30, 2014, the Company was in compliance with all of these covenants.

$235,000 10% Exopack Notes

On May 31, 2013, the Company assumed the $235,000 10% Notes (the "Exopack Notes") in conjunction with the Exopack acquisition. The Exopack Notes were issued pursuant to the indenture dated May 31, 2011, between, among others, Exopack and The Bank of New York Mellon Trust Company, N.A., as trustee. Exopack issued $235,000 in aggregate principal amount of unregistered senior notes. Included in the carrying value of the Exopack notes is an unamortized note premium of $431 recorded in conjunction with the purchase price allocation of the Exopack acquisition. This debt premium to record the Exopack Notes at fair value on the acquisition date is amortized on a straight line basis from the acquisition date through the maturity date of June 1, 2018.

The Exopack Notes accrue interest at the rate of 10% per annum and payable semi-annually on each June 1 and December 1.

The Exopack Notes are senior unsecured obligations of the Company and rank equally in right of payment with all existing and future senior indebtedness of Exopack, rank senior in right of payment to any future subordinated indebtedness of Exopack, and are effectively subordinated to any secured indebtedness of Exopack up to the value of the collateral securing such indebtedness. The Exopack Notes are unconditionally guaranteed, jointly and severally, on a senior basis, by the Guarantors that also guarantee the Senior Notes (except for the subsidiaries of Exopack that are organized outside of the United States). The guarantees of the Exopack Notes rank equally in right of payment with all existing and future senior indebtedness of the guarantors, rank senior in right of payment to any future subordinated indebtedness of the guarantors, and are effectively subordinated to any secured indebtedness of the guarantors, including the New Term Loan), up to the value of the collateral securing such indebtedness. The guarantees of the Exopack Notes may be released under certain conditions, including the sale or other disposition of all or substantially all of the guarantor subsidiary's assets, the sale or other disposition of all the capital stock of the guarantor subsidiary, change in the designation of any restricted subsidiary as an unrestricted subsidiary by Exopack, or upon legal defeasance or satisfaction and discharge of the Exopack Notes.

Exopack is not required to make mandatory redemption or sinking fund payments with respect to the Exopack Notes.

If Exopack experiences a change of control, Exopack must offer to repurchase the Exopack Notes at a price equal to 101% of the aggregate principal amount of the Exopack Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase.

The Exopack Notes Indenture contains customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults. The Exopack Notes Indenture contains covenants for the benefit of the holders of the Exopack Notes substantially similar to the covenants that govern the Senior Notes. As of September 30, 2014, the Company was in compliance with all of these covenants.

New Term Loan

On November 8, 2013, the Company entered into a credit agreement (the "New Term Loan") with Goldman Sachs Bank USA, as administrative and collateral agent and the certain financial institutions and other persons party thereto as lenders from time to time. The Company borrowed a single draw dollar denominated term loan of approximately $435,000 (the "New Term Loan - USD Tranche") in principal amount and a single draw euro denominated term loan of approximately €175,000 (the "New Term Loan - EUR Tranche") in principal amount pursuant to the New Term Loan Facility Agreement. As of September 30, 2014 there was $431,738 and $220,323 of principal outstanding on the USD Tranche and EUR Tranche, respectively.

The New Term Loan matures on May 8, 2019. Should the maturity of the Exopack Notes not be extended (and the Exopack Notes remain outstanding at the time), the maturity of the New Term Loan will be automatically shortened to the date that is 91 days prior to the maturity date of the Exopack Notes. The term loan shall be repayable in equal quarterly installments of 1.00% per annum of the original principal amounts.

The Company may also incur an incremental term loan under the New Term Loan from time to time in an amount not to exceed $50,000 plus an unlimited amount subject to meeting a secured net leverage ratio approximately equal to the secured net leverage ratio as of November 8, 2013. The incurrence of an incremental term loan is subject to various customary conditions, including locating a lender or lenders willing to provide it.

The New Term Loan, at the Company's option, will from time to time bear interest at either (i) with respect to loans denominated in dollars, (a) 3.25% in excess of the alternate base rate (i.e., the greatest of the prime rate, the federal funds effective rate in effect on such day plus 1/2 of 1%, and the London interbank offer rate (after giving effect to any floor) for an interest period of one month) in effect from time to time, or (b) 4.25% in excess of the London interbank offer rate (adjusted for maximum reserves), and (ii) with respect to loans denominated in euros, 4.75% in excess of the euro interbank offer rate (adjusted for maximum reserves). The London interbank offer rate and the euro interbank offer rate will be subject to a floor of 1.00% and the alternate base rate will subject to a floor of 2.00%. Interest will be payable quarterly in arrears and at maturity. The interest rate applicable to amounts outstanding on the New Term Loan - USD Tranche was 5.25% as of September 30, 2014. The applicable interest rate applicable to amounts outstanding on the New Term Loan - EUR Tranche was 5.75% as of September 30, 2014.

All obligations of the Company under the New Term Loan and any secured hedging arrangements and secured cash management agreements provided by lenders or affiliates thereof will be unconditionally guaranteed by the Guarantors.

Subject to customary agreed security principles, certain excluded ABL collateral under the GE Germany Facilities and the French Facilities and the lien priorities, the New Term Loan Facility will be secured by substantially all assets of the Company and the Guarantors.

The New Term Loan Facility Agreement does not include any financial covenants.

The New Term Loan has customary events of default (subject to materiality thresholds and standstill and grace periods), including: (a) non-payment of obligations (subject to a five business day grace period in the case of interest and fees); (b) breach of representations, warranties and covenants (subject to a thirty-day grace period following written notice in the case of certain covenants); (c) bankruptcy (voluntary or involuntary); (d) inability to pay debts as they become due; (e) cross default and cross acceleration to material indebtedness; (f) ERISA events; (g) change in control; (h) invalidity of liens, guarantees, subordination agreements; and (i) judgments.

The New Term Loan requires the Company to comply with customary affirmative and negative covenants applicable to the Company and its restricted subsidiaries. Set forth below is a brief description of the affirmative and negative covenants, all of which will be subject to customary exceptions, materiality thresholds and qualifications, including, in the case of certain negative covenants, the ability to grow baskets with retained excess cash flow, the proceeds of qualified equity issuances and certain other amounts:

- The affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of certain obligations; (v) inspection rights; (vi) compliance with laws, including employee benefits and environmental laws; (vii) use of proceeds; (viii) further assurances; (ix) additional collateral and guarantor requirements; (x) maintenance of ratings; (xi) designation of unrestricted subsidiaries; (xii) information regarding collateral; and (xiv) post-closing matters.
- The negative covenants include limitations on: (i) liens; (ii) debt (including guaranties); (iii) fundamental changes; (iv) dispositions (including sale leasebacks); (v) affiliate transactions; (vi) investments (vii) restrictive agreements, and no negative pledges; (viii) restricted payments; (ix) voluntary prepayments of unsecured and subordinated debt; (x) amendments to certain debt agreements and organizational documents; (xi) changes of business, center of main interests or fiscal years; and (xii) anti-terrorism and sanctions related matters.

As of September 30, 2014, the Company was in compliance with all of these covenants.

£47,375 Revolving Credit Facility

On October 18, 2013, the Company entered into a Loan Authorization Agreement (the "£47,375 Revolving Credit Facility") with Bank of Montreal Ireland P.L.C. During the third quarter of fiscal year 2014, the Company amended the facility to increase the availability to £47,375.

Borrowings on the £47,375 Revolving Credit Facility are payable on demand; provided that to the extent funds are not immediately available, the Company shall have ten business days to honor any demand for payment requested by Bank of Montreal Ireland P.L.C. Borrowings are guaranteed by a related party parent, Sun Capital Partners V, L.P.

As of September 30, 2014, there was $68,665 (£42,293) outstanding on the £47,375 Revolving Credit Facility, which accrues interest on all outstanding amounts at an interest rate of 3.50% above Adjusted LIBOR, as set forth in the Loan Authorization Agreement dated October 18, 2013. The applicable interest rate as of September 30, 2014 was 4.04%.

(in thousands of U.S. dollars)

PNC Term Loan and Revolver

On February 8, 2013, KubeTech entered into a revolving credit, term loan and security agreement (the "PNC Credit Agreement") with PNC Bank with total commitments of $32,250. The total commitments consisted of $10,000 in term loans ("PNC Term Loans") and a $22,250 revolving loan advance ("PNC Revolving Loan"). The PNC Credit Agreement was secured by substantially all of the assets of KubeTech and was guaranteed by Rose HPC.

As a part of the acquisition of KubeTech by the Company on May 30, 2014, the outstanding principal and interest on the PNC Term Loans and PNC Revolving Loan were paid in full. The total pay off amount was $16,446, including accrued interest of $373. Unamortized deferred financing costs totaling $190 were written off as a result of the settlement of the facilities.

Related Party Note

As of the formation of KubeTech on December 31, 2012, KubeTech executed a subordinated promissory note with Albea, a related party owned by Sun Capital, for an aggregate amount of $18,000 (the "Related Party Note"). On January 8, 2013, KubeTech sold all of its shares in its Poland facility to Albea for $3,000, the total of which was applied to the principal of the Related Party Note. The Related Party Note is subordinate to the PNC Credit Agreement. Interest accrued at a rate of 10% and was capitalized to principal annually. The Related Party Note was scheduled to mature on December 31, 2017.

Following the acquisition of KubeTech by the Company on May 30, 2014, the Company made a cash payment of $4,600 to settle the Related Party Note, which included both outstanding interest and principal. An additional $9,918 of principal and $1,012 of accrued interest was forgiven and accounted for as a capital contribution to KubeTech along with $651 in equipment transfers to Albea. The remainder of the Related Party Note was satisfied through the settlement of related party trading balances owed to KubeTech by Albea.

Shareholder loans

As of September 30, 2014 and December 31, 2013, the Company had related party shareholder loans which are PECs, ALPECs or YFPECs. The terms and the carrying amount of the shareholder loans are as follows:

	September 30, 2014	December 31, 2013
€ 66,000 PEC	84,378	91,595
€ 37,000 PEC	47,541	51,608
€ 17,000 PEC	22,557	24,486
€ 7,000 PEC	9,999	10,854
€ 28,000 ALPEC	36,652	39,787
€ 4,000 ALPEC	2,197	2,385
€ 2,000 YFPEC	3,562	3,867
Total shareholder loans	**$ 206,886**	**$ 224,582**

PEC Shareholder Loans

The Company’s shareholders have provided interest-bearing PECs with a term of 49 years. Principal is payable on the PECs at maturity and interest is accrued annually on December 31. The applicable interest rate for each of these instruments is equal to the arm's length market rate of interest per annum as agreed between the parties to the agreement from time to time and reduced by an applicable margin in order to create taxable margin as required by the Luxembourg taxing authorities. The PECs include an optional redemption feature by the Company, at par value plus any accrued interest. The PECs are not secured by any of the assets of the Company but receive priority in liquidation over common shareholders.

ALPEC Shareholder Loans

The shareholders of the Company have issued ALPECs with a term of 49 years. ALPECs accrue interest based on the value of a linked asset and not necessarily based on the corresponding obligation amount. Holders of the ALPECs shall receive a return, or yield, based on the business unit yield as defined in the contract net of the applicable margin. Principal is payable on the ALPECs at maturity and interest is accrued annually on December 31. The ALPECs include an optional redemption feature, at par value plus any accrued interest and unpaid yield. The ALPECs receive priority in liquidation over common shareholders.

YFPEC Shareholder Loan

The Company's shareholders have provided a YFPEC with a term of 49 years. The principal on the YFPEC is payable at maturity. The YFPEC includes an optional redemption feature by the Company, at par value. The YFPEC is not secured by any of the assets of the Company but receives priority in liquidation over common shareholders.

8. Commitments and Contingencies

From time to time, the Company becomes party to legal proceedings and administrative actions, which are of an ordinary or routine nature and incidental to the operations of the Company. Although it is difficult to predict the outcome of any legal proceeding, in the opinion of the Company's management, such proceedings and actions should not, individually or in the aggregate, have a material adverse effect on the Company's condensed combined consolidated financial statements.

9. Employee Benefit Plans

The measurement date for defined benefit plan assets and liabilities is December 31, the Company’s fiscal year end. A summary of the elements of key employee benefit plans is as follows:

Defined Benefit Plans

US Plans

The collective pension assets and obligations (collectively the "US Plans") of the Retirement Plan of Coveris Flexibles US, LLC (the "US Retirement Plan") and the pension obligations of the Coveris Flexibles US, LLC Pension Restoration Plan for Salaried Employees (the "US Restoration Plan") were transferred to and assumed by the Company in connection with the acquisition of Exopack. The US Plans were frozen prior to the Exopack acquisition. Accordingly, the employees’ final benefit calculation under the US Plans was the benefit they had earned under the US Plans as of the freezing date. This benefit will not be diminished, subject to certain terms and conditions, remaining in effect.

UK Plans

The Company has two defined benefit pension plans in the United Kingdom (UK). Members of UK plans are entitled to a lifelong pension or a one-off payment on retirement which is based on the final pensionable salary and length of service. The plans are wholly funded. The plan assets are held in a trust fund administered by trustees.

Netherlands Plan

The Company also has a defined benefit pension plan in the Netherlands. Members of this plan are entitled to pension benefits on retirement.

Other Defined Benefit Plans

The Company has other smaller defined benefit (“Other DB”) pension plans in Germany and France. These plans provide lifelong pensions to its current members based on employee pensionable remuneration and length of service. The plans are closed to new members and all plans are unfunded.

(in thousands of U.S. dollars)

Other Post Employment Benefit Plans

The Company maintains other post-employment benefit ("Other OPEB") plans in the United States, Egypt, Germany, Austria, France, Turkey, and Bulgaria where there are obligations for termination indemnities and other benefits to be paid to employees at the date of retirement or other early retirement incentives. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period.

The components of net periodic benefit cost for the Company's various pension and OPEB plans for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Service cost	$ (230)	$ (558)	$ (958)	$ (1,472)
Interest cost	(969)	(1,712)	(3,668)	(3,549)
Expected return on plan assets	1,136	1,730	4,070	3,282
Amortization of net actuarial loss	14	(679)	41	(679)
Net periodic pension benefit (cost)	**$ (49)**	**$ (1,219)**	**$ (515)**	**$ (2,418)**

10. Related Party Transactions

Related party balances as of September 30, 2014 and December 31, 2013, respectively, and related party transactions for the three and nine months ended September 30, 2014 and 2013, respectively, were as follows:

		Receivable (Payable)		Income/(Expenses)			
		As of		Three Months Ended		Nine Months Ended	
Name of related party	**Transaction type**	**September 30, 2014**	**December 31, 2013**	**September 30, 2014**	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Sun Capital Partners IV, LLC	Management fee	$ —	$ —	$ (2,125)	$ (553)	$ (6,375)	$ (1,053)
Sun Capital Partners V, LP	Management fee	—	354	—	(161)	34	(726)
Sun Capital Partners V, LP	Management fee	—	—	(244)	(4,277)	(1,210)	(9,553)
Albea	Trading	370	(16,500)	553	—	1,557	1,743
Neuheim Lux Group Holding V	Management fee	(29)	(28)	133	5	111	(187)
Polestar	Trading	218	890	(45)	677	4,111	1,908
SCPack Holdings Management S.a.r.l. & Partners S.C.A.	Financing	(21,204)	(10,232)	(25)	—	(168)	—
Global Packaging Procurement Inc.	Management fee	—	—	—	(84)	—	(264)
Cayman Copper Holding LP	Financing	—	—	22	—	(2,013)	(1,210)
Cayman IGH LP	Financing	—	—	—	(1,178)	—	(1,178)
Coveris Intermediate Holdings	Financing	—	—	(93)	—	(93)	—
Totals		**$ (20,645)**	**$ (25,516)**	**$ (1,824)**	**$ (5,571)**	**$ (4,046)**	**$ (10,520)**

11. Segments

The Company identifies its reportable segments in accordance with FASB guidance for disclosures about segments of an enterprise and related information. In accordance with FASB guidance, the Company reviewed certain qualitative factors in identifying and determining reporting segments. These factors include: 1) the nature of products; 2) the nature of production processes; 3) major raw material inputs; 4) the class of consumer for each product; and 5) the methods used to distribute each product. While all of these factors were reviewed, the most relevant factors are the nature of the products and the nature of production processes. The types of products sold from each segment are similar in nature and have similar production processes, in addition to conformity with the chief operating decision maker's ("CODM's") review and management objectives for the business. The Company evaluates segment performance based on operating income or loss.

(in thousands of U.S. dollars)

The Company is organized into the following two reportable operating segments which are based on products and services and which reflect the Company's management structure and internal financial reporting:

- Flexible - this segment contains the Company's businesses which produce a variety of flexible and semi-rigid plastic and paper products, including bags, pouches, roll stocks, film laminates, sleeves and labels.

- Rigid - this segment contains the Company's businesses which produce injection molded or thermoformed and decorated rigid plastic and paper packaging solutions, including bowls, cups, lids and trays.

While sales and transfers between segments are recorded at cost plus a reasonable profit, the effects of intersegment sales are excluded from the computations of segment net sales and operating income (loss). Intercompany profit is eliminated in consolidation and is not significant for the periods presented.

Effective October 1, 2013, a component of the legacy Kobusch business previously reported in the Flexible segment was transferred to the Rigid segment in order to better align performance evaluation and resource allocation by the Company's CODM. Segment disclosures for the three and nine months ended September 30, 2013 have been recast to reflect this change in reporting structure in accordance with ASC 280. This recast decreased net sales in the Flexible segment and increased net sales in the Rigid segment by $25,976 and $72,513, respectively, as well as decreased operating income in the Flexible segment and decreased the operating loss in the Rigid segment by $2,041 and $2,998 for the three and nine months ended September 30, 2013, respectively.

The change in reporting structure pertaining to the consolidation of the former Europe Industrials goodwill reporting unit had no impact on the Company's segment disclosures.

On May 30, 2014, KubeTech was acquired and incorporated into the Rigid segment based on the nature of KubeTech's products and services. The KubeTech acquisition was accounted for in accordance with guidance for business combinations under common control as KubeTech was wholly-owned by Sun Capital Partners V, L.P., the majority shareholder of the Company. In accordance with the guidance for business combinations under common control in ASC 805, segment disclosures for all periods presented have been recast to reflect this acquisition.

The table below presents information about the Company’s reportable segments, excluding discontinued operations, for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Net sales to external customers:				
Flexible	$ 491,369	$ 458,451	$ 1,498,799	$ 1,053,756
Rigid	195,412	195,308	596,948	595,297
Total	**$ 686,781**	**$ 653,759**	**$ 2,095,747**	**$ 1,649,053**
Operating income (loss):				
Flexible	$ 12,514	$ 4,552	$ 54,465	$ 6,134
Rigid	(1,920)	(6,556)	4,263	(13,871)
Corporate	(1,323)	(301)	(3,734)	(42)
Total	**$ 9,271**	**$ (2,305)**	**$ 54,994**	**$ (7,779)**

(in thousands of U.S. dollars)

12. Income Taxes

Income taxes are recorded under the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company's tax provision is based on projected earnings and losses by jurisdiction for the annual period. During the nine months ended September 30, 2014, the Company set its effective income tax rate based on those jurisdictions and entities where it expects to have book income for the year and excluded recording a benefit or loss on those jurisdictions for which it expects to derive no future benefit. The effective tax rate may fluctuate significantly on a quarterly basis due to both changes in jurisdictions in which earnings or losses are realized and the estimate of those earnings and losses.

The difference between the statutory tax rate and the Company's effective income tax rate for the three months ended September 30, 2014 primarily relates to the revision of estimates in the taxable position in various jurisdictions. For the nine months ended September 30, 2014, the difference between the statutory tax rate and the Company's effective income tax rate primarily relates to foreign income in separate jurisdictions for which the Company recorded a tax expense, as well as losses for which no deferred tax assets were recognized.

During the second quarter of the current fiscal year, the Company recorded a discrete deferred tax expense for $4,482 related to the cancellation of debt associated with the settlement of the Related Party Note assumed in the KubeTech acquisition.

13. Derivative Financial Instruments

The Company’s results of operations could be materially impacted by significant changes in foreign currency exchange rates. In an effort to manage the exposure to these risks, the Company has entered into a series of forward contracts and foreign currency options. The Company’s accounting policies for these instruments are in accordance with US GAAP for instruments designated as non-hedge instruments as defined in ASC 815. The Company records all derivatives on the balance sheet at fair value.

The Company’s objective for its contracts is to mitigate foreign currency risk related to future debt principal and interest payments in U.S. dollars from cash flows largely generated in British pounds and euros. In addition, the Company seeks to mitigate the risk of foreign currency changes affecting working capital specifically related to transactions conducted in euros for entities operating in British pounds. The Company had outstanding forward contracts and options with notional amounts of $70,645 to exchange foreign currencies as of September 30, 2014. All forward contracts and options mature between December 31, 2014 and September 30, 2016. The Company has elected to not pursue effective hedge accounting treatment on these forward contracts, and accordingly, these instruments are adjusted to fair value through earnings in foreign currency exchange gain (loss). Summarized financial information related to these derivative contracts and changes in the underlying value of the foreign currency exposures are as follows:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Unrealized foreign currency contract (gains) losses	(2,226)	(2,226)
Realized foreign currency contract (gains) losses	(416)	(416)
Net foreign currency contract (gains) losses	**$ (2,642)**	**$ (2,642)**

Unrealized foreign currency contract gains and losses are the result of unsettled foreign currency contracts as of September 30, 2014. Realized foreign currency contract gains and losses are the result of foreign currency contracts that have been settled during the period. During the three and nine months ended September 30, 2014, the Company has settled foreign currency contracts with aggregate notional amounts of $8,560. The foreign currency exchange gains and losses are the result of fluctuations in value of the British pound and euro versus the U.S. dollar.

(in thousands of U.S. dollars)

The Company's derivative instruments are recorded as follows in the condensed combined consolidated balance sheet as of September 30, 2014 and 2013:

	Fair Value of Derivatives Not Designated as Hedge Instruments [(a)]	
	September 30, 2014	**December 31, 2013**
Derivative assets:		
Prepaid expenses and other current assets	1,506	—
Other assets	754	0
Derivative liabilities:		
Other liabilities	(184)	—

(a) The derivative instruments are valued based on inputs that are indirectly observable through corroboration with observable market data, which are considered Level 2 inputs.

14. Fair Values of Debt Instruments

The following financial instruments are recorded at amounts that approximate fair value: (1) trade receivables, net, (2) certain other current assets, (3) accounts payable, (4) NA ABL Facility, (5) European ABL Facility, (6) the New Term Loan, (7) £47,375 Revolving Credit Facility, (8) PECs and ALPECs, (9) other legacy credit facilities carrying interest rates that fluctuate with market rates; and (10) certain other current liabilities. The carrying amounts reported on our condensed combined consolidated balance sheets for the above financial instruments closely approximate their fair value due to either the short-term nature of the aforementioned assets and liabilities or due to carrying an interest rate based upon a variable market rate.

The fair values of the Company's other financial instruments for which fair value does not approximate carrying value as of September 30, 2014 and December 31, 2013 are as follows:

September 30, 2014	**Carrying Value**	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
$ 325,000 7 7/8 % Senior Notes	$ 325,000	$ 339,625	$ —	$ 339,625	$ —
$ 235,000 10% Exopack Notes	235,431	249,100	—	249,100	—
€ 2,000 YFPEC	3,562	134	—	—	134

December 31, 2013	**Carrying Value**	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
$ 325,000 7 7/8 % Senior Notes	$ 325,000	$ 335,563	$ —	$ 335,563	$ —
$ 235,000 10% Exopack Notes	235,519	256,150	—	256,150	—
€ 2,000 YFPEC	3,867	133	—	—	133

The Company utilizes a market approach to calculate the fair value of the Company's Senior Notes and Exopack Notes. Due to their limited investor base, they may not be actively traded on the date of the fair value determination. Therefore, the Company may utilize prices and other relevant information indirectly observable through corroboration with observable market data, which are considered as Level 2 inputs. As market data is not available for calculating the fair value of the YFPEC, the Company has developed the inputs using the best information available with regards to the assumptions and believes the inputs are similar to those which market participants would use when pricing the liability. These inputs are unobservable and, therefore, considered as Level 3 inputs.

15. KubeTech Common Control Reconciliation

The Company acquired the controlling shares of KubeTech on May 30, 2014. As both the Company and KubeTech are owned and controlled by Sun Capital Partners V, L.P., this transaction is treated as a business combination under common control. Refer to *Note 1. Organization and Significant Accounting Policies* and *Note 5. Business Combinations* for further disclosures regarding the KubeTech acquisition. Accordingly, the Company's condensed combined consolidated financial statements and the notes presented herein have been recast to retrospectively include the results of KubeTech from the date of which common control was established, which was on December 31, 2012. The Company believes this information to be material to the users of the financial statements; therefore, the Company has presented the below table to reconcile the previously reported condensed combined consolidated balance sheets, condensed combined consolidated statements of operations and condensed combined statements of cash flows to the prior period financial information presented in this quarterly report.

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Balance Sheet

(in thousands of U.S. dollars)	As of December 31, 2013		
ASSETS	**Previously Reported**	**KubeTech**	**Combined**
Current assets:			
Cash	$ 69,095	$ 392	$ 69,487
Trade accounts receivable, net	400,448	6,723	407,171
Inventories	302,829	9,482	312,311
Deferred income taxes	6,375	—	6,375
Prepaid expenses and other current assets	59,882	91	59,973
Total current assets	**838,629**	**16,688**	**855,317**
Property, plant, and equipment, net	812,943	24,342	837,285
Intangible assets, net	350,105	—	350,105
Goodwill	497,128	—	497,128
Deferred income taxes	18,232	—	18,232
Pension assets	12,029	—	12,029
Noncurrent deferred financing costs, net	56,887	498	57,385
Other assets	8,735	—	8,735
Total assets	**$ 2,594,688**	**$ 41,528**	**$ 2,636,216**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of interest-bearing debt, capital leases and shareholder loans	$ 160,785	$ 1,915	$ 162,700
Accounts payable	355,408	3,386	358,794
Accrued liabilities	170,754	3,118	173,872
Income taxes payable	7,427	—	7,427
Total current liabilities	**694,374**	**8,419**	**702,793**
Noncurrent liabilities:			
Long-term debt, less current portion	1,229,734	24,803	1,254,537
Capital lease obligations, less current portion	55,686	—	55,686
Shareholder loans, less current portion	224,582	—	224,582
Deferred income taxes	119,610	(6,920)	112,690
Pension and other postretirement obligation	36,395	—	36,395
Other liabilities	8,490	—	8,490
Total liabilities	**2,368,871**	**26,302**	**2,395,173**
Commitments and contingencies			
Shareholders' equity (deficiency):			
Ordinary shares of par value EUR 1.00 per share	40	—	40
Additional paid-in capital	412,427	32,178	444,605
Accumulated deficit	(172,509)	(16,952)	(189,461)
Accumulated other comprehensive loss, net	(14,580)	—	(14,580)
Total shareholders' equity (deficiency)	**225,378**	**15,226**	**240,604**
Non-controlling interest	439	—	439
Total liabilities and shareholders' equity (deficiency)	**$ 2,594,688**	**$ 41,528**	**$ 2,636,216**

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Statements of Operations

	For the three months ended September 30, 2013		
(in thousands of U.S. dollars)	**Previously Reported**	**KubeTech**	**Combined**
Net sales	$ 632,021	$ 21,738	$ 653,759
Cost of sales	(551,207)	(22,540)	(573,747)
Gross margin	**80,814**	**(802)**	**80,012**
Operating expenses:			
Selling, general and administrative expenses	(64,619)	(6,957)	(71,576)
Depreciation and amortization	(10,736)	(5)	(10,741)
Operating income (loss):	**5,459**	**(7,764)**	**(2,305)**
Nonoperating income (expense):			
Interest expense, net	(27,040)	(937)	(27,977)
Other, net	2,352	—	2,352
Nonoperating income (expense), net	**(24,688)**	**(937)**	**(25,625)**
Income (loss) before taxes	**(19,229)**	**(8,701)**	**(27,930)**
Income tax benefit (provision)	(1)	2,758	2,757
Net income (loss) from continuing operations	**$ (19,230)**	**$ (5,943)**	**$ (25,173)**
Discontinued operations, net of tax	1,627	—	1,627
Net income (loss)	**$ (17,603)**	**$ (5,943)**	**$ (23,546)**

	For the nine months ended September 30, 2013		
(in thousands of U.S. dollars)	**Previously Reported**	**KubeTech**	**Combined**
Net sales	$ 1,569,886	$ 79,167	$ 1,649,053
Cost of sales	(1,370,872)	(77,856)	(1,448,728)
Gross margin	**199,014**	**1,311**	**200,325**
Operating expenses:			
Selling, general and administrative expenses	(164,599)	(18,701)	(183,300)
Depreciation and amortization	(24,784)	(20)	(24,804)
Operating income (loss):	**9,631**	**(17,410)**	**(7,779)**
Nonoperating income (expense):			
Interest expense, net	(59,142)	(1,791)	(60,933)
Other, net	10,841	(437)	10,404
Nonoperating income (expense), net	**(48,301)**	**(2,228)**	**(50,529)**
Income (loss) before taxes	**(38,670)**	**(19,638)**	**(58,308)**
Income tax benefit (provision)	(4,306)	6,375	2,069
Net income (loss) from continuing operations	**(42,976)**	**(13,263)**	**(56,239)**
Discontinued operations, net of tax	4,494	—	4,494
Net income (loss)	**$ (38,482)**	**$ (13,263)**	**$ (51,745)**

Statement of Cash Flows

	For the nine months ended September 30, 2013		
(in thousands of U.S. dollars)	**Previously Reported**	**KubeTech**	**Combined**
OPERATING ACTIVITIES			
Net income (loss)	**$ (38,482)**	**$ (13,263)**	**$ (51,745)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	82,462	1,353	83,815
Amortization of deferred financing costs	3,627	91	3,718
Loss (gain) on sale of property, plant and equipment	(8,124)	437	(7,687)
Deferred income tax provision (benefit)	(3,968)	(6,375)	(10,343)
Changes in operating assets and liabilities:			
Receivables, prepaid expenses, and other current assets	2,018	1,194	3,212
Inventories	(16,032)	2,823	(13,209)
Accounts payable and accrued and other liabilities	46,585	855	47,440
Net cash provided by operating activities	**68,086**	**(12,885)**	**55,201**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(90,485)	(3,493)	(93,978)
Proceeds from sales of property, plant and equipment	6,722	606	7,328
Investment in equity of affiliate	62	—	62
Cash paid for purchase of subsidiaries, net of cash acquired	(4,659)	(45,178)	(49,837)
Net cash used in investing activities	**(88,360)**	**(48,065)**	**(136,425)**
FINANCING ACTIVITIES			
Proceeds from NA ABL Facility	253,781	—	253,781
Repayments from NA ABL Facility	(252,324)	—	(252,324)
Proceeds from related party note	—	18,000	18,000
Proceeds from PNC Term Loan	—	13,939	13,939
Repayments of PNC Term Loan	—	(1,133)	(1,133)
Proceeds from other credit facilities	174,364	—	174,364
Repayments of other credit facilities and capital lease obligations	(204,378)	—	(204,378)
Deferred loan costs paid	(959)	(254)	(1,213)
Capital contributions	40	32,178	32,218
Net cash provided by financing activities	**(29,476)**	**62,730**	**33,254**
Effect of exchange rate changes on cash	2,088	—	2,088
Increase (decrease) in cash	(47,662)	1,780	(45,882)
Beginning cash and cash equivalents	105,561	—	105,561
Ending cash and cash equivalents	**$ 57,899**	**$ 1,780**	**$ 59,679**

16. Discontinued Operations

During 2014, the Flexibles group has disposed of its resin trade business. The Company's resin trade business consisted of buying and reselling resins from wholesalers to customers. The resin trade business has been discontinued to further focus the Company's operations around the Company's long-term strategy and organizational goals. As of September 30, 2014, the Company maintains $1,924 of resin inventory on hand that it intends to sell by year end. Net sales and net operating loss from the Company's discontinued operations for the three and nine months ended September 30, 2014 and 2013 are as follows:

(in thousands of U.S. dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Net sales	$ 5,885	$ 45,476	$ 38,290	$ 121,200
Operating income (loss)	$ (140)	$ 1,627	$ (596)	$ 4,494

17. Restructuring and Disposal Activities

Buffalo Grove Closure

In the first quarter of fiscal year 2013, KubeTech initiated a plan to close a manufacturing facility in Buffalo Grove, Illinois. The plan to close the Buffalo Grove facility was announced on January 17, 2013 and was completed during the fourth quarter of fiscal year 2013. A summary of the expenses aggregated in the condensed combined consolidated statement of operations for the three and nine months ended September 30, 2013 and the amounts accrued in accrued liabilities in the condensed combined consolidated balance sheet as of December 31, 2013 is as follows:

	Three Months Ended		Nine Months Ended	
Restructuring activities	**September 30, 2014**	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Employee severance costs	$ —	$ 482	$ —	$ 1,446
Other associated costs	—	3,780	93	6,048
Total restructuring costs	**$ —**	**$ 4,262**	**$ 93**	**$ 7,494**

Restructuring costs accrued as of December 31, 2013	**$ 867**
Accrual and accrual adjustments	**93**
Cash payments	**(960)**
Restructuring costs accrued as of September 30, 2014	**$ —**
Costs expected to be incurred beyond the current report date	**$ —**

Delaware Closure

In the first quarter of fiscal year 2014, KubeTech initiated a plan to close a manufacturing facility in Newark, Delaware. The closure of the facility further aligns KubeTech's manufacturing capabilities with customer needs relative to volume and point of supply, as well as improves overall asset utilization within the remaining two KubeTech locations. The plan to close the Delaware facility was announced on February 11, 2014 and was substantially completed during the third quarter of 2014. A summary of the expenses aggregated in the condensed combined consolidated statement of operations for the three and nine months ended September 30, 2014 and the amounts accrued in accrued liabilities in the condensed combined consolidated balance sheet as of September 30, 2014 is as follows:

(in thousands of U.S. dollars)

Restructuring activities	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Employee severance costs	$ 293	$ 1,028
Other associated costs	2,174	3,050
Total restructuring costs	**$ 2,467**	**$ 4,078**

Restructuring costs accrued as of March 31, 2014	**$ 365**
Accrual and accrual adjustments	**3,675**
Cash payments	**(3,938)**
Restructuring costs accrued as of September 30, 2014	**$ 102**
Costs expected to be incurred beyond the current report date	**$ —**

Caerphilly Closure

On July 7, 2014, the Company announced its intentions to close a Rigid manufacturing facility located in Caerphilly, United Kingdom. The closure of the facility further aligns production capabilities with customer demand and operational goals. All restructuring activities are expected to be completed by the end of fiscal year 2014. A summary of the expenses aggregated in the condensed combined consolidated statement of operations for the three and nine months ended September 30, 2014 and the amounts accrued in accrued liabilities in the condensed combined consolidated balance sheet as of September 30, 2014 is as follows:

Restructuring activities	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Employee severance costs	$ 642	$ 642
Other associated costs	—	—
Total restructuring costs	**$ 642**	**$ 642**

Restructuring costs accrued as of June 30, 2014	**$ —**
Accrual and accrual adjustments	**642**
Cash payments	**(642)**
Restructuring costs accrued as of September 30, 2014	**$ —**
Costs expected to be incurred beyond the current report date	**$ 159**

Sopelana Sale

On July 22, 2014, the Company completed the sale of a Rigid manufacturing facility located in Sopelana, Spain for total consideration of €2,000 ($2,710). Annual net sales for the facility in 2013 were approximately $10,944, and net sales in 2014 through the date of the sale were approximately $5,646. The Company incurred a $4,658 pre-tax loss on the sale, which was recorded as part of other income (expense), net for the nine months ended September 30, 2014.

SECTION II
(in thousands of U.S. dollars)

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This quarterly report of Coveris Holdings S.A. and subsidiaries (collectively referred to as the "Company" or the "Group") for the three and nine months ended September 30, 2014, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements. These statements include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. You can often identify these and other forward-looking statements by the use of the words such as "may," "will," "could," "would," "should," "expects," "plans," "anticipates," "estimates," "intends," "potential," "projected," "continue," or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. These statements are based on current expectations and assumptions regarding future events and business performance and involve known and unknown risks, uncertainties and other factors that may cause industry trends or our actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements.

Although we believe expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We will assume no obligation to update any of the forward-looking statements after the date of this report to conform these statements to actual results or changes in our expectations, except as required by law. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this report.

Except as otherwise indicated, references to "we," "our," "us," "Management," and the "Company" refer to Coveris Holdings S.A. and our subsidiaries.

You should carefully consider the risks described below as well as the other information contained in this quarterly report before making an investment decision. Any of the following risks may have a material adverse effect on our business, results of operations, financial condition, and cash flows, and as a result you may lose all or part of your original investment. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, results of operations, financial condition, and cash flows.

RISK FACTORS RELATING TO OUR BUSINESS

Our business operations and the implementation of our business strategy are subject to significant risks inherent in our business, including, without limitation, the risks and uncertainties described in our annual report for the year ended December 31, 2013. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on our condensed combined consolidated balance sheet, statement of operations, comprehensive income and cash flows and could cause actual results to differ materially from our historical results. While we believe we have identified and discussed the key risk factors affecting our business in our annual report for the year ended December 31, 2013, there may be additional risks and uncertainties not presently known or currently believed not to be significant that may adversely affect our business, operations, industry, financial position and financial performance in the future. As well as other variables affecting our operating results, past financial performance should not be considered a reliable indicator of future performance and historical trends may not be consistent with results or trends in future periods. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read together with our condensed combined consolidated financial statements, including the notes thereto, included elsewhere in this report, and with the audited combined consolidated financial statements, including the notes thereto, included in our annual report for the year ended December 31, 2013.

We are one of the largest manufacturers of plastic packaging products in the world. We offer a broad range of value-added flexible and rigid plastic and paper packaging products that include primary packaging (such as bags, pouches, cups, tubs, lids and trays), films, laminates, sleeves and labels. We operate 65 production and warehousing facilities in 18 countries, including the United States, the United Kingdom, France and Germany, which allows us to supply global customers reliably, quickly and efficiently across multiple regions. We operate 18 facilities in North America, 45 facilities across Europe, as well as two strategically located facilities in the Middle East and China.

We currently have a diversified base of over 3,000 customers, ranging from leading international blue-chip customers to smaller regional businesses, who we believe look to us for packaging solutions that have high consumer impact in terms of form, function and branding. Our products are used in a diverse range of growing and resilient end markets, including the food, industrial, beverage, pet and household care and medical end markets. Our diverse customer base includes some of the largest consumer products companies in the world such as Procter & Gamble, Coca-Cola, Kellogg, Kraft Foods, Mondelez, Nestle, Mars, Pepsi and Unilever. We have developed longstanding relationships with our customers spanning, in many cases, over 15 years.

We conduct our business principally through two operating segments: Flexible and Rigid. In our Flexible packaging segment we manufacture a variety of flexible and semi-rigid plastic and paper products, including bags, pouches, roll stocks, films, laminates, sleeves and labels. We sell these products primarily in North America and Europe. In our Rigid packaging segment we manufacture injection molded or thermoformed and decorated rigid plastic and paper packaging solutions, including bowls, cups, tubs, lids and trays. We sell these products primarily in Europe and North America.

Beginning in 2014, we have implemented the Coveris Business System ("CBS") in order to achieve our strategic goals and priorities. CBS starts with a foundation of our values, mission and culture, which are based around Commercial Excellence, Operational Excellence, Talent and Leadership and Acquisition Integration. Within the foundation and principles of CBS, we are implementing lean manufacturing techniques within the framework of the Coveris Performance System ("CPS"). Our results for the three and nine months ended September 30, 2014 are already reaping the benefits of the CBS and CPS.

History

On May 31, 2013, Sun Capital Partners V, L.P., an affiliate of Sun Capital Partners Inc. ("Sun Capital") completed a combination (the "Combination") of five of their flexible and rigid packaging portfolio businesses in North America and Europe, including Exopack Holding Corp ("Exopack"), Eifel Management S.a.r.l. & Partners S.C.A. ("Kobusch"), Copper Management S.a.r.l. & Partners S.C.A. ("Britton"), Portugal Management S.a.r.l. ("Paragon") and Island Lux S.a.r.l. & Partners S.C.A. ("Paccor") under Coveris Holdings, S.A., a Luxembourg company.

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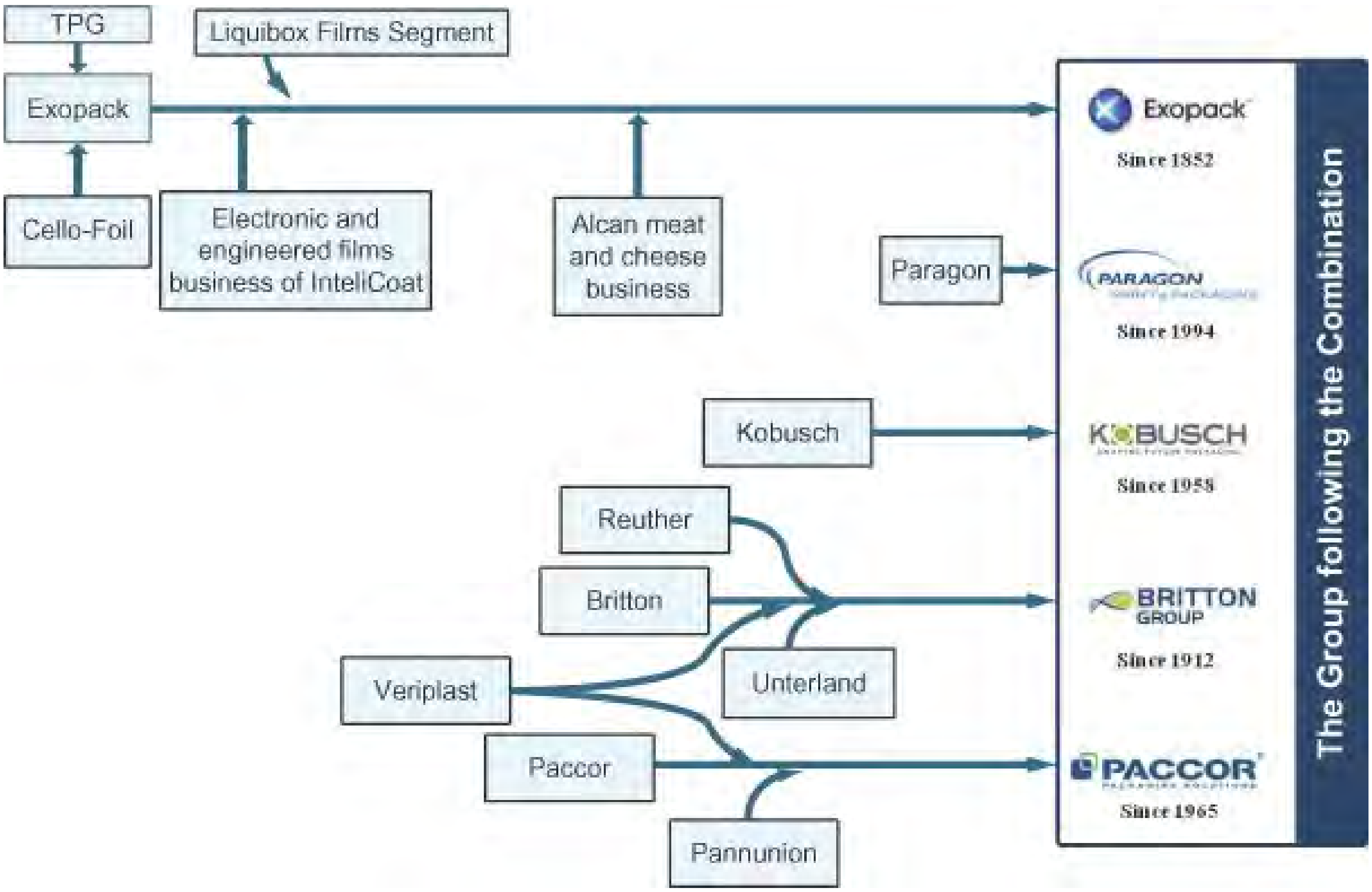
Our constituent businesses were added to Sun Capital's portfolio since 2005, as displayed (in simplified form) in the following table and described below:



- Exopack, which is primarily engaged in the production of flexible packaging, film products and specialty substrates, mainly in North America but also in Europe. The Exopack business was acquired by Sun Capital in 2005 in connection with the combination of the predecessor Exopack business, Cello-Foil Products, Inc. and The Packaging Group. In addition to integrating the businesses combined in 2005, the Exopack business has acquired and successfully integrated InteliCoat Technologies EF Holdco, Ltd., a producer of precision coated films and specialty substrates for imaging, electronics, medical and optical technologies, DuPont Liquid Packaging System's performance films business segment, and certain flexible packaging rollstock and flexible packaging shrink bag businesses previously operated by Bemis Company, Inc.;

- Britton, which primarily produces flexible packaging products serving a variety of end markets in Europe. The Britton business was formed on December 30, 2011 and holds the Reuther, Britton and Unterland businesses, as well as the flexible packaging business of Veriplast, each acquired by Sun Capital between January 2007 and October 2011;

- Paccor produces rigid plastic products, primarily plastic cups, containers, lids and trays for the dairy, fresh food and edible fats industries primarily in Europe. The Paccor business was formed on June 20, 2011 and holds the Paccor and Pannunion businesses, as well as the rigid packaging business of Veriplast, each acquired by Sun Capital between January 2007 and October 2011;

- Kobusch, which primarily produces high-value, custom designed plastic-based flexible and semi-rigid and rigid packaging solutions. The Kobusch entities were acquired by Sun Capital on December 31, 2011; and

- Paragon, which primarily provides print and packaging services to the U.K. private label fresh and chilled food market. The Paragon business was acquired by Sun Capital on December 31, 2012.

Prior to May 31, 2013, the results of operations of Kobusch, Paccor, Paragon and Britton were presented on a combined basis as they were not consolidated into any common parent or holding company but were all under the common control of Sun Capital Partners V, L.P. Subsequent to the Combination on May 31, 2013, the combined consolidated financial statements of the Company are presented on a condensed combined consolidated basis. These condensed combined consolidated financial statements include the accounts of all the entities and their subsidiaries. Material intercompany balances and transactions among the condensed combined consolidated entities have been eliminated. Results of operations of companies acquired are included from their respective dates of acquisition. As such, the condensed combined consolidated statements of operations are not comparable for the three and nine months ended September 30, 2014 and 2013. See also “Key Factors Affecting Our Business and Operations-Acquisitions” and “Results of Operations-Basis of Presentation.”

Common Control Acquisition of KubeTech

On May 30, 2014, we acquired 100% of the shares of Rose HPC Holding, LLC and its subsidiaries, including KubeTech Custom Molding, Inc. and KubeTech Custom Molding International, Inc. (collectively referred to as "KubeTech"). Through a series of intermediate holding companies, KubeTech was previously owned and controlled by Sun Capital Partners V, L.P., which is also our ultimate shareholder. As both parties were owned and controlled by Sun Capital Partners V, L.P., this transaction is treated as a business combination under common control. Accordingly, our condensed combined consolidated financial statements and the notes presented herein have been recast to retrospectively include the results of KubeTech from the date of which common control was established. Common control was established on the date Sun Capital Partner V, L.P., formed KubeTech and acquired control of the shares of Rexam Consumer Plastics Inc. on December 31, 2012. Refer to *Note 5. Business Combinations* for further disclosures regarding the KubeTech acquisition and *Note 15. KubeTech Common Control Reconciliation* for a reconciliation of the retrospective consolidation of KubeTech into our condensed combined consolidated balance sheets, condensed combined consolidated statements of operations and condensed combined consolidated statements of cash flows.

Legal Proceedings

In the normal course of business, we are party to various lawsuits, legal proceedings and claims arising out of our business. We cannot predict the outcome of these lawsuits, legal proceedings and claims with certainty. However, we believe the outcome of any existing or known threatened proceedings, even if determined adversely, would not have a material adverse effect on our financial condition. The most significant of these proceedings of which we are aware is listed below.

Huhtamaki France SAS European Commission Investigation

Two of our subsidiaries in the legacy Paccor business, Paccor France SAS (formerly known as Huhtamaki France SAS) and Island Lux SCA, received a Statement of Objections from the European Commission on September 28, 2012, alleging that Paccor France SAS participated in a cartel involving foam trays used for retail food packaging between September 3, 2004 and June 19, 2006. In the Statement of Objections, which constitutes an intermediate step in the proceedings, the European Commission indicated that it intends to levy a fine against the addressees of the Statement of Objections, including Paccor France SAS. Proceedings regarding this matter are currently pending. It is our belief that any fine levied upon Paccor France SAS would be indemnifiable against Huhtamaki Oyj, the previous owner of Paccor France SAS, under the Sale and Purchase Agreement dated September 22, 2010.

Recent Developments

On July 7, 2014, we announced our intentions to close a Rigid manufacturing facility located in Caerphilly, United Kingdom. The closure of the facility further aligns production capabilities with our company goals. All restructuring activities are expected to be completed by the end of fiscal year 2014.

On July 22, 2014, we completed the sale of a Rigid manufacturing facility located in Sopelana, Spain for total consideration of €2,000 ($2,710). Annual net sales for the facility were approximately $10,944. The Company incurred a $4,658 loss on the sale, which is included in other income (expense) for the nine months ended September 30, 2014.

On and after July 25, 2014, we have entered into a series of forward contracts and foreign currency options in order to hedge our foreign currency risk related to future debt and principal payments in U.S. dollars and euros from cash flows largely generated in euros and British pounds. We have not pursued effective hedge accounting treatment on these derivative instruments. We will record the changes in fair value of these derivatives to the condensed combined consolidated statement of operations in foreign currency exchange gain (loss) in accordance with the Financial Accounting Standards Board *Accounting Standards Codification* ("ASC") 815.

On August 21, 2014, we acquired the shares of Learoyd Packaging Limited ("Learoyd") for purchase consideration of £6,745 ($11,260), net of cash acquired. Learoyd is one of the UK's leading flexographic print specialists supplying flexible packaging solutions to major supermarkets, own brands and food manufacturers and retailers. The acquisition of Learoyd will support and strengthen Coveris' UK flexible packaging offering through advanced processes and technologies in addition to providing access to new customer and product markets. Learoyd consists of one plant located in Burnley, UK, the results of which are included in the Flexible reporting segment. We have accounted for this acquisition under the purchase method of accounting prescribed in ASC 805.

We appointed Kathleen McJohn as General Counsel effective October 6, 2014. Ms. McJohn most recently served as Senior Vice President, General Counsel and Secretary at WMS Industries. Ms. McJohn will work closely with our current legal representatives as well as business unit and executive team members to build a legal department closely aligned with our corporate strategy and objectives.

Key Factors Affecting Our Business and Operations

General Economic Conditions in our Markets

Macroeconomic factors in the geographies in which we operate affect our results of operations. The market for plastic-based film and packaging products is generally mature in most of the markets in which we operate, and as such there is a close correlation between consumer consumption levels and demand for our products. As a result, the revenues we generate each period are affected by factors such as unemployment levels, consumer spending, credit availability and business and consumer confidence. Certain of our products are considered discretionary and as a result consumers generally purchase less of these products during economic downturns. A large portion of our products are used in fast-moving consumer goods markets. Consumption of these products has shown resilience over time and less volatility compared to gross domestic product indexes. However, as economic conditions slow, retailers often seek to manage inventory levels and slow their rate of product purchases as they try to sell product already in stock. Our customers also seek to reduce working capital during a slowdown and as a result they seek to manage inventory levels, revise trade credit terms and aggressively negotiate prices. Historically, the primary impact on our revenues during economic downturns has been reduced demand due to the destocking efforts by our customers.

Changes in Prices of Raw Materials and Fuels

Raw materials costs represent the single largest component of our operating costs. Given the significance of raw materials costs to our operating expenses and our limited ability to control raw materials costs as compared to other operating costs, volatility in raw materials prices can materially affect our margins and results of operations.

The principal raw materials we use to manufacture our products are resins, polymers, paper, films, inks, adhesives, masterbatches and transit packaging materials. Many of the raw materials we use in our manufacturing processes are commodities, which are subject to significant price volatility. Prices of polymers and other raw materials fluctuate due to supply and demand, suppliers' capacity utilization, industry and consumer sentiment, and prices for crude oil, natural gas and other raw materials.

We take various actions to reduce overall raw materials and energy expense and exposure to price fluctuations. Most of our raw materials are purchased at market prices and so our costs are exposed to changes in price. We generally seek to pass increased materials costs to our customers through a variety of means. In certain of our customer contracts we have price modification mechanisms based on increases in our raw materials prices and in other cases we seek to revise prices based on costs as new customer agreements are negotiated or purchase orders are placed. A significant portion of our sales are indexed to raw material prices with escalator and de-escalator mechanisms. These mechanisms generally pass through raw material price changes in our plastic and paper production in 30 to 90 days and 90 to 120 days, respectively. For our remaining sales, which are primarily made through purchase orders, we seek to pass through raw material price increases by raising the price of our products. In addition, a significant proportion of the materials we purchase are sourced from suppliers that are imposed on us by our fast-moving consumer goods customers, who are responsible for any variance in such suppliers' costs.

Our product mix and ability to create innovative products using raw materials efficiently also impacts the amount of raw materials we use to produce our products. If we are able to produce products expending less resin, or use a mix of raw materials subject to less price fluctuation, we will reduce our raw material price exposure.

Foreign Currency Exchange Rates

Our reported results of operations and financial condition are affected by exchange rate fluctuations, and we are exposed to both transactional and translational risk due to these fluctuations.

Transactional risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We currently operate facilities in 18 different countries, and sell our products into approximately 60 countries. As a result, we generate a significant portion of our sales and incur a significant portion of our expenses in currencies other than the U.S. dollar. The primary currencies in which we generate revenues are the euro, the U.S. dollar and the British pound sterling. Where we are unable to match sales received in foreign currencies with costs paid in the same currency, our results of operations are impacted by currency exchange rate fluctuations. For example, a stronger U.S. dollar will increase the cost of U.S. dollar supplies for our non-U.S. businesses and conversely decrease the cost of non-U.S. dollar supplies for our U.S. dollar businesses. Our subsidiaries generally execute their sales and incur most of their materials costs in the same currency. In the current quarter, we have entered into a series of forward contracts and foreign currency options in an effort to reduce the effect of exchange rate fluctuations on our financial statements related to our future debt principal and interest payments in U.S. dollars from cash flows largely generated in British pounds and euros. We have elected to not pursue effective hedge accounting treatment on these forward contracts and will record changes in the fair value of the contracts to the condensed combined consolidated statement of operations. See "Quantitative and Qualitative Information Regarding Market and Operating Risks-Foreign Exchange Risk."

We present our condensed combined consolidated financial statements in U.S. dollars. As a result, we must translate the assets, liabilities, revenue and expenses of all of our operations with a functional currency other than the U.S. dollars into U.S. dollars at then-applicable exchange rates. Consequently, increases or decreases in the value of these currencies against the U.S. dollar may affect the value of our assets, liabilities, revenue and expenses with respect to our non-U.S. dollar businesses in our condensed combined consolidated financial statements, even if their value has not changed in their original currency, which creates translation risk. These translations could significantly affect the comparability of our results between financial periods and result in significant changes to the carrying value of our assets, liabilities and stockholders' equity.

Competition and Market Trends

The packaging industry is highly competitive, and levels of competition, pricing and other activities by our competitors impact our results in each period. The markets for our products are mature in Europe and North America, and there are many competing manufacturers that produce similar and other types of packaging. While the principal drivers for competition for our products include quality, product performance and characteristics and service, price is also an important aspect of our ability to compete. In the flexible packaging segment, the market leaders have a strong presence in high volume product lines over which to spread the fixed costs of capital investments. Larger players gain a competitive advantage in these areas through operational efficiency and investment in processing technology and capabilities. Although the largest players will continue to dominate the high-volume product areas, small and mid-size companies have often found success by carving out unique market niches with customers. Bags and film products used in custom applications that require fast turnaround times are better served by smaller manufacturers, and there are numerous small players that deal only in these markets. In the rigid plastic packaging segment, cost pressures in rigid packaging make it difficult for small players to compete on high-volume products, but small- and medium-sized competitors frequently focus on niche products for household chemicals, personal care products, food, or automotive retail products. Smaller players can differentiate themselves in these areas through value-added services such as shrink-sleeve labeling and custom design.

We currently manufacture most of our products in the United States, Canada, the United Kingdom, Germany and certain other European countries. Our competitors include producers who manufacture a higher percentage of their products in countries with significantly lower labor costs than we do. If one or more of our competitors with manufacturing facilities in such lower cost countries offers products of sufficient quality in our markets at lower prices, we may be forced to lower our prices to maintain our competitiveness, or we may be unable to continue to sell our products. In either case, our sales and our gross profit could decline. Additionally, we compete, to a certain extent, with our customers if they have in-house packaging-making capabilities.

We are also impacted by packaging trends, which change based on product cost, environmental impact and consumer demand. During the last ten years the packaging industry has experienced a general shift toward plastic products. Plastic packaging has been the fastest growing segment of the packaging market, and sales growth in our markets during the last ten years has exceeded gross domestic product growth, due in part to increasing demand for consumer goods and a shift from metal, paper and glass containers to plastics.

Success of New Products

Our innovation and research and development capabilities are a key element of our success. As a result, we are required to continuously invest in innovation and research and development as well as capital expenditures to update our facilities with the equipment needed to produce new products. We work with our customers to develop new products in connection with their product launches and we also organically develop products to sell to our existing customers. Periods in which we and our customers have successfully anticipated trends generally have had more favorable results. If a release is successful, this will have a positive impact on our sales until consumer preferences change or until those items are replaced by new items. If the product is not successful, we will not be able to fully load our lines and our operating results will be negatively impacted temporarily. A majority of research and development efforts in the plastic packaging space are currently devoted to innovations that help to differentiate products, such as convenience packaging, improved barrier protection, packaging design initiatives, smart packaging and environmentally-friendly alternatives. Our ability to accurately predict consumer trends and needs and focus our development efforts accordingly will impact our product sales.

Changes in Product Mix

Our results of operations have in the past been, and will continue to be in the future, impacted by changes in our product mix. We manufacture and sell flexible and rigid plastic products with a focus on the production of technologically advanced packaging solutions and films and on innovation and customization. Our products have different average selling prices and gross margins. In general, our products in technically demanding product areas have higher average selling prices and gross margins as compared to our products used in less demanding applications. The difference in margins is driven by applications and the levels of innovation and customization required for those products. Our exposure to cyclical end markets (including industrial, building products and retail) makes our flexible-packaging business slightly less predictable than our consumer- and food-oriented rigid-packaging operations.

Our strategy is to continue to innovate and improve existing products and technologies, as well as to develop new products to prevent commoditization and replace our existing lower valued-added products with more technically advanced products. Factors that influence our product mix in a particular period include the timing and roll-out of new products, the demand for existing products and demand growth for various types of packaging. For example, rigid plastic packaging sales in our markets have increased in the past ten years at a rate higher than flexible plastic products, as consumer goods sellers have switched from packaging solutions, such as Styrofoam, to rigid plastic.

Weather

Our results of operations are also affected by weather conditions in the various geographic markets in which we operate, to the extent that weather conditions affect demand for products utilized in our packaging. For example, a significant weather event, such as a hurricane in the United States, may increase demand for our products used in the construction end market, while abnormally wet summer weather in Europe may dampen demand for packaging for fresh foods used in picnics or farm products.

2013 Refinancing

On November 8, 2013, we issued $325,000 in aggregate principal amount of Senior Notes and entered into a New Term Loan with a syndicate of financial institutions, in which the proceeds were segregated into two tranches of varying principal amounts and currency denominations: (1) $435,000 and (2) €175,000. The proceeds from the Senior Notes and New Term Loan were used to pay off much of our existing debt structure in Europe as well as the legacy $350,000 Term Loan Facility from Exopack. We refinanced our legacy debt structure with a new bond issuance and term loan structure in order to establish a sustainable credit structure, strategically position our business for future growth and fund current working capital needs across all of our jurisdictions. Also on November 8, 2013, subsequent to the issuance of the Senior Notes, we amended the NA ABL Facility and entered into receivables and inventory financing arrangements in each of France, Germany and the United Kingdom.

Acquisitions

We have acquired control over various companies through a series of separate transactions completed between August 5, 2010 and August 21, 2014, listed in the table below. Except for the acquisition of KubeTech as described below, we have accounted for each of these acquisitions using the purchase method of accounting prescribed in ASC 805. Under these standards, as of the date of each acquisition, we have conducted a formal valuation analysis of the identifiable assets and liabilities of the applicable acquired entity, made corresponding adjustments to such entity's pre-acquisition carrying values and allocated any positive or negative difference between the cost of each acquisition and the fair value of the related identifiable net assets to goodwill or other intangible assets or to gains on bargained purchases, as the case may be.

We have accounted for the acquisition of KubeTech under the guidance for common control transactions as both the Company and KubeTech are indirectly majority-owned by Sun Capital Partners V, L.P. According to ASC 805, business combinations between entities under common control are accounted for at the historical carrying values of the assets and liabilities transferred at the date of the transaction and retrospectively presented in the financial statements for the prior periods through the date under which the entities came under common control.

Acquisitions affect our results of operations in several ways. First, our results for the period during which an acquisition takes places are affected by the inclusion of the results of the acquired entity into our consolidated results. Second, the results of the acquired businesses after their acquisitions may be positively affected by synergies. Additionally, we may experience an increase in operating expenses, including staff costs, as we integrate the acquired business into our network. Finally, because acquired entities are consolidated from their date of acquisition, unless the acquiree is under common control, the full impact of an acquisition or disposition is only reflected in our financial statements in the subsequent period. The following table provides an overview of our recent acquisitions and shows the inclusion date of the acquired entities into our condensed combined consolidated financial statements.

	Income Statement		Balance Sheet	
	Three and Nine Months Ended		As of	
Acquisition	September 30, 2014	September 30, 2013	September 30, 2014	December 31, 2013
Reuther	✓	✓	✓	✓
Paccor	✓	✓	✓	✓
Britton	✓	✓	✓	✓
Veriplast	✓	✓	✓	✓
Unterland	✓	✓	✓	✓
Pannunion	✓	✓	✓	✓
Kobusch	✓	✓	✓	✓
Paragon (1)	✓	✓	✓	✓
Exopack (2)	✓	✓	✓	✓
InteliCoat (3)	✓	✓	✓	✓
Closures (4)	✓		✓	✓
KubeTech (5)	✓	✓	✓	✓
St. Neots (6)	✓		✓	
Learoyd (7)	✓		✓	

(1) We acquired Paragon on December 31, 2012.
(2) As a result of the Combination, the financial results of the Exopack Business are consolidated in the condensed combined consolidated financial statements of Coveris Holdings S.A. from May 31, 2013 through September 30, 2014.
(3) We acquired InteliCoat on August 28, 2013.
(4) We acquired Closures on October 23, 2013.
(5) We acquired KubeTech on May 30, 2014. Due to KubeTech being under common control, the financial results of KubeTech are consolidated in the condensed combined consolidated financial statements of Coveris Holdings S.A. from December 31, 2012 through June 30, 2014.
(6) We acquired St. Neots on June 12, 2014.
(7) We acquired Learoyd on August 21, 2014.

Description of Key Line Items in Our Income Statements

Net Sales

We recognize sales revenue when all of the following conditions are met: persuasive evidence of an agreement exists, delivery has occurred, our price to the buyer is fixed and determinable and collectability is reasonably assured. Sales and related cost of sales are principally recognized upon transfer of title to the customer, which generally occurs upon shipment of products. Our stated shipping terms are generally FOB shipping point unless otherwise noted in the customer contract. Sales to certain customers are on consignment and revenue is recognized when the customer uses the products. Provisions for estimated returns and allowances and customer rebates are recorded when the related products are sold.

Cost of Sales

Our cost of sales represent amount paid for direct costs of running the business including amounts due to external third parties for service directly related to revenue. These costs include direct and indirect materials costs, direct and indirect labor costs, including fringe benefits, supplies, utilities, depreciation, amortization, insurance, pension and post-retirement benefits and other manufacturing related costs. The largest component of our costs of sales is the cost of materials, and the most significant component of this is plastic resin.

We also lease various buildings, machinery and equipment from third parties under operating lease agreements. Rent expense under the operating lease agreements is included in cost of sales or selling and administrative expenses depending on the nature of the leased assets.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily include sales and marketing, finance and administration and information technology costs. Our major cost elements include salary and wages, fringe benefits, travel and information technology costs.

Interest Expense

Our interest expense relates mainly to interest expenses, exchange rate differences, deferred finance costs and unused facility and letter of credit fees on financial debt and other finance costs.

Other income (expense), net

Our other, net generally consists of gains and losses on the disposal or sale of assets and the change in the fair value of derivative instruments not designated as hedges.

Foreign Currency Exchange gain (loss)

Our foreign currency exchange gain or loss generally consists of realized and unrealized gains on foreign currency transactions. A significant driver in this line item is the unrealized foreign exchange gain or loss on the remeasurement of our U.S. dollar denominated Term Loan and Senior Notes that are maintained by a euro functional currency entity.

(Provision)/Benefit for Income Taxes

Income tax expense includes current and deferred tax. Taxes are recognized in the income statement except where the underlying transaction is recognized in comprehensive income, in which case the tax effect is recognized in comprehensive income. Current tax is tax paid or received during the current year and includes adjustments of current tax for prior periods.

Results of Operations

Currency

We make references to "constant currency," a non-GAAP performance measure that excludes the foreign exchange rate impact from fluctuations in the weighted average foreign exchange rates between reporting periods. Constant currency is calculated by translating current period results from currencies other than the U.S. dollar using the comparable weighted average foreign exchange rates from the prior year period. This information is provided to view financial results without the impact of fluctuations in foreign currency rates, thereby enhancing comparability between reporting periods.

Basis of Presentation

Prior to May 31, 2013, the results of operations of Kobusch, Paccor, Paragon and Britton were presented on a combined basis as they were not consolidated into any common parent or holding company but were all under the common control of Sun Capital Partners V, L.P. Subsequent to the Combination on May 31, 2013, the combined consolidated financial statements of the Company are presented on a condensed combined consolidated basis. These condensed combined consolidated financial statements include the accounts of all the entities and their subsidiaries. Material intercompany balances and transactions among the condensed combined consolidated entities have been eliminated. Results of operations of companies acquired are included from their respective dates of acquisition. As such, the condensed combined consolidated statements of operations are not comparable for the three and nine months ended September 30, 2014 and 2013.

Common Control Acquisition of KubeTech

On May 30, 2014, we acquired 100% of the shares of Rose HPC Holding, LLC and its subsidiaries, including KubeTech Custom Molding, Inc. and KubeTech Custom Molding International, Inc. (collectively referred to as "KubeTech"). Through a series of intermediate holding companies, KubeTech was previously owned and controlled by Sun Capital Partners V, L.P., which is also our ultimate shareholder. As both parties were owned and controlled by Sun Capital Partners V, L.P., this transaction is treated as a business combination under common control. Accordingly, our condensed combined consolidated financial statements and the notes presented herein have been recast to retrospectively include the results of KubeTech from the date of which common control was established. Common control was established on the date Sun Capital Partner V, L.P., formed KubeTech and acquired control of the shares of Rexam Consumer Plastics Inc. on December 31, 2012. Refer to *Note 5. Business Combinations* for further disclosures regarding the KubeTech acquisition and *Note 15. KubeTech Common Control Reconciliation* for a reconciliation of the retrospective consolidation of KubeTech into our condensed combined consolidated balance sheets, condensed combined consolidated statements of operations and condensed combined consolidated statements of cash flows.

Consolidated Analysis, Excluding Discontinued Operations, for the Three Months Ended September 30, 2014 and 2013

	Three Months Ended			
(in thousands of U.S. dollars)	**September 30, 2014**		**September 30, 2013**	
Statement of Operations Data:	**$**	**% of Net Sales**	**$**	**% of Net Sales**
Net sales	$ 686,781	100 %	$ 653,759	100 %
Cost of sales	(590,492)	-86.0 %	(573,747)	-87.8 %
Gross margin	96,289	14.0 %	80,012	12.2 %
Selling, general and administrative expenses	(76,053)	-11.1 %	(71,576)	-10.9 %
Depreciation and amortization	(10,965)	-1.6 %	(10,741)	-1.6 %
Operating income (loss)	9,271	1.3 %	(2,305)	-0.4 %
Interest expense, net	(32,617)	-4.7 %	(27,977)	-4.3 %
Other income (expense), net	163	— %	3,301	0.5 %
Foreign currency exchange gain (loss)	(17,969)	-2.6 %	(949)	-0.1 %
Income (loss) before taxes	(41,152)	-6.0 %	(27,930)	-4.3 %
Income tax benefit (provision)	1,443	0.2 %	2,757	0.4 %
Net income (loss) from continuing operations	**$ (39,709)**	**-5.8%**	**$ (25,173)**	**-3.9%**

Net Sales. Net sales for the three months ended September 30, 2014 increased $33,022 or 5.1% from the prior year, primarily due to the acquisitions of InteliCoat (August 28, 2013), Closures (October 23, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $33,133 to net sales. Additionally, the increase in net sales included a favorable foreign exchange impact of $7,162. Excluding the impact of foreign currency and acquisitions, net sales decreased $7,273, primarily due to lower volumes in our Rigid packaging segment in both Europe and North America. For a more detailed discussion of the change in net sales from the three months ended September 30, 2013, please see our analysis by reportable segment below.

Cost of Sales. Cost of sales for the three months ended September 30, 2014 increased $16,745 or 2.9% from the prior year, primarily due to the acquisitions of InteliCoat (August 28, 2013), Closures (October 23, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $27,964 to cost of sales. Additionally, the increase in cost of sales included an unfavorable foreign exchange impact of $5,601. Excluding the impact of foreign currency and acquisitions, cost of sales decreased $16,820. As a percentage of sales, cost of sales decreased 178 basis points ("bps"). The favorable change in cost of sales as a percentage of net sales is primarily driven by operational efficiencies and cost savings initiatives, such as CBS, CPS and restructuring activities. For a more detailed discussion of our results of operations compared to the three months ended September 30, 2013, please see our analysis by reportable segment below.

Selling, General and Administrative (“SG&A”) expenses. SG&A expenses for the three months ended September 30, 2014 increased $4,477 or 6.3% from the prior year, primarily due to the acquisitions of InteliCoat (August 28, 2013), Closures (October 23, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $2,039 to SG&A. Additionally, the increase in SG&A included the unfavorable foreign exchange impact of $991. Excluding foreign currency and acquisitions, SG&A increased $1,447 from the three months ended September 30, 2013, primarily due to increased administrative costs associated with implementing various governance and process improvement initiatives.

Depreciation and Amortization (“D&A”). D&A for the three months ended September 30, 2014 increased $224 from the prior year. Acquisitions contributed $67 to incremental D&A from the three months ended September 30, 2013. Additionally, the increase in D&A included the unfavorable foreign exchange impact of $251. Excluding foreign currency and acquisitions, D&A remained relatively flat compared to the three months ended September 30, 2013.

Interest expense, net. Interest expense, net for the three months ended September 30, 2014 increased $4,640 from the three months ended September 30, 2013, primarily due to higher average debt balances.

Other income (expense), net. Other income (expense), net for the three months ended September 30, 2014 decreased $3,138 from the three months ended September 30, 2013, primarily due to a $4,658 loss incurred on the sale of our Sopelana, Spain facility, which was a part of our Rigid segment, partially offset by a $1,735 gain on the sale of an investment in a joint venture in the Middle East.

Foreign Currency Exchange Gain (Loss). Foreign currency gain loss increased $17,020 from the prior year quarter due to the unrealized foreign exchange loss from the remeasurement of our USD Tranche of our Term Loan and Senior Notes that were issued on November 8, 2013 and maintained in a euro functional currency entity.

Income tax benefit (provision). For the three months ended September 30, 2014, income tax benefit decreased $1,314 from the three months ended September 30, 2013. The decrease is driven by an increase in estimated profitability for taxpaying entities within the group.

Analysis by Reportable Segments, Excluding Discontinued Operations, for the Three Months Ended September 30, 2014 and 2013

Effective October 1, 2013, a component of the legacy Kobusch business previously reported in the Flexible segment was transferred to the Rigid segment in order to better align performance evaluation and resource allocation by the Company's chief operating decision maker ("CODM"). Segment disclosures for the three months ended September 30, 2013 have been recast to reflect this change in reporting structure in accordance with ASC 280. This recast decreased net sales in the Flexible segment and increased net sales in the Rigid segment by $25,976, as well as decreased operating income in the Flexible segment and decreased the operating loss in the Rigid segment by $2,041 for the three months ended September 30, 2013.

Effective May 30, 2014, KubeTech was acquired and incorporated into the Rigid segment based on the nature of KubeTech's products and services. The KubeTech acquisition was treated as a business combination under common control as KubeTech was ultimately controlled by Sun Capital Partners V, L.P., the ultimate shareholder of the Company. In accordance with the guidance for business combinations under common control in ASC 805, segment disclosures for the three months ended September 30, 2013 have been recast to reflect this acquisition.

Net sales by segment for the three months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended			
	September 30, 2014	**September 30, 2013**	**$ Change**	**% Change**
Net sales from external customers:				
Flexible	$ 491,369	$ 458,451	$ 32,918	7.2 %
Rigid	195,412	195,308	104	0.1 %
Total net sales	**$ 686,781**	**$ 653,759**	**$ 33,022**	**5.1%**

Income (loss) from continuing operations by segment for the three months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	$ Change	% Change
Operating income (loss):				
Flexible	$ 12,514	$ 4,552	$ 7,962	174.9 %
Percentage of Flexible net sales	*2.5 %*	1.0 %		
Rigid	(1,920)	(6,556)	4,636	70.7 %
Percentage of Rigid net sales	*(1.0)%*	(3.4)%		
Corporate	(1,323)	(301)	(1,022)	339.5 %
Operating income (loss)	**$ 9,271**	**$ (2,305)**	**$ 11,576**	**(502.2)%**
Percentage of total net sales	1.3 %	(0.4)%		

Flexible

The Flexible segment includes a variety of flexible, semi-rigid plastic and paper products, including bags, pouches, roll stocks, films, laminates, sleeves and labels. We sell these products primarily in North America and Europe.

Our Flexible segment net sales for the three months ended September 30, 2014 increased $32,918 or 7.2% from the prior year, primarily due to the acquisitions of InteliCoat (August 28, 2013), Closures (October 23, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $23,471 to net sales. Additionally, the increase in net sales included a favorable foreign exchange impact of $6,881. Excluding the impact of foreign currency and acquisitions, net sales increased $2,566. This organic growth is largely attributable to favorable volumes in our North America salt and seasonal seed bag business, partially offset by soft end markets in Europe.

For the three months ended September 30, 2014, our Flexible segment operating income increased $7,962 from the prior year primarily due to the acquisitions of InteliCoat (August 28, 2013), Closures (October 23, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $1,965 to operating income. Additionally, the increase in operating income included a favorable foreign exchange impact of $457. The remaining increase is primarily driven by operational efficiencies and cost savings initiatives, such as CBS and CPS.

Rigid

The Rigid segment includes injection molded or thermoformed and decorated rigid plastic and paper packaging solutions, including bowls, cups, tubs, lids and trays. We sell these products primarily in Europe and North America.

Our Rigid segment net sales for the three months ended September 30, 2014 increased $104 or 0.1% from the prior year, primarily due to the addition of Closures on October 23, 2013, which contributed $9,662 to the current quarter, and a favorable foreign exchange impact of $281. Favorable foreign exchange and the Closures acquisition were partially offset by lower volumes in southern Europe, general market softness for packaged foods and the inclusion of the North America Rigid business that we acquired from KubeTech, which is consolidated into prior period results. In the prior year, KubeTech was in the process of closing down a plant in Buffalo Grove, Illinois due to lack of volumes.

For the three months ended September 30, 2014, the operating loss in the Rigid segment decreased $4,636 from the prior period. The Closures acquisition contributed $1,097 to operating income in the current quarter. Excluding the Closures acquisition, the increase is largely attributable to lower SG&A expense attributable to prior year restructuring activities and cost alignment initiatives, in conjunction with CBS and CPS to better leverage our existing resources and improve operating results.

Consolidated Analysis, Excluding Discontinued Operations, for the Nine Months Ended September 30, 2014 and 2013

(in thousands of U.S. dollars)	**Nine Months Ended September 30, 2014**		**September 30, 2013**	
Statement of Operations Data:	**$**	**% of Net Sales**	**$**	**% of Net Sales**
Net sales	$ 2,095,747	100 %	$ 1,649,053	100 %
Cost of sales	(1,794,033)	-85.6 %	(1,448,728)	-87.9 %
Gross margin	301,714	14.4 %	200,325	12.1 %
Selling, general and administrative expenses	(214,322)	-10.2 %	(183,300)	-11.1 %
Depreciation and amortization	(32,398)	-1.5 %	(24,804)	-1.5 %
Operating income (loss)	54,994	2.6 %	(7,779)	-0.5 %
Interest expense, net	(96,797)	-4.6 %	(60,933)	-3.7 %
Other income (expense), net	(304)	— %	11,980	0.7 %
Foreign currency exchange gain (loss)	(15,403)	-0.7 %	(1,576)	-0.1 %
Income (loss) before taxes	(57,510)	-2.7 %	(58,308)	-3.5 %
Income tax benefit (provision)	(1,760)	-0.1 %	2,069	0.1 %
Net income (loss) from continuing operations	**$ (59,270)**	**-2.8%**	**$ (56,239)**	**-3.4%**

Net Sales. Net sales for the nine months ended September 30, 2014 increased $446,694 or 27.1% from the prior year, primarily due to the acquisitions of Exopack (May 31, 2013), InteliCoat (August 28, 2013), Closures (October 23, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $413,596 to net sales. Additionally, the increase in net sales included a favorable foreign exchange impact of $53,531. Excluding the impact of foreign currency and acquisitions, net sales decreased $20,433, primarily due to general market softness in Europe and the prior year rationalization of our North America Rigid business. Our volume drop in Europe was partially offset by increased volume in various industrial and coated products in North America and the UK. For a more detailed discussion of the change in net sales from the nine months ended September 30, 2013, please see our analysis by reportable segment below.

Cost of Sales. Cost of sales for the nine months ended September 30, 2014 increased $345,305 or 23.8% from the prior year, primarily due to the acquisitions of Exopack (May 31, 2013), InteliCoat (August 28, 2013), Closures (October 23, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $343,191 to cost of sales. Additionally, the increase in cost of sales included the unfavorable foreign exchange impact of $45,336. Excluding foreign currency and acquisitions, cost of sales decreased $43,222 from the nine months ended September 30, 2013, due to synergies achieved in the Combination and other strategic cost savings initiatives, such as the CBS and CPS.

Selling, General and Administrative ("SG&A") expenses. SG&A expenses for the nine months ended September 30, 2014 increased $31,022 or 16.9% from the prior year, primarily due to the acquisitions of Exopack (May 31, 2013), InteliCoat (August 28, 2013), Closures (October 23, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $35,449 to SG&A. Additionally, the increase in SG&A included the unfavorable foreign exchange impact of $5,960. Excluding foreign currency and acquisitions, SG&A decreased $10,387 from the nine months ended September 30, 2013 due to synergies achieved in the Combination and other strategic cost savings initiatives.

Depreciation and Amortization ("D&A"). D&A for the nine months ended September 30, 2014 increased $7,594 from the prior year, primarily due to an additional $6,625 of D&A related to the Exopack acquisition effective May 31, 2013.

Interest expense, net. Interest expense, net for the nine months ended September 30, 2014 increased $35,864 from the prior year, primarily due to the acquisition of Exopack on May 31, 2013, which added an incremental $21,277 of interest expense. The remaining increase is related to amortization of deferred financing costs incurred during the Refinancing in November 2013 of $4,555 and increased interest expense due to higher debt balances as of September 30, 2014 compared to September 30, 2013.

Other income (expense), net. Other income (expense), net for the nine months ended September 30, 2014 decreased $12,284 from the prior year period. The primary driver in the gain for the nine months ended September 30, 2013 is a prior year gain on the sale of equipment. The primary driver in the loss for the nine months ended September 30, 2014 is the $4,658 loss on the sale of our Sopelana, Spain facility, partially offset by a $1,735 gain on the sale of an investment in a joint venture in the Middle East and other miscellaneous items.

Foreign Currency Exchange Gain (Loss). Foreign currency gain loss increased $13,827 from the prior year quarter due to the unrealized foreign exchange loss from the remeasurement of our USD Tranche of our Term Loan and Senior Notes that were issued on November 8, 2013 and maintained in a euro functional currency entity.

Income tax benefit (provision). For the nine months ended September 30, 2014, we incurred income tax expense of $1,760, which is primarily due to taxable income created as a result of the partial cancellation of the Related Party Note with Albea that was assumed and settled in conjunction with the KubeTech acquisition.

Analysis by Reportable Segments, Excluding Discontinued Operations, for the Nine Months Ended September 30, 2014 and 2013

Effective October 1, 2013, a component of the legacy Kobusch business previously reported in the Flexible segment was transferred to the Rigid segment in order to better align performance evaluation and resource allocation by the Company's CODM. Segment disclosures for the nine months ended September 30, 2013 have been recast to reflect this change in reporting structure in accordance with ASC 280. This recast decreased net sales in the Flexible segment and increased net sales in the Rigid segment by $72,513, as well as increased operating income in the Flexible segment and decreased the operating income in the Rigid segment by $2,998 for the nine months ended September 30, 2013.

Effective May 30, 2014, KubeTech was acquired and incorporated into the Rigid segment based on the nature of KubeTech's products and services. The KubeTech acquisition was treated as a business combination under common control, as KubeTech was ultimately owned by Sun Capital Partners V, L.P., the ultimate shareholder of the Company. In accordance with the guidance for business combinations under common control in ASC 805, segment disclosures for the nine months ended September 30, 2013 have been recast to reflect this acquisition.

Net sales by segment for the nine months ended September 30, 2014 and 2013 are as follows:

	Nine Months Ended			
	September 30, 2014	**September 30, 2013**	**$ Change**	**% Change**
Net sales from external customers:				
Flexible	$ 1,498,799	$ 1,053,756	$ 445,043	42.2 %
Rigid	596,948	595,297	1,651	0.3 %
Total net sales	**$ 2,095,747**	**$ 1,649,053**	**$ 446,694**	**27.1%**

Income (loss) from continuing operations by segment for the nine months ended September 30, 2014 and 2013 are as follows:

	Nine Months Ended			
	September 30, 2014	**September 30, 2013**	**$ Change**	**% Change**
Operating income (loss):				
Flexible	$ 54,465	$ 6,134	$ 48,331	787.9 %
Percentage of Flexible net sales	*3.6%*	0.6 %		
Rigid	4,263	(13,871)	18,134	130.7 %
Percentage of Rigid net sales	*0.7%*	(2.3)%		
Corporate	(3,734)	(42)	(3,692)	8,790.5 %
Operating income (loss)	**$ 54,994**	**$ (7,779)**	**$ 62,773**	**(807.0)%**
Percentage of total net sales	2.6%	(0.5)%		

Flexible

Our Flexible segment net sales for the nine months ended September 30, 2014 increased $445,043 or 42.2% from the prior year, primarily due to the additions of Exopack (May 31, 2013), InteliCoat (August 28, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $385,117 to net sales. Additionally, the increase in net sales included a favorable foreign exchange impact of $36,407. Excluding foreign currency and acquisitions, net sales increased $23,519, primarily due to strong performance from industrial packaging applications, such as salt bags and insulation overwrap in North America. Additionally, we fulfilled strong order volumes from our coatings business in the United Kingdom.

For the nine months ended September 30, 2014, our Flexible segment operating income increased $48,331 or 787.9% from the prior year, primarily due to the additions of Exopack (May 31, 2013), InteliCoat (August 28, 2013), St. Neots (June 12, 2014) and Learoyd (August 21, 2014). Acquisitions contributed $26,600 to operating income. Additionally, the increase in operating income included a favorable foreign exchange impact of $1,150. The remaining $20,580 increase is primarily driven by operational efficiencies and change in mix. As a percentage of sales, operating income has improved 305 bps due to various cost savings and strategic initiatives such as the CBS and CPS to better leverage our existing resources and improve operating results.

Rigid

Our Rigid segment net sales for the nine months ended September 30, 2014 increased $1,651 or 0.3%. The Closures acquisition on October 23, 2013 contributed $28,479 to the current year, and there was a favorable foreign exchange impact of $17,124. Favorable foreign exchange and the Closures acquisition were primarily offset by $43,952 of lower volumes from general market softness for packaged foods in Europe and the prior year closure of KubeTech's Buffalo Grove, Illinois plant.

For the nine months ended September 30, 2014, operating income in the Rigid segment increased $18,134 from an operating loss in the prior period. The Closures acquisition contributed $3,332 to operating income in the current year. Excluding the Closures acquisition, the increase of $14,802 is largely attributable to operating efficiencies, lower SG&A expense generated by restructuring and cost alignment initiatives in prior years and strategic initiatives such as CBS and CPS from prior years in both North America and Europe.

Unaudited Pro Forma Information

The following tables compare certain operating metrics based on the condensed combined consolidated financial statements for the three and nine months ended September 30, 2014 against unaudited pro forma financial information that has been derived by combining the historical condensed combined consolidated net sales and gross margin of the Company with the historical financial information for the pre-acquisition period of each company not combined for GAAP reporting purposes in our quarterly report for the three and nine months ended September 30, 2013, which includes the legacy Exopack, InteliCoat, Closures, St Neots and Learoyd businesses. The following unaudited pro forma information for the three and nine months ended September 30, 2013 gives effect to the acquisitions Exopack - acquired May 31, 2013, InteliCoat - acquired August 28, 2013, Closures - acquired October 23, 2013, St Neots - acquired June 12, 2014, and Learoyd - acquired August 21, 2014, as if they were acquired on January 1, 2013.

Pro forma net sales for the Company are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	**September 30, 2013***	**September 30, 2014**	**September 30, 2013***
Flexible	$ 497,613	$ 484,186	$ 1,549,115	$ 1,482,129
Rigid	195,412	204,404	596,948	622,637
Total net sales	**$ 693,025**	**$ 688,590**	**$ 2,146,063**	**$ 2,104,766**

* Net sales for the three and nine months ended September 30, 2013 includes the pro forma impact of combining the results of Exopack, InteliCoat, Closures, St Neots and Learoyd as if they had been acquired on January 1, 2013.

Pro forma gross margin percentage is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	**September 30, 2013***	**September 30, 2014**	**September 30, 2013***
Gross margin percentage	14.0%	12.5%	14.5%	12.7%

* Gross margin percentage for the three and nine months ended September 30, 2013 includes the pro forma impact of combining the results of Exopack, InteliCoat, Closures, St Neots and Learoyd as if they had been acquired on January 1, 2013.

When analyzing, evaluating and monitoring the operating performance of our business, we also take into account our adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA excludes certain non-routine gains and losses management believes are not representative of the Company's continuing operations and which improve comparability across periods and provide for enhanced analysis of the underlying performance of the business.

We present herein the Group's Adjusted EBITDA for the three months ended and nine months ended September 30, 2014. We also present in this report the Group's Pro Forma Adjusted EBITDA for the three months ended and nine months ended September 30, 2014 and 2013, which gives effect to the acquisition of Exopack, which was acquired on May 31, 2013, InteliCoat, which was acquired on August 28, 2013, Closures, which was acquired on October 23, 2013, St Neots, which was acquired on June 12, 2014, and Learoyd, which was acquired on August 21, 2014, as if they were acquired on January 1, 2013. Pro forma Adjusted EBITDA for the three and nine months ended September 30, 2014 and 2013 is presented for information purposes only and is not intended to represent or be indicative of the Adjusted EBITDA that we would have reported had the acquisitions of Exopack, Intelicoat, Closures, St Neots and Learoyd been completed as of the dates and for the periods presented herein, should not be taken as representative of our Adjusted EBITDA going forward, and should not be unduly relied upon.

Adjusted EBITDA and Pro Forma Adjusted EBITDA are not measurements of performance under GAAP and you should not consider Adjusted EBITDA or Pro Forma Adjusted EBITDA as an alternative to (a) total operating income (as determined in accordance with GAAP) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under GAAP. We believe Adjusted EBITDA and Pro Forma Adjusted EBITDA are useful indicators of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties in evaluating our business. Adjusted EBITDA and Pro Forma Adjusted EBITDA are used by different companies for varying purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Adjusted EBITDA and Pro Forma Adjusted EBITDA as reported by us to Adjusted EBITDA and Pro Forma Adjusted EBITDA of other companies. Adjusted EBITDA and Pro Forma Adjusted EBITDA have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations as reported under GAAP. For example, Adjusted EBITDA and Pro Forma Adjusted EBITDA: (i) do not reflect our cash expenditures or future requirements for capital expenditures; (ii) do not reflect changes in, or cash requirements for, our working capital needs; (iii) do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt; (iv) do not reflect any cash income taxes we may be required to pay; and (v) do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations.

Adjusted EBITDA for the three and nine months ended September 30, 2014 and Pro Forma Adjusted EBITDA for the three and nine months ended September 30, 2013 are not directly comparable.

The following table below reconciles non-GAAP Adjusted EBITDA to its most directly comparable GAAP financial measure, which is net income, for the three and nine months ended September 30, 2014 and 2013:

(in millions of U.S. dollars)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
U.S. GAAP Net income (loss)	**$ (39.8)**	**$ (23.5)**	**$ (59.9)**	**$ (51.7)**
Interest expense, net	32.6	28.0	96.8	60.9
Benefit (provision) for income taxes	(1.4)	(2.8)	1.8	(2.1)
Depreciation and amortization	39.3	31.6	117.3	83.8
PPA Adjustments and FX remeasurement	20.4	10.3	17.0	15.0
Unadjusted EBITDA, net of PPA adjustments [a]	**51.1**	**43.6**	**173.0**	**105.9**
Pro Forma adjustments [b]:				
Unadjusted Exopack EBITDA prior to Fund V acquisition	—	—	—	35.4
Unadjusted Closures EBITDA prior to Fund V acquisition	—	2.2	—	6.5
Unadjusted InteliCoat EBITDA prior to Fund V acquisition	—	(0.5)	—	(0.7)
Unadjusted St. Neots EBITDA prior to Fund V acquisition	—	2.3	3.0	6.9
Unadjusted Learoyd EBITDA prior to Fund V acquisition	0.5	0.8	2.3	2.2
Unadjusted Pro Forma EBITDA, net of PPA adjustments	**51.6**	**48.4**	**178.3**	**156.2**
Adjustments:				
Restructuring and related relocation costs [c]	11.1	10.6	26.4	27.7
Management fees and expenses	2.4	2.9	7.6	11.6
Transaction related expenses [d]	4.1	4.9	7.7	7.8
Business improvement consulting cost	6.4	1.0	12.7	2.7
(Gain) loss on disposal of assets	0.5	0.1	1.5	(5.0)
Pension revaluation	0.4	0.5	1.3	0.5
Other expenses [e]	1.0	2.8	14.1	6.0
Adjusted Pro Forma EBITDA	**$ 77.5**	**$ 71.2**	**$ 249.6**	**$ 207.5**

(a) KubeTech was accounted for as a business combination under common control; therefore, KubeTech's historical results were included in the U.S. GAAP net income (loss) and reconciliation to Unadjusted EBITDA in both the current and prior year results.
(b) Pro Forma adjustments to retrospectively include results of certain entities prior to the Company's acquisitions.
(c) Costs associated primarily with various restructuring activities, employee relocation expenses or employee severance costs.
(d) Costs associated with the Combination, Dividend recapitalization transaction and acquisition costs.
(e) Costs associated with information technology, consulting, rebranding and other infrequent or non-recurring expenses.

Actual results may differ materially from the assumptions within the accompanying unaudited pro forma information. The unaudited pro forma information has been prepared by management and is not necessarily indicative of the actual results that would have been realized had the transactions contemplated above as of the dates indicated, nor is it meant to be indicative of any future results of operations that we will experience going forward.

Liquidity, Liabilities and Financing Agreements

Liquidity and Capital Resources

Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control.

We continuously undertake capital expenditure projects in order to increase our efficiency and production capacity. Many of our capital expenditures have been made to rationalize our manufacturing footprint in order to optimize our resources in each geographic region in which we operate.

On November 8, 2013, we refinanced our legacy debt structure with a new bond issuance and term loan structure in order to establish a sustainable credit structure, strategically position our business for future growth and fund current working capital needs across all of our jurisdictions.

North American ABL Facility

On May 31, 2013, we assumed the North American asset-backed lending facility (the "NA ABL Facility") in conjunction with the Exopack acquisition. The NA ABL Facility provides a maximum credit facility of $75,000, which includes a Canadian dollar sub-facility available to the Company’s Canadian subsidiaries for up to $15,000 (the Canadian dollar equivalent). The NA ABL Facility also provides the Company’s United States and Canadian subsidiaries with letter of credit sub-facilities. Availability under the NA ABL Facility is subject to borrowing base limitations for both the U.S. and the Canadian subsidiaries, as defined in the loan agreement. In general, in the absence of an event of default, the NA ABL Facility matures on November 8, 2018.

On May 2, 2014, we entered into an agreement with the Company's lender to engage the $25,000 accordion feature under the NA ABL Facility. In addition, we entered into an agreement on July 18, 2014, to increase the available borrowings under the NA ABL Facility from $100,000 to $110,000 through the collateralization of KubeTech accounts receivable and inventory. The increase in borrowing availability gives us the flexibility to fund incremental working capital needs as we continue to expand.

Availability under the NA ABL Facility is capped at the lesser of the then-applicable commitment and the borrowing base. The borrowing base consists of a percentage of eligible trade receivables and eligible inventory owned by U.S. borrowers, in the case of U.S. borrowings, or Canadian borrowers, in the case of Canadian borrowings. Under the terms of a lock box arrangement, remittances automatically reduce the revolving debt outstanding on a daily basis and therefore the NA ABL Facility is classified as a current liability on the Company's condensed combined consolidated balance sheet.

Interest accrues on amounts outstanding under the U.S. facility at a variable annual rate equal to the US Index Rate plus 1.00% to 1.25%, depending on the utilization of the NA ABL Facility, or at our election, at an annual rate equal to the LIBOR Rate (as defined therein) plus 2.00% to 2.25%, depending on utilization. In general, interest will accrue on amounts outstanding under the Canadian sub-facility subsequent at a variable rate equal to the Canadian Index Rate (as defined therein) plus 1.00% to 1.25%, depending upon utilization, at our election, at an annual rate equal to the BA Rate (as defined therein) plus 2.00% to 2.25%, depending upon utilization. Pricing will increase by an additional 50 basis points above the rates described in the foregoing sentences on any loans made against the last 5.00% of eligible accounts receivable and eligible inventory. The NA ABL Facility also includes unused facility, ticking, and letter-of-credit fees which are reflected in interest expense. The weighted average interest rate on borrowings outstanding under the NA ABL Facility was 2.47% as of September 30, 2014.

The NA ABL Facility is secured by the accounts receivable, inventory, proceeds therefrom and related assets of the Exopack Business on a first lien basis (subject to permitted liens) and by substantially all other asset of the Exopack Business on a second lien basis (subject to permitted liens). However, the assets of any non-U.S. entities in the Exopack Business do not secure the obligations under the U.S. facility.

The NA ABL Facility contains certain customary affirmative and negative covenants that restrict our ability to, among other things, incur additional indebtedness, grant liens, engage in mergers, acquisitions and asset sales, declare dividends and distributions, redeem or repurchase equity interests, incur contingent obligations, prepay certain subordinated indebtedness, make loans, certain payments and investments and enter into transactions with affiliates. As of September 30, 2014, we were in compliance with these covenants.

As of September 30, 2014, $57,114 was outstanding and $45,479 was available for additional borrowings after outstanding letters of credit of $4,505 under the NA ABL Facility.

European ABL Facility

On November 8, 2013, we entered receivables and inventory financing arrangements in each of France, Germany and the United Kingdom whereby cash is made available in consideration for inventory and certain trade receivables generated in these respective countries. The aggregate of any advances or borrowings under the GE French Facilities, the GE Germany Facilities and the GE UK Facility is limited to $175,000 (equivalent) and the GE French Facilities, the GE Germany Facilities and the GE UK Facility and the security and guarantees granted in respect thereof are, in the cases of the GE French Facilities and the GE UK Facility, subject to the terms of the Intercreditor Agreement.

As of September 30, 2014, $106,431 was outstanding, $47,461 was available for additional borrowings and the weighted average interest rate on borrowings outstanding under the European ABL Facility was 2.94%.

France

Under the French Facilities with GE Factofrance and Cofacredit (the "Factors"), certain wholly-owned subsidiaries shall sell and assign to the Factors certain debts which, subject to the terms and conditions of the French Facilities, the assignees are obliged to buy and accept. The sale price for the assigned debt is approximately 85%. The facilities are non-recourse facilities. The maximum aggregate funded amount under the French Facilities is limited to €48,000. The French Facilities have an unfixed term with a five year commitment period under which the Factors shall not be entitled to terminate the contracts except upon the occurrence of (i) a breach of any of the covenants listed under the French Facilities, (ii) an event of default under any facility granted by a GE Capital entity or (iii) a revocation of the mandates as defined under the contracts. Apart from the commitment period, any termination of the contracts requires three months' prior notice, save that (i) the Factors may terminate at any time without prior notice upon the occurrence of certain events described under the French Facilities, (ii) the parties may terminate if Coveris Holdings S.A ceases to directly or indirectly own at least 51% of the equity interests of the Company, (iii) the Factors may terminate the contracts with a ten (10) working days prior notice, and with immediate effect in the event any representation or warranty made by Coveris Holdings S.A. pursuant to the Side Letter is not complied with or proves to have been incorrect or misleading when made or deemed to be made and is not remedied within the above notice period by any means or party. Within the frame of the French Facilities, certain wholly-owned subsidiaries have pledged to the benefit of the Factors, the receivables held over the Factors on the current accounts opened in their books, in order to secure the obligations under the terms of the French Facilities.

Germany

Under the German facilities with GE Capital Bank AG, to be entered into by certain wholly-owned subsidiaries as originators and GE Capital Bank AG as factoring bank (the "GE Germany Facilities"), certain wholly-owned subsidiaries may sell and assign to GE Capital Bank AG certain receivables which, subject to the terms and conditions of the GE Germany Facilities, the assignee is obliged to buy and accept. It is further intended that certain wholly-owned subsidiaries provide certain limited cross guarantees for the benefit of GE Capital Bank AG to guarantee their obligations under the GE Germany Facilities. The factoring fee for the GE Germany Facilities is 0.15% calculated as a multiple of the gross turnover of assigned receivables and bears interest at 3M EURIBOR +2.25%. The facilities are non-recourse facilities. The maximum aggregate funded amount under the GE Germany Facilities is limited to €25,000. The GE Germany Facilities have a five year term and any termination of the contract requires three months' prior notice to the second, third, or fourth anniversary of the relevant commencement date, save that GE Capital Bank AG may terminate at any time if one of the following termination events, amongst others, occurs: a change of control, a cross-default and breach of the relevant fixed charge coverage.

United Kingdom

Under the GE UK Facility with GE Capital Bank Limited ("GE"), certain wholly-owned subsidiaries (the "Clients") assign to GE Capital Bank Limited certain debts which, subject to customary conditions, GE is obliged to buy and accept. Certain wholly-owned subsidiaries are guarantors under the GE UK Facility (the "UK Obligors"). The Clients and UK Obligors have granted security in favor of GE over non-vesting debts and a floating charge over all assets subject to the terms of the Intercreditor Agreement. The GE UK Facility is comprised of an invoice finance facility for which the aggregate loan advance limit is £69,000 (the "Invoice Facility") and a revolving inventory finance facility for which the aggregate current account limit is £20,000 (the "Revolving Inventory Facility"). Under the Invoice Facility, the advance percentage for the assigned debts is 90% of the nominal amount of the debt, subject to reduction in respect of the discount rate, service charges, and other liabilities. Under the Revolving Inventory Facility, the loan advance percentage of the eligible inventory is 80% of the net orderly liquidation value of that inventory, subject to reduction in respect of certain customary reserves. The GE UK Facility has recourse terms where the Clients and UK Obligors bear the credit risk of the transactions (including where the underlying debtor fails to pay). The GE UK Facility has a term of five years and any termination of the contract requires either three months' prior notice where there is a refinancing or one month's prior notice where there is a sale of the Company. Customary representations and warranties are included in the GE UK Facility and customary restrictions on disposals of assets and granting liens are also included. Events of default include failure to pay, misrepresentation, insolvency, insolvency proceedings, breach of obligations, and cross-acceleration and cross-default to other indebtedness of the Clients or the UK Obligors. A mandatory prepayment is required upon the change of control of a Client or UK Obligor subject to minimum thresholds in respect of EBITDA, gross assets, or turnover being satisfied. In addition, if the availability under the Invoice Facility plus the availability under the Revolving Inventory Facility plus the equivalent concept of availability under the GE Germany Facility and the GE French Facilities is less than $14,583, the Clients shall not permit our ratio of operating cash flow to fixed charges to be less than 1.00:1.00.

$325,000 7 7/8% Senior Notes

On November 8, 2013, we issued $325,000 in aggregate principal amount 7 7/8 % Senior Notes (the "Senior Notes") maturing on November 1, 2019. Interest on the Senior Notes is paid semi-annually on each November 1 and May 1, commencing on May 1, 2014. The Senior Notes are senior unsecured obligations, rank senior in right of payment to all of future debt that is expressly subordinated in right of payment to the Senior Notes and ranks *pari passu* in right of payment with existing and future debt that is not so subordinated, including the New Term Loan, the European ABL Facilities, the NA ABL Facility, and the Exopack Notes.

The Senior Notes are senior unsecured obligations, ranking senior in right of payment to all future debt that is expressly subordinated in right of payment to the Senior Notes and rank pari passu in right of payment with our existing and future debt that is not so subordinated, including obligations under the New Term Loan, the European ABL Facilities, the NA ABL Facility and the Exopack Notes. The Senior Notes are guaranteed on a senior unsecured basis (the "Guarantees") by substantially all of the Company's subsidiaries organized in the United States, the United Kingdom, Canada, Austria, Germany, Finland, Luxembourg and Poland (the "Guarantors"). Each of the Guarantees ranks senior in right of payment to the applicable Guarantor's future debt that is expressly subordinated in right of payment to such Guarantee and ranks pari passu in right of payment with such Guarantor's existing and future debt that is not so subordinated, including the applicable Guarantor's obligations under the New Term Loan, the European ABL Facilities, the NA ABL Facility and the Exopack Notes, as applicable. The validity and enforceability of the Guarantees and the liability of each Guarantor is subject to certain limitations described in the offering memorandum relating to the Senior Notes dated October 24, 2013. The Notes and Guarantees are structurally subordinated to all obligations that do not guarantee the Notes and effectively subordinated to any existing and future secured debt, to the extent of the value of the property and assets securing such debt.

At any time prior to November 1, 2016, we may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 107.875% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, with the net cash proceeds of an Equity Offering of (i) the Company or (ii) any Parent Holdco of the Company to the extent the proceeds from such Equity Offering are contributed to the Company's common equity capital or are paid to the Company as consideration for the issuance of ordinary shares of the Company; *provided* that:

(1) at least 60% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

Further, at any time prior to November 1, 2016, we may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of such Notes redeemed plus the Applicable Premium, as defined in the Indenture governing the Senior Notes, as of, and accrued and unpaid interest and Additional Amounts, as defined in the Indenture, if any, to the date of redemption.

On or after November 1, 2016, we may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice (subject to such longer period as may be determined, in the case of a defeasance of the Notes or a satisfaction and discharge of the Indenture), at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on November 1 of the years indicated below:

Year	Redemption Price
2016	103.938%
2017	101.969%
2018 and thereafter	100.000%

Unless we default in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, at our discretion, be subject to the satisfaction of one or more conditions precedent.

The Senior Notes requires us to comply with customary affirmative and negative covenants. Set forth below is a brief description of the affirmative and negative covenants, all of which will be subject to customary exceptions, materiality thresholds and qualifications, including, in the case of certain negative covenants, the ability to grow baskets with retained excess cash flow, the proceeds of qualified equity issuances and certain other amounts:

- The affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of certain obligations; (v) inspection rights; (vi) compliance with laws, including employee benefits and environmental laws; (vii) use of proceeds; (viii) further assurances; (ix) additional collateral and guarantor requirements; (x) maintenance of ratings; (xi) designation of unrestricted subsidiaries; (xii) information regarding collateral; and (xii) post-closing matters.
- The negative covenants include limitations on: (i) indebtedness and the issuance of preferred stock; (ii) restricted payments; (iii) liens; (iv) dividend and other payment restrictions; (v) layered debt; (vi) mergers, consolidation or sale of assets and (vii) transactions with affiliates.

As of September 30, 2014, we were in compliance with all of these covenants.

$235,000 10% Exopack Notes

On May 31, 2013, we assumed the $235,000 10% Notes (the "Exopack Notes") in conjunction with the Exopack acquisition. The Exopack Notes were issued pursuant to the indenture dated May 31, 2011, between, among others, Exopack and The Bank of New York Mellon Trust Company, N.A., as trustee. Exopack issued $235,000 in aggregate principal amount of unregistered senior notes.

The Exopack Notes mature on June 1, 2018. The Exopack Notes accrue interest at the rate of 10% per annum and payable semi-annually on each June 1 and December 1.

The Exopack Notes are senior unsecured obligations and rank equally in right of payment with all existing and future senior indebtedness of Exopack, rank senior in right of payment to any future subordinated indebtedness of Exopack, and are effectively subordinated to any secured indebtedness of Exopack up to the value of the collateral securing such indebtedness. The Exopack Notes are unconditionally guaranteed, jointly and severally, on a senior basis, by the Guarantors that also guarantee the Senior Notes (except for the subsidiaries of Exopack organized outside of the United States). The guarantees of the Exopack Notes rank equally in right of payment with all existing and future senior indebtedness of the guarantors, rank senior in right of payment to any future subordinated indebtedness of the guarantors, and are effectively subordinated to any secured indebtedness of the guarantors, including the New Term Loan), up to the value of the collateral securing such indebtedness. The guarantees of the Exopack Notes may be released under certain conditions, including the sale or other disposition of all or substantially all of the guarantor subsidiary’s assets, the sale or other disposition of all the capital stock of the guarantor subsidiary, change in the designation of any restricted subsidiary as an unrestricted subsidiary by Exopack, or upon legal defeasance or satisfaction and discharge of the Exopack Notes.

Exopack is not required to make mandatory redemption or sinking fund payments with respect to the Exopack Notes.

If Exopack experiences a change of control, Exopack must offer to repurchase the Exopack Notes at a price equal to 101% of the aggregate principal amount of the Exopack Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase.

The Exopack Notes Indenture contains customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults.

The Exopack Notes Indenture contains covenants for the benefit of the holders of the Exopack Notes that are substantially similar to the covenants that govern the Senior Notes. As of September 30, 2014, we were in compliance with all of these covenants.

New Term Loan

On November 8, 2013, we entered into a credit agreement (the “New Term Loan”) with Goldman Sachs Bank USA, as administrative and collateral agent and the certain financial institutions and other persons party thereto as lenders from time to time. We borrowed a single draw dollar denominated term loan of approximately $435,000 (the "New Term Loan - USD Tranche") in principal amount and a single draw euro denominated term loan of approximately €175,000 (the "New Term Loan - EUR Tranche") in principal amount pursuant to the New Term Loan Facility Agreement.

The New Term Loan matures on May 8, 2019. Should the maturity of the Exopack Notes not be extended (and the Exopack Notes remain outstanding at the time), the maturity of the New Term Loan will be automatically shortened to the date that is 91 days prior to the maturity date of the Exopack Notes. The term loan shall be repayable in equal quarterly installments of 1.00% per annum of the original principal amounts.

We may also incur an incremental term loan under the New Term Loan from time to time in an amount not to exceed $50,000 plus an unlimited amount subject to meeting a secured net leverage ratio approximately equal to the secured net leverage ratio as of November 8, 2013. The incurrence of an incremental term loan is subject to various customary conditions, including locating a lender(s) are willing to provide it.

The New Term Loan, at our option, will from time to time bear interest at either (i) with respect to loans denominated in dollars, (a) 3.25% in excess of the alternate base rate (i.e., the greatest of the prime rate, the federal funds effective rate in effect on such day plus 1/2 of 1%, and the London interbank offer rate (after giving effect to any floor for an interest period of one month) in effect from time to time, or (b) 4.25% in excess of the London interbank offer rate (adjusted for maximum reserves), and (ii) with respect to loans denominated in euros, 4.75% in excess of the euro interbank offer rate (adjusted for maximum reserves). The London interbank offer rate and the euro interbank offer rate will be subject to a floor of 1.00% and the alternate base rate will subject to a floor of 2.00%. Interest will be payable quarterly in arrears and at maturity.

All obligations under the New Term Loan and any secured hedging arrangements and secured cash management agreements provided by lenders or affiliates thereof will be unconditionally guaranteed by the Guarantors.

Subject to customary agreed security principles, certain excluded ABL collateral under the GE Germany Facilities and the French Facilities and the lien priorities, the New Term Loan Facility will be secured by substantially all of our assets and the Guarantors.

The New Term Loan Facility Agreement does not include any financial covenants.

The New Term Loan has customary events of default (subject to materiality thresholds and standstill and grace periods), including: (a) non-payment of obligations (subject to a five business day grace period in the case of interest and fees); (b) breach of representations, warranties and covenants (subject to a thirty-day grace period following written notice in the case of certain covenants); (c) bankruptcy (voluntary or involuntary); (d) inability to pay debts as they become due; (e) cross default and cross acceleration to material indebtedness; (f) the Employee Retirement Income Security Act ("ERISA") events; (g) change in control; (h) invalidity of liens, guarantees, subordination agreements; and (i) judgments.

The New Term Loan requires us to comply with customary affirmative and negative covenants. Set forth below is a brief description of the affirmative and negative covenants, all of which will be subject to customary exceptions, materiality thresholds and qualifications, including, in the case of certain negative covenants, the ability to grow baskets with retained excess cash flow, the proceeds of qualified equity issuances and certain other amounts:

- The affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of certain obligations; (v) inspection rights; (vi) compliance with laws, including employee benefits and environmental laws; (vii) use of proceeds; (viii) further assurances; (ix) additional collateral and guarantor requirements; (x) maintenance of ratings; (xi) designation of unrestricted subsidiaries; (xii) information regarding collateral; and (xii) post-closing matters.
- The negative covenants include limitations on: (i) liens; (ii) debt (including guaranties); (iii) fundamental changes; (iv) dispositions (including sale leasebacks); (v) affiliate transactions; (vi) investments; (vii) restrictive agreements, and no negative pledges; (viii) restricted payments; (ix) voluntary prepayments of unsecured and subordinated debt; (x) amendments to certain debt agreements and organizational documents; (xi) changes of business, center of main interests or fiscal years; and (xii) anti-terrorism and sanctions related matters.

As of September 30, 2014, we were in compliance with all of these covenants.

£47,375 Revolving Credit Facility

On October 18, 2013, we entered into a Loan Authorization Agreement (the "£47,375 Revolving Credit Facility") with Bank of Montreal Ireland P.L.C. During the third quarter of fiscal year 2014, we amended the facility to increase the availability to £47,375. Borrowings on the £47,375 Revolving Credit Facility are payable On Demand; provided that to the extent funds are not immediately available, we shall have ten business days to honor any demand for payment requested by Bank of Montreal Ireland P.L.C. Borrowings are guaranteed by a related party parent, Sun Capital Partners V, L.P.

As of September 30, 2014, there was $68,665 (£42,293) outstanding on the £47,375 Revolving Credit Facility, which accrues interest on all outstanding amounts at an interest rate of 3.50% above Adjusted LIBOR, as set forth in the Loan Authorization Agreement dated October 18, 2013. Borrowings on the £47,375 Revolving Credit Facility have increased $37,832 from March 31, 2014 due to increased usage to fund the St Neots acquisition. The applicable interest rate as of September 30, 2014 was 4.04%.

PNC Term Loan and Revolver

On February 8, 2013, KubeTech entered into a revolving credit, term loan and security agreement (the "PNC Credit Agreement") with PNC Bank with total commitments of $32,250. The total commitments consisted of $10,000 in term loans ("PNC Term Loans") and a $22,250 revolving loan advance ("PNC Revolving Loan"). The PNC Credit Agreement was secured by substantially all of the assets of KubeTech and was guaranteed by Rose HPC.

As a part of our acquisition of KubeTech on May 30, 2014, the outstanding principal and interest on the PNC Term Loans and PNC Revolving Loan was paid in full. The total pay off amount was $16,446, including accrued interest of $373. Unamortized deferred financing costs totaling $190 were written off as a result of the closure of the facilities.

Related Party Note

As of the formation of KubeTech on December 31, 2012, we executed a subordinated promissory note with Albea, a related party owned by Sun Capital, for an aggregate amount of $18,000 (the "Related Party Note"). On January 8, 2013, KubeTech sold all shares of its Poland facility to Albea for $3,000, the total of which was applied to the principal of the Related Party Note. The Related Party Note is subordinate to the PNC Credit Agreement. Interest accrued at a rate of 10% and was capitalized to principal annually. The Related Party Note was scheduled to mature on December 31, 2017.

Following our acquisition of KubeTech on May 30, 2014, we made a cash payment of $4,600 to settle the Related Party Note. An additional $9,918 of principal and $1,012 of accrued interest was forgiven and accounted for as a capital contribution to KubeTech along with $651 in equipment transfers to Albea. The remainder of the Related Party Note was satisfied through the settlement of related party trading balances owed to KubeTech by Albea.

Shareholder loans

As of September 30, 2014 and December 31, 2013, we had related party shareholder loans which are PECs, ALPECs, or YFPECs.

On January 23, 2013 Neuheim Lux Group Holding V exercised its option to convert the £600 yield free convertible PECs to shares. 585,531 shares in Paragon Management S.a.r.l. were issued to Neuheim Lux Group Holding V, increasing the number of shares outstanding in Paragon Management S.a.r.l. to 616,209.

On May 31, 2013, the shareholder loans of Paccor, Britton, Kobusch and Paragon were redeemed by the shareholders in exchange for newly issued YFPECs. As part of the restructuring, YFPECs (including the new instruments issued in connection with the redemption of CPECs) were subsequently transferred to Coveris Holdings S.A. in exchange for shares while PECs and ALPECs were transferred by the shareholders at book value in exchange for new PECs and ALPECs with the same terms.

Liquidity Discussion

As of September 30, 2014, we had approximately $45,479 of available borrowing capacity under our NA ABL Facility and $47,461 under our European ABL Facilities. On May 2, 2014, we entered into a commitment increase with our lender to engage the $25,000 accordion feature associated with the NA ABL Facility. This commitment increase gives us the flexibility to fund incremental working capital needs as we continue to expand. We believe our future operating cash flow and available liquidity will be sufficient to support our operations, fund our working capital and capital expenditure needs, as well as provide for scheduled interest and principal payments for the next twelve months.

As of September 30, 2014, we had $1,500,235 of third party, interest-bearing debt and $50,137 in cash and cash equivalents on hand. We expect our principal sources of liquidity will be borrowings from our NA ABL Facility, European ABL Facility, factoring lines and cash flow from operations.

Net working capital (current assets less current liabilities) decreased $79,657 to $72,867 as of September 30, 2014 from $152,524 as of December 31, 2013. The decrease from the prior year end is largely attributable to timing of borrowings and repayments on our NA ABL Facility and European ABL Facility as well as the acquisitions of KubeTech and St. Neots.

Cash decreased $19,350 from December 31, 2013, compared to a $45,882 decrease during the same period in 2013.

Cash provided by operating activities was $28,170 for the nine months ended September 30, 2014 and $55,201 for the nine months ended September 30, 2013 or a decrease of $27,031. The decrease in operating cash flows is primarily due to an increase in inventory.

Cash used in investing activities for the nine months ended September 30, 2014 and 2013 was $93,027 and $136,425, respectively. The decrease is primarily due to lower acquisition activity. The prior year includes $49,837 of cash outflows for acquisitions, net of cash acquired for the original acquisition of KubeTech by Sun Capital. The original KubeTech acquisition is included in our prior year cash flows due to the common control nature of the transaction. In the current year, cash paid for acquisitions of $33,455, net of cash acquired, is related to the acquisitions of St. Neots and Learoyd. Additionally, capital spending is down from the prior year as prior year capital projects have been placed into service.

Cash provided by financing activities for the nine months ended September 30, 2014 was $47,807 compared to $33,254 for the nine months ended September 30, 2013. These cash flows are primarily comprised of borrowings and repayments on our North American and European ABL Facilities, in addition to the payment of legacy debt assumed in acquisitions. The increased use of our various credit facilities is due to working capital needs. See *Note 7. Financing Arrangements* for further discussion of our debt structure.

Recent Accounting Pronouncements

See *Note 2. Recent Accounting Pronouncements* to our condensed combined consolidated financial statements included elsewhere in this quarterly report for information regarding recently issued accounting pronouncements.

Quantitative and Qualitative Information Regarding Market and Operating Risks

Our operations are exposed to different financial risks, including foreign exchange risk, interest rate risk and counterparty risk. Our risk management is coordinated at our headquarters, in close cooperation with our executive committee, and focuses on securing our short- to medium-term cash flows by minimizing the exposure to financial markets.

Foreign Exchange Risk

Transactional risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We currently operate facilities in 18 different countries, and sell our products into approximately 60 countries. As a result, we generate a significant portion of our sales and incur a significant portion of our expenses in currencies other than the U.S. dollar. The primary currencies in which we generated revenues are the euro, the U.S. dollar and the British pound sterling. Where we are unable to match sales received in foreign currencies with costs paid in the same currency, our results of operations are impacted by currency exchange rate fluctuations. For example, a stronger U.S. dollar will increase the cost of U.S. dollar supplies for our non-U.S. businesses and conversely decrease the cost of non-U.S. dollar supplies for our U.S. dollar businesses. Our subsidiaries generally execute their sales and incur most of their materials costs in the same currency. In the current quarter, we have entered into a series of forward contracts and foreign currency options in an effort to reduce the effect of exchange rate fluctuations on our financial statements related to our future debt principal and interest payments in U.S. dollars from cash flows largely generated in British pounds and euros.

We present our consolidated financial statements in U.S. dollars. As a result, we must translate the assets, liabilities, revenue and expenses of all of our operations with a functional currency other than the U.S. dollars into U.S. dollars at then-applicable exchange rates. Consequently, increases or decreases in the value of these currencies against the U.S. dollar may affect the value of our assets, liabilities, revenue and expenses with respect to our non-U.S. dollar businesses in our consolidated financial statements, even if their value has not changed in their original currency, which creates translation risk.

Interest Rate Risk

Interest rate risk relates to a negative impact on our profits arising from changes in interest rates. Our income and operating cash flow are also dependent on changes in market interest rates. Some balance sheet items, such as cash and bank balances, interest bearing investments and borrowings, are exposed to interest rate risk. Borrowings under our New Term Loan, NA ABL Facility and European ABL Facilities bear interest at variable rates. Because these rates may increase or decrease at any time, we are subject to the risk that they may increase, thereby increasing the interest rates applicable to our borrowings under these facilities. Increases in the applicable rates would increase our interest expense and reduce our net income or increase our net loss. We do not have any instruments in place, such as interest rate swaps or caps, which would mitigate our exposure to interest rate risk related to these borrowings. Based on the amount of borrowings outstanding as of September 30, 2014, the effect of a hypothetical 0.125% increase in interest rates would increase our annual interest expense on third party variable rate debt by approximately $1,515.

Borrowings under the Senior Notes and Exopack Notes bear interest at a fixed rate. For fixed rate debt, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow. We currently do not intend to enter into hedging arrangements with respect to our variable rate borrowings, which will primarily be borrowings under the New Term Loan, the NA ABL Facility and the European ABL Facilities and other local working capital borrowing.