



# COVERIS™

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Coveris Holdings S.A.

## QUARTERLY REPORT

For the Quarterly Period Ended September 30, 2015

**COVERIS HOLDINGS S.A.**  
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## SECTION I

### Coveris Holdings S.A. Condensed Consolidated Balance Sheets (unaudited)

<i>(in thousands of U.S. dollars, except share information)</i>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 47,013	\$ 51,679
Trade accounts receivable (net of allowance for uncollectible accounts of \$7,867 and \$9,234 as of September 30, 2015 and December 31, 2014, respectively)	392,669	376,121
Inventories	325,266	301,674
Deferred income taxes, current	9,845	7,229
Prepaid expenses and other current assets	72,234	62,818
<b>Total current assets</b>	<b>847,027</b>	<b>799,521</b>
Property, plant and equipment, net	816,261	790,051
Intangible assets, net	277,019	309,213
Goodwill	536,086	487,652
Deferred income taxes, noncurrent	2,806	4,634
Pension assets	12,534	12,941
Noncurrent deferred financing costs, net	43,488	43,395
Other noncurrent assets	14,992	9,150
<b>Total assets</b>	<b>\$ 2,550,213</b>	<b>\$ 2,456,557</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current liabilities:</b>		
Current portion of interest-bearing debt and capital leases	\$ 177,028	\$ 243,694
Accounts payable	304,858	303,012
Accrued liabilities	189,249	188,790
Income taxes payable	15,112	4,789
<b>Total current liabilities</b>	<b>686,247</b>	<b>740,285</b>
<b>Noncurrent liabilities:</b>		
Long-term debt, less current portion	1,418,827	1,195,163
Capital lease obligations, less current portion	42,094	48,453
Shareholder loans	185,698	198,242
Deferred income taxes, noncurrent	59,164	75,286
Pension and post-retirement obligation	52,205	53,261
Other noncurrent liabilities	19,530	14,054
<b>Total liabilities</b>	<b>2,463,765</b>	<b>2,324,744</b>
<b>Commitments and contingencies (Note 8. Commitments and Contingencies)</b>		
<b>Shareholders' invested equity (deficiency):</b>		
Ordinary shares of par value EUR 1.00 per share	40	40
Additional paid-in capital	455,563	456,186
Accumulated deficit	(328,294)	(293,706)
Accumulated other comprehensive loss, net	(40,727)	(30,964)
<b>Total shareholders' equity (deficiency)</b>	<b>86,582</b>	<b>131,556</b>
Non-controlling interest	(134)	257
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>\$ 2,550,213</b>	<b>\$ 2,456,557</b>

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

**Coveris Holdings S.A.**  
**Condensed Consolidated Statements of Operations (unaudited)**

<i>(in thousands of U.S. dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net sales	\$ 676,643	\$ 686,781	\$ 1,961,511	\$ 2,095,747
Cost of sales	(577,212)	(591,592)	(1,663,955)	(1,797,216)
<b>Gross margin</b>	<b>99,431</b>	<b>95,189</b>	<b>297,556</b>	<b>298,531</b>
<b>Operating expenses:</b>				
Selling, general and administrative expenses	(59,587)	(73,787)	(191,114)	(207,494)
Depreciation and amortization	(12,406)	(12,166)	(33,919)	(36,043)
<b>Operating income (loss)</b>	<b>27,438</b>	<b>9,236</b>	<b>72,523</b>	<b>54,994</b>
<b>Nonoperating income (expense):</b>				
Interest expense, net	(33,388)	(32,617)	(95,085)	(96,797)
Other income (expense), net	2,121	164	5,534	(304)
Foreign currency exchange gain (loss)	3,605	(17,970)	(21,158)	(15,403)
<b>Nonoperating income (expense), net</b>	<b>(27,662)</b>	<b>(50,423)</b>	<b>(110,709)</b>	<b>(112,504)</b>
<b>Income (loss) before taxes from continuing operations</b>	<b>(224)</b>	<b>(41,187)</b>	<b>(38,186)</b>	<b>(57,510)</b>
Income tax benefit (provision)	(3,064)	1,443	3,725	(1,760)
Income (loss) from continuing operations	<b>(3,288)</b>	<b>(39,744)</b>	<b>(34,461)</b>	<b>(59,270)</b>
Income (loss) from discontinued operations, net of income tax expense (benefit) of \$0	—	(105)	—	(596)
<b>Net income (loss)</b>	<b>\$ (3,288)</b>	<b>\$ (39,849)</b>	<b>\$ (34,461)</b>	<b>\$ (59,866)</b>
Net income (loss) attributable to non-controlling interest	64	95	127	(35)
<b>Net income (loss) attributable to parent</b>	<b>\$ (3,352)</b>	<b>\$ (39,944)</b>	<b>\$ (34,588)</b>	<b>\$ (59,831)</b>

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

**Coveris Holdings S.A.**

**Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)**

<i>(in thousands of U.S. dollars)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>Net income (loss)</b>	<b>\$ (3,288)</b>	<b>\$ (39,849)</b>	<b>\$ (34,461)</b>	<b>\$ (59,866)</b>
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustment	(11,058)	(2,599)	(9,470)	(768)
Change in employee benefit obligations, net of income taxes of \$0 and \$0 for the three months ended September 30, 2015 and 2014, respectively, and \$0 and \$332 for the nine months ended September 30, 2015 and 2014, respectively	(64)	28	(293)	(593)
Other comprehensive income (loss)	<b>(11,122)</b>	<b>(2,571)</b>	<b>(9,763)</b>	<b>(1,361)</b>
<b>Comprehensive income (loss)</b>	<b>\$ (14,410)</b>	<b>\$ (42,420)</b>	<b>\$ (44,224)</b>	<b>\$ (61,227)</b>
Comprehensive income (loss) attributable to non-controlling interest	64	68	127	(67)
<b>Comprehensive income (loss) attributable to parent</b>	<b>\$ (14,474)</b>	<b>\$ (42,488)</b>	<b>\$ (44,351)</b>	<b>\$ (61,160)</b>

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

**Coveris Holdings S.A.**

**Condensed Consolidated Statement of Shareholders' Equity (Deficiency) (unaudited)**

<i>(in thousands of U.S. dollars, except share information)</i>	<u>Share Capital</u>		(Distributions in Excess of) Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Non-Controlling Interest	Total Equity (Deficiency)
	Shares	Amount						
<b>Balances as of December 31, 2014</b>	<b>12,500</b>	<b>\$ 40</b>	<b>\$ 456,186</b>	<b>\$ (293,706)</b>	<b>\$ (30,964)</b>	<b>\$ 131,556</b>	<b>\$ 257</b>	<b>\$ 131,813</b>
Net income (loss)	—	—	—	(34,588)	—	(34,588)	127	(34,461)
Foreign currency translation adjustment	—	—	—	—	(9,470)	(9,470)	—	(9,470)
Change in employee benefit obligations, net of tax	—	—	—	—	(293)	(293)	—	(293)
Acquisition of certain noncontrolling interest	—	—	(130)	—	—	(130)	(518)	(648)
Capital distribution to parent	—	—	(493)	—	—	(493)	—	(493)
<b>Balances as of September 30, 2015</b>	<b>12,500</b>	<b>\$ 40</b>	<b>\$ 455,563</b>	<b>\$ (328,294)</b>	<b>\$ (40,727)</b>	<b>\$ 86,582</b>	<b>\$ (134)</b>	<b>\$ 86,448</b>

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

**Coveris Holdings S.A.**
**Condensed Consolidated Statements of Cash Flows (unaudited)**

<i>(in thousands of U.S. dollars)</i>	Nine Months Ended	
	September 30, 2015	September 30, 2014
<b>OPERATING ACTIVITIES</b>		
<b>Net income (loss)</b>	<b>\$ (34,461)</b>	<b>\$ (59,866)</b>
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	109,546	117,349
Amortization of deferred financing costs and debt premium	7,870	7,958
Foreign currency loss (gain) on foreign currency loans	10,373	17,854
Unrealized loss (gain) on derivative financial instruments	1,834	(2,226)
Loss (gain) on sale and disposition of property, plant and equipment	(1,152)	(1,276)
Loss (gain) on sale of investments	—	2,923
Deferred income tax provision (benefit)	(14,155)	(14,215)
Changes in operating assets and liabilities:		
Receivables, prepaid expenses, and other assets	(3,965)	13,760
Inventories	(2,196)	(34,727)
Accounts payable and accrued and other liabilities	6,097	(19,364)
<b>Net cash provided (used) by operating activities</b>	<b>79,791</b>	<b>28,170</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(113,084)	(69,598)
Proceeds from sales of property, plant and equipment	3,364	4,381
Cash paid for purchase of noncontrolling interest	(648)	—
Proceeds from sale of investments	—	5,645
Cash paid for acquisitions, net of cash acquired	(137,831)	(33,455)
<b>Net cash provided (used) by investing activities</b>	<b>(248,199)</b>	<b>(93,027)</b>
<b>FINANCING ACTIVITIES</b>		
Repayments on Term Loan	(4,730)	(5,042)
Proceeds from NA ABL Facility	704,383	636,669
Repayments from NA ABL Facility	(723,683)	(593,125)
Proceeds (repayments) from European ABL Facilities, net	23,783	45,471
Proceeds from issuance of Additional Notes	240,656	—
Proceeds from GBP Revolving Credit Facility	24,385	56,946
Repayments of GBP Revolving Credit Facility	(88,842)	(48,908)
Proceeds (repayments) from Related Party Note	—	(4,174)
Proceeds (repayments) from PNC Credit Facility, net	—	(9,442)
Repayments of legacy Closures debt	—	(3,286)
Repayments of legacy St. Neots and Learoyd debt	—	(18,383)
Proceeds from financing for capital lease buy out	2,500	—
Repayments of other credit facilities and capital lease obligations	(6,725)	(7,674)
Deferred financing costs paid	(9,372)	(1,245)
Capital distribution to parent	(493)	—
<b>Net cash provided (used) by financing activities</b>	<b>161,862</b>	<b>47,807</b>
Effect of exchange rate changes on cash	1,880	(2,300)
Increase (decrease) in cash	(4,666)	(19,350)
Beginning cash and cash equivalents	51,679	69,487
<b>Ending cash and cash equivalents</b>	<b>\$ 47,013</b>	<b>\$ 50,137</b>

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



## **1. Organization and Significant Accounting Policies**

The accompanying unaudited condensed 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 and is headquartered in Luxembourg. 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 71 production and warehousing facilities worldwide, which allows the Company to supply global customers reliably, quickly and efficiently across multiple regions. The Company operates 21 facilities in North and Central America, 46 facilities across Europe, two facilities in Australasia, as well as two strategically located facilities in the Middle East and China.

The Company conducts business principally through two reportable 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, Europe, Central America and Australasia. 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.

### *Recast of the Consolidated Financial Statements*

During the quarter ended September 30, 2014, the Flexibles segment 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 align the Company's focus with its long-term strategy and organizational goals. The Company has reclassified all income and expenses for the resin trade business in the prior year's condensed consolidated statement of operations to income (loss) from discontinued operations for the three and nine months ended September 30, 2014 in accordance with ASC 205.

In addition, certain comparative information has been reclassified to conform to current period presentation throughout these condensed consolidated financial statements.

### **Basis of Presentation**

The accompanying unaudited condensed 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.

These condensed 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 consolidated financial statements should be read in conjunction with the notes thereto and the annual report for the year ended December 31, 2014.

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 consolidated subsidiary. Net income (loss) and total comprehensive income (loss) from non-controlling interest is valued at the percentage ownership of the condensed consolidated subsidiaries' underlying net income not held by the Company. During the nine months ended September 30, 2015, the Company purchased the remaining noncontrolling interest in its Serbian subsidiary.



## **2. Recent Accounting Pronouncements**

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. In August 2015, FASB issued ASU 2015-14, Revenue from contracts with customers (Topic 606). The ASU changes the effective date of ASU 2014-09. Initially the effective date for ASU 2014-09 was December 15, 2017 for annual reporting periods and December 15, 2018 for interim reporting periods. ASU 2015-14 defers these effective dates by one year, changing the effective date to December 15, 2018 for annual reporting periods, and to December 15, 2019 for interim reporting periods. The Company is currently assessing the impact of this ASU.

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. This ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30). The amendments in this Update require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The ASU will be retrospectively implemented in the Company's consolidated balance sheets in the consolidated financial statements for the year ending December 31, 2016. This ASU will result in a reclassification of the Company's deferred financing costs currently presented in prepaid expenses and other current assets and noncurrent deferred financing costs, net to a reduction of the liabilities included in current portion of interest-bearing debt and capital leases and long-term debt, less current portion on the Company's consolidated balance sheets.

In April 2015, FASB issued ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40). This ASU provides guidance about accounting for fees paid in a cloud computing arrangement. The ASU gives clear guidance in the determination of whether an arrangement includes the sale or license of software based on whether a cloud computing arrangement includes a software license. The Company is currently assessing the impact of this ASU. The amendments will be effective for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016.

In July 2015, FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (Topic 330). ASU 2015-11 changes the measurement of inventory for entities using first-in, first-out (FIFO) and average cost. The Update changes the measurement of these inventory methods, from lower of cost or market to lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU will become effective for annual periods beginning on or after December 15, 2016, and for interim periods with in annual period beginning on or after December 15, 2017. This ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In July 2015, FASB issued ASU 2015-12 regarding plan accounting for defined benefit pension plans (Topic 960), defined contribution pension plans (topic 962), and health and welfare benefit plans (topic 965). ASU 2015-12 eliminates requirements that employee benefit plans measure the fair value of fully benefit-responsive investment contracts and provide the related disclosures and simplifies other fair value investment disclosures related to employee benefit plans. The ASU will be effective for annual periods beginning on or after December 15, 2015. This ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In August 2015, FASB issued ASU 2015-15, Imputation of interest. The ASU clarifies the guidance for issuance costs related to line-of-credit arrangements, the SEC staff has no objection to entities deferring issuance costs and presenting these costs as an asset amortized ratably over the term of the line-of-credit arrangement, regardless of the outstanding borrowings on the line-of-

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credit arrangement. This ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In September 2015, FASB issued ASU 2015-16, Business Combinations (Topic 805). ASU 2015-16 changes the requirement for an acquirer to retrospectively adjust changes to provisional amounts during the measurement period after acquiring a business. Instead, an acquirer is now required to recognize adjustments to provisional amounts during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer must also record effects on earnings due to changes in depreciation, amortization, and other income effects as a result of changes in the provisional amounts, in the same period's financial statements. The ASU will become effective for annual periods beginning on or after December 15, 2016, and for interim periods within annual periods beginning on or after December 15, 2017. The Company has elected early adoption as permitted by this ASU and has included the impact of the guidance from the ASU in these condensed consolidated financial statements.

### 3. Balance Sheet Information

The major components of certain balance sheet accounts as of September 30, 2015 and December 31, 2014 are as follows:

<i>Assets</i>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
<b>Inventories</b>		
Raw materials and supplies	\$ 113,720	\$ 100,854
Work in progress	38,806	46,859
Finished goods	172,740	153,961
<b>Total inventories</b>	<b>\$ 325,266</b>	<b>\$ 301,674</b>
<b>Property, plant, and equipment</b>		
Land and land improvements	\$ 36,613	\$ 35,310
Buildings and leasehold improvements	171,215	174,077
Machinery and equipment	\$ 930,756	858,088
Construction in progress	88,500	49,991
Gross property, plant and equipment	1,227,084	1,117,466
Less: Accumulated depreciation	(410,823)	(327,415)
<b>Property, plant, and equipment, net</b>	<b>\$ 816,261</b>	<b>\$ 790,051</b>

Depreciation expense for the three and nine months ended September 30, 2015 was \$27,583 and \$81,257, respectively. Depreciation expense for the three and nine months ended September 30, 2014 was \$28,774 and \$85,327, respectively.

### 4. Accumulated Other Comprehensive Income (Loss)

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 tables represent the components of accumulated other comprehensive income (loss):

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

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	Foreign Currency Translation Adjustments	Pension and OPEB Plans Liability	Cumulative Deferred Tax Effect on Pension and OPEB Liability	Accumulated Other Comprehensive Income (Loss)
<b>Balance as of December 31, 2014</b>	\$ (13,962)	\$ (25,297)	\$ 8,004	\$ (31,255)
Change during 2015	(9,470)	(293)	—	(9,763)
<b>Balance as of September 30, 2015</b>	<u>\$ (23,432)</u>	<u>\$ (25,590)</u>	<u>\$ 8,004</u>	<u>\$ (41,018)</u>

**5. Business Combinations**

**Olefinas**

On June 17, 2015, the Company acquired 100% of the shares of McNeel International Corp., a Delaware corporation previously doing business as Olefinas, and subsidiaries (collectively referred to as "Olefinas") for initial cash consideration of \$116,046, net of cash acquired of \$630. In third quarter of 2015, the Company finalized the working capital settlement for Olefinas for \$1,991, which has been provisionally allocated to goodwill. In addition, the Company has adjusted the amount of the original purchase price allocated to inventories, other noncurrent assets and accrued liabilities due to the alignment of Olefinas accounting policies with the Company's accounting policies. Olefinas is a leading agricultural plastics manufacturer with operations in Guatemala and Mexico. Entering Latin America supports Coveris' initiative to provide a full range of packaging solutions for agricultural products, including tree bags, twine and aging ribbons for the banana industry, as well as mulch and fumigation films, insect traps, modified atmospheric packaging and shrink films. The financial results of Olefinas subsequent to the acquisition date are included within the Company's Flexible reporting segment.

The Company has allocated the purchase price to the following assets acquired and liabilities assumed as of the timing of this report as follows:

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<i>(in thousands of U.S. dollars)</i>	<b>Purchase Price Allocation</b>	<b>Purchase Price Adjustments</b>	<b>Adjusted Purchase Price Allocation</b>
<b>Purchase price for Olefinas, net of cash acquired of \$630</b>	\$ 116,046	\$ (1,991)	\$ 114,055
<b>Assets acquired:</b>			
Trade accounts receivable	18,565	—	18,565
Inventories	29,322	(4,737)	24,585
Deferred income taxes, current	2,955	—	2,955
Prepaid expenses and other current assets	13,993	—	13,993
Property, plant and equipment, net	23,311	—	23,311
Deferred income taxes, noncurrent	192	—	192
Other noncurrent assets	1,644	(387)	1,257
<b>Total assets acquired, net of cash</b>	<b>89,982</b>	<b>(5,124)</b>	<b>84,858</b>
<b>Liabilities assumed:</b>			
Accounts payable	12,311	—	12,311
Accrued liabilities	7,931	155	8,086
Deferred income taxes, noncurrent	1,203	—	1,203
Other noncurrent liabilities	167	—	167
<b>Total liabilities assumed</b>	<b>21,612</b>	<b>155</b>	<b>21,767</b>
<b>Net assets acquired</b>	<b>68,370</b>	<b>(5,279)</b>	<b>63,091</b>
<b>Purchase price in excess of net assets acquired (Provisional)</b>	<b>\$ 47,676</b>	<b>\$ 3,288</b>	<b>\$ 50,964</b>

The Company's initial purchase accounting for the business combination, which includes the valuation of pre-acquisition contingencies and related indemnification assets, intangible assets and certain tangible assets, has not been finalized, therefore, the purchase price allocation presented is subject to change within the corresponding measurement period as defined in ASC 805.

Since the date of acquisition, Olefinas has generated \$40,307 of net sales and \$8,049 of operating income. Additionally, the Company has incurred \$5,384 of transactions costs in conjunction with the acquisition. These transaction costs are recorded in selling, general and administrative expenses.

### **Coveris Australasia**

On May 29, 2015, the Company acquired the shares of Hellaby Holdings Limited and subsidiaries (collectively referred to as "Coveris Australasia"). Coveris Australasia consists of two manufacturing facilities in Australia and New Zealand. The acquisition expands Coveris' global footprint into the Australasian region of the world and will allow the Company to channel for several existing product lines for expansion. Coveris Australasia is a manufacturer and importer of High Density Polyethylene ("HDPE") and Low Density Polyethylene ("LDPE") flexible plastic packaging, providing solutions in the meat, dairy, seafood, horticulture and agricultural sectors. The Company purchased the shares of Coveris Australasia for initial purchase consideration of NZD27,316 or \$20,214, net of cash acquired. In the third quarter of 2015, the Company finalized the working capital settlement for additional consideration of NZD2,480 or \$1,571. The additional cash consideration paid has been provisionally allocated to goodwill. As of the date of this report, the initial purchase accounting for the business combination, which includes the valuation of pre-acquisition contingencies and related indemnification assets, intangible assets and certain tangible assets, has not been finalized. The purchase price exceeds net assets acquired by NZD8,590 or \$6,092 as of September 30, 2015. The financial results of Coveris Australasia

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 the 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 Company completed the purchase price allocation during the second quarter of 2015 and has recorded goodwill of £103 (\$162) as of September 30, 2015 and customer relationships valued at £903 (\$1,419). The financial results of Learoyd 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.

### **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 total purchase consideration of £13,301 (\$22,195), net of cash acquired. The Company completed the purchase price allocation during the first quarter of 2015 and has recorded goodwill of £8,259 (\$12,251). In addition, the Company has recorded identifiable intangible assets consisting of customer relationships valued at £2,597 (\$3,852) and technology assets valued at £1,795 (\$2,663). 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 the acquisition.

### **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. KubeTech has been incorporated into the Company's Rigid 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. The Company's operates under two reportable segments, Flexibles and Rigid. The Company's Flexible segment is divided into six goodwill reporting units as defined by ASC 350, *Intangibles - Goodwill and Other*: Americas Food and Consumer, North America Performance Packaging, Coveris Advance Coatings, UK Food and Consumer, Europe Food and Consumer and Australasia. 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.

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Effective April 1, 2015, the Company moved its two production facilities from the Americas Food and Consumer reporting unit to the North America Performance Packaging reporting unit in order to better align product lines and strategic direction. In addition, the North America Rigid and Europe Rigid reporting units were combined into a single Global Rigid reporting unit during the second quarter of 2015. The integration of the Rigid reporting unit is designed to accelerate growth and leverage global market and customer knowledge. No goodwill transferred between reportable segments as a result of these changes within lower level goodwill reporting units.

The changes in the Company's goodwill balances by reportable segment from December 31, 2014 through September 30, 2015 are as follows:

<i>(in thousands of U.S. dollars)</i>	<b>Flexible Goodwill</b>	<b>Rigid Goodwill</b>	<b>Total</b>
Balances as of December 31, 2014	469,822	17,830	487,652
PPA adjustments <sup>(1)</sup>	4,629	—	4,629
Additions to goodwill acquired through acquisitions <sup>(2)</sup>	52,197	—	52,197
Foreign currency translation	(7,970)	(422)	(8,392)
Balance as of September 30, 2015	<u>\$ 518,678</u>	<u>\$ 17,408</u>	<u>\$ 536,086</u>

(1) This ASC 805 measurement period adjustment to goodwill is driven by the finalization of the purchase price allocation for the Learoyd acquisition as well as purchase price adjustments related to the Coveris Australasia and Olefinas acquisitions.

(2) The additions during the nine months ended September 30, 2015, to the Flexibles segment are due to the acquisition of Olefinas on June 17, 2015, and the acquisition of Coveris Australasia on May 29, 2015. Please see Note 5, Business Combinations for further details.

### 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, 2015 and December 31, 2014 consisted of the following:

	<u>September 30, 2015</u>			<u>December 31, 2014</u>		
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Customer relationships	\$ 343,070	\$ (91,557)	\$ 251,513	\$ 349,098	\$ (71,577)	\$ 277,521
Technologies, patents and licenses	47,260	(21,754)	25,506	48,193	(16,501)	31,692
	<u>\$ 390,330</u>	<u>\$ (113,311)</u>	<u>\$ 277,019</u>	<u>\$ 397,291</u>	<u>\$ (88,078)</u>	<u>\$ 309,213</u>

Amortization expense for finite-lived intangible assets was \$10,387 and \$10,018 for the three months ended September 30, 2015 and 2014, respectively. Amortization expense for finite-lived intangible assets was \$28,289 and \$31,494 for the nine months ended September 30, 2015 and 2014, respectively.



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**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 working capital needs across all of the Company's jurisdictions. Furthermore, the Company issued \$85,000 and \$155,000 of 7 7/8% additional senior notes on February 17, 2015 and June 16, 2015, respectively, to fund acquisitions and to refinance certain of its outstanding indebtedness. The additional senior notes have the same terms and conditions as the senior notes issued on November 8, 2013, and constitute a single series with, and will be consolidated and fungible with, such senior notes.

As of September 30, 2015 and December 31, 2014, the Company had the following third party debt facilities and financing arrangements outstanding:

	September 30, 2015	December 31, 2014
NA ABL Facility	\$ 54,352	\$ 73,853
European ABL Facility	109,432	89,642
Senior 7 7/8 % Notes	565,551	325,000
10% Exopack Notes	235,314	235,402
Term Loan - USD Tranche	344,783	430,650
Term Loan - EUR Tranche	277,205	210,585
GBP Revolving Credit Facility	—	65,679
Capital lease obligations	51,312	56,499
<b>Total third party debt and financing arrangements</b>	<b>1,637,949</b>	<b>1,487,310</b>
Less: current portion	(177,028)	(243,694)
<b>Total long term third party debt and capital leases</b>	<b>\$ 1,460,921</b>	<b>\$ 1,243,616</b>

**North American ABL Facility**

On May 31, 2013, the Company 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, 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 consolidated balance sheets as of September 30, 2015 and December 31, 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



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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 2.44% as of September 30, 2015 (compared to 2.70% as of December 31, 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, 2015, the Company was in compliance with these covenants.

As of September 30, 2015, \$54,352 was outstanding and \$33,474 was available for additional borrowings, net of outstanding letters of credit of \$6,107 under the NA ABL Facility.

#### **European ABL Facility**

On November 8, 2013, the Company entered into accounts receivable 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).

As of September 30, 2015, \$109,432 was outstanding, \$41,627 was the net amount available for additional borrowings and the weighted average interest rate on borrowings outstanding under the European ABL Facility was 2.99% (compared to 2.95% as of December 31, 2014).

#### ***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

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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.

### **Senior 7 7/8% Notes**

On November 8, 2013 the Company issued \$325,000 in aggregate principal amount 7<sup>7</sup>/<sub>8</sub>% Senior Notes (the "Senior Notes"). The Company issued an additional \$85,000 and \$155,000 in aggregate principal amount 7<sup>7</sup>/<sub>8</sub>% Senior Notes (the "Additional Notes" and together with the Senior Notes, the "Notes") on February 17, 2015 and June 16, 2015, respectively. The Additional Notes were issued under the indenture, dated as of November 8, 2013 (the "Indenture"), governing our existing Senior Notes and have the same terms and conditions as the Senior Notes and will constitute a single series with, and will be consolidated and fungible with, the Senior Notes for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Notes mature on November 1, 2019, and pay interest semi-annually on each November 1 and May 1. The \$85,000 Additional Notes were issued at a premium of \$850, and the \$155,000 Additional Notes were issued at a discount of \$194. The premium and discount will be amortized over the remaining term of such notes. The 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 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 Term Loan, the European ABL Facilities, the NA ABL Facility and the Exopack Notes.

As of September 30, 2015, the Company has recognized \$6,836 of incremental deferred financing costs related to the issuance of the Additional Notes, which are being amortized on a straight-line basis over the remaining term of the Notes.

The Notes are guaranteed on a senior unsecured basis (the "Guarantees") by certain subsidiaries (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

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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 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 \$325,000 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2019 Offering Memorandum dated October 24, 2013, the \$85,000 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2019 Offering Memorandum dated February 10, 2015, and the \$155,000 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2019 Offering Memorandum dated June 11, 2015. 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:

- (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:

<b>Year</b>	<b>Redemption Price</b>
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 Notes require the Company to comply with customary 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) additional collateral and guarantor requirements; and (v) designation of unrestricted subsidiaries.

- 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, 2015, 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 a note premium of \$314 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 all of Exopack's subsidiaries incorporated in the United States as well as certain subsidiaries of the Company that also guarantee the Senior Notes. 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 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.

The Company 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 Notes. As of September 30, 2015, the Company was in compliance with all of these covenants.

### **Term Loan**

On November 8, 2013, the Company entered into a credit agreement (the "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 "Term Loan - USD Tranche") in principal amount and a single draw euro denominated term loan of approximately €175,000 (the "Term Loan - EUR Tranche") in principal amount pursuant to the Term Loan Facility Agreement. On May 22, 2015, the Company entered into the First Amendment Agreement ("First Amendment") to the Term Loan with Goldman Sachs Bank USA, as administrative and collateral agent, amongst others. The First Amendment reduces the Company's annual interest rates by 75 bps on the Term Loan - USD Tranche and by 125 bps on the Term Loan - EUR Tranche. In addition, the Company has increased the Term Loan - EUR Tranche to €247,800 and decreased the Term Loan - USD Tranche by a U.S. dollar equivalent amount.

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The 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 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 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 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) 3.50% in excess of the London interbank offer rate (adjusted for maximum reserves), and (ii) with respect to loans denominated in euros, 3.50% 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 be 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 Term Loan - USD Tranche was 4.50% as of September 30, 2015. The applicable interest rate applicable to amounts outstanding on the Term Loan - EUR Tranche was 4.50% as of September 30, 2015.

All obligations of the Company under the 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 Term Loan Facility will be secured by substantially all assets of the Company and the Guarantors.

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

The 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 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, 2015, the Company was in compliance with all of these covenants.



### **GBP Revolving Credit Facility**

On October 18, 2013, the Company entered into a Loan Authorization Agreement (the "GBP Revolving Credit Facility") with Bank of Montreal Ireland P.L.C.

Borrowings on the GBP 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, 2015, the Company has \$0 outstanding on the GBP Revolving Credit Facility.

### **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. 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, 2015 and December 31, 2014, 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:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
€ 66,000 PEC	74,787	80,853
€ 37,000 PEC	42,137	45,555
€ 17,000 PEC	21,548	21,614
€ 7,000 PEC	9,635	9,581
€ 28,000 ALPEC	32,486	35,121
€ 4,000 ALPEC	1,947	2,105
€ 2,000 YFPEC	3,158	3,413
<b>Total shareholder loans</b>	<b>\$ 185,698</b>	<b>\$ 198,242</b>

### **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. 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, 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 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***



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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.

**Other Post Employment Benefit Plans**

The Company maintains other post-employment benefit ("Other OPEB") plans in the Poland, Germany, Austria, France and Turkey 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, 2015 and 2014 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Service cost	\$ (288)	\$ (230)	\$ (1,046)	\$ (958)
Interest cost	(1,066)	(969)	(3,221)	(3,668)
Expected return on plan assets	1,190	1,136	3,493	4,070
Amortization of net actuarial loss	(57)	14	(171)	41
<b>Net periodic pension benefit (cost)</b>	<b>\$ (221)</b>	<b>\$ (49)</b>	<b>\$ (945)</b>	<b>\$ (515)</b>

**10. Related Party Transactions**

Related party balances as of September 30, 2015 and December 31, 2014, respectively, and related party transactions for the three and nine months ended September 30, 2015 and 2014, respectively, were as follows:

Name of related party	Transaction type	Receivable (Payable)		Income/(Expenses)			
		As of		Three Months Ended		Nine Months Ended	
		September 30, 2015	December 31, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Sun Capital Partners IV, LLC	Management fee	\$ —	\$ —	\$ (1,828)	\$ (2,125)	\$ (6,469)	\$ (6,375)
Coveris Intermediate Holdings S.a.r.l.	Financing	(29,142)	(23,776)	(3,162)	(3,916)	(9,426)	(12,563)
<b>Totals</b>		<b>\$ (29,142)</b>	<b>\$ (23,776)</b>	<b>\$ (4,990)</b>	<b>\$ (6,041)</b>	<b>\$ (15,895)</b>	<b>\$ (18,938)</b>

**11. Segments**

The Company identifies its reportable operating 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 reportable operating 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

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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 CODM's review and management objectives for the business.

The Company is organized into the following two reportable 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 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.

The table below presents information about the Company's reportable segments, excluding discontinued operations, for the three and nine months ended September 30, 2015 and 2014:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>Net sales to external customers:</b>				
Flexible	\$ 514,597	\$ 491,369	\$ 1,486,771	\$ 1,498,799
Rigid	162,046	195,412	474,740	596,948
<b>Total</b>	<b>\$ 676,643</b>	<b>\$ 686,781</b>	<b>\$ 1,961,511</b>	<b>\$ 2,095,747</b>
<b>Operating income (loss)</b>				
Flexible	\$ 23,441	\$ 12,479	\$ 61,101	\$ 54,465
Rigid	2,135	(1,920)	5,647	4,263
Corporate/Eliminations	1,862	(1,323)	5,775	(3,734)
<b>Total</b>	<b>\$ 27,438</b>	<b>\$ 9,236</b>	<b>\$ 72,523</b>	<b>\$ 54,994</b>

## 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.

For the nine months ended September 30, 2015, the difference between the statutory tax rate and the Company's effective income tax rate primarily relates to (i) the reduction of deferred tax liability recorded previously on unremitted earnings of a certain subsidiary; (ii) non-deductible expenses and non-taxable income; (iii) the reversal of a deferred tax liability relating to prior year unrealized foreign exchange gains in Luxembourg; and (iv) business taxes, which are not calculated based on pre-tax net income. The Company has revised its assertion to permanently reinvest the earnings of the subsidiary based on new events and circumstances. As a result, the Company recorded an income tax benefit of \$6,298 in the current period.

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, 2015, 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 on those jurisdictions for which it expects to derive

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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 recognized and the estimate of those earnings and losses.

**13. Derivatives and Hedging Activities**

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 cross currency swaps, 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 average rate options with notional amounts of \$30,522 to exchange foreign currencies as of September 30, 2015. All forward contracts and average rate options mature between October 1, 2015 and December 31, 2016. The Company has elected to not pursue effective hedge accounting treatment on these forward contracts and average rate options, and accordingly, these instruments are adjusted to fair value through earnings in foreign currency exchange gain (loss).

In addition, the Company entered into two cross currency swaps in order to address the Company's exposure to foreign currency risk related to the future principal of the Senior Notes and Term Loan. The GBP-to-USD cross currency swap has a termination date of May 8, 2019 and a notional amount of \$397,487. The EUR-to-USD cross currency swap has a termination date of May 8, 2019 and a notional amount of \$225,067. The EUR-to-USD cross currency swap also includes a put option with a strike price of 1.25037 and a notional amount of \$123,787 that expires on May 6, 2019, which limits the potential liability should exchange rates revert to historical averages. The Company has elected to not pursue effective hedge accounting treatment on these cross currency swaps, 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 fair value of the underlying exposures are as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Unrealized (gain) loss on change in fair value of derivatives	\$ (18,683)	\$ (2,226)	1,834	(2,226)
Realized (gain) loss on change in fair value of derivatives	5,973	(416)	3,681	(416)
<b>Total (gain) loss on derivatives</b>	<b>\$ (12,710)</b>	<b>\$ (2,642)</b>	<b>\$ 5,515</b>	<b>\$ (2,642)</b>

Unrealized (gain) loss on change in fair value of derivatives is the result of mark-to-market gains or losses on the Company's various forward contracts, options or cross currency swaps. Realized (gain) loss on change in fair value of derivatives is the gain or loss on various derivative instruments that have settled during the period. During the nine months ended September 30, 2015, the Company has settled foreign currency contracts with aggregate notional amounts of \$37,552. Total (gain) loss on derivatives is included in foreign currency exchange gain (loss) in the Company's condensed consolidated statement of operations.

The Company's derivative instruments are recorded as follows in the consolidated balance sheet as of September 30, 2015 and December 31, 2014:

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**Fair Value of Derivatives Not  
Designated as Hedge Instruments <sup>(a)</sup>**  
**September 30,  
2015**                      **December 31,  
2014**

	September 30, 2015	December 31, 2014
<b>Derivative assets:</b>		
Prepaid expenses and other current assets	\$ 2,532	\$ 2,688
Other noncurrent assets	5,898	1,013
<b>Derivative liabilities:</b>		
Accrued liabilities	\$ (60)	\$ —
Other noncurrent liabilities	\$ (6,887)	\$ (164)

(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 Term Loan, (7) GBP 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 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. See *Note 13. Derivatives and Hedging Activities* for additional disclosures regarding the fair value of derivative instruments.

The fair values of the Company's other financial instruments for which fair value does not approximate carrying value as of September 30, 2015 and December 31, 2014 are as follows:

<b>September 30, 2015</b>	<b>Carrying Value</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
\$ 565,000 7 7/8 % Senior Notes	\$ 565,551	\$ 535,338	\$ —	\$ 535,338	\$ —
\$ 235,000 10% Exopack Notes	235,314	237,350	—	237,350	—
€ 2,000 YFPEC	3,158	145	—	—	145
<b>December 31, 2014</b>	<b>Carrying Value</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
\$ 325,000 7 7/8 % Senior Notes	\$ 325,000	\$ 338,000	\$ —	\$ 338,000	\$ —
\$ 235,000 10% Exopack Notes	235,402	249,100	—	249,100	—
€ 2,000 YFPEC	3,413	141	—	—	141

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. Discontinued Operations

During the third quarter of 2014, the Flexibles group has discontinued 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. Net sales and net

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operating income (loss) from the Company's discontinued operations for the three and nine months ended September 30, 2015 and 2014 are as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Net sales	\$ —	\$ 5,885	\$ —	\$ 38,290
Operating income (loss)	\$ —	\$ (105)	\$ —	\$ (596)

**SECTION II**  
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**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, 2015, 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, 2014. The occurrence of any one or more of the risks or uncertainties described in our annual report for the year ended December 31, 2014, could have a material adverse effect on our condensed 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, 2014, 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 consolidated financial statements, including the notes thereto, included elsewhere in this report, and with the audited consolidated financial statements, including the notes thereto, included in our annual report for the year ended December 31, 2014.

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, coated substrates, sleeves and labels. We operate 71 production and warehousing facilities in 22 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 21 facilities in North and Central America, 46 facilities across Europe, two facilities in Australasia, 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, Unilever, Chiquita, Dole and Del Monte. We have developed longstanding relationships with our customers spanning, in many cases, over 15 years.

We have invested over \$350,000 in capital spending over the last 3 years on maintenance, safety, compliance, growth and cost reduction projects. The growth and cost reduction projects were for new equipment or to upgrade existing equipment to add new capabilities and allow us to enter new markets. These projects which were done in Europe and North America ("NA") are expected to reduce costs and drive volume gains through access to new markets and higher throughput.

We have invested in restructuring projects to consolidate plants, exit unprofitable product lines, develop social programs, and reduce SG&A headcount. These programs were intended to increase our operating efficiency, realize synergies from redundant operations and to take advantage of our size and scale. We expect to continue to invest in these programs to drive operating income performance.

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, Europe, Central America and Australasia. 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 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 nine months ended September 30, 2015 include the benefits of the CBS and CPS.

### History

On May 31, 2013, Sun Capital Partners V, LLC, 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"), collectively, Coveris Holdings, S.A., a Luxembourg company (the "Group").

Following the completion of the Combination, the Group has been combined into a single business, added seven acquisitions and taken significant steps to integrate the Company's businesses in order to leverage their complementary product lines, customer bases, procurement requirements, technologies and geographic reach. For example, we have focused on coordinating product development and sales efforts across the businesses to leverage our combined product line and integrate new product technologies



throughout our Company. We have also instituted cost savings initiatives across the Company, including company-wide procurement initiatives and manufacturing rationalizations.

## **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 that 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 S.A.S. European Commission Investigation***

Two of our subsidiaries Paccor France S.A.S. (formerly known as Huhtamaki France S.A.S. and now Coveris Rigid (Auneau) France S.A.S.) and Island Lux S.a.r.l. & Partners S.C.A. ("Island Lux SCA"), received a Statement of Objections from the European Commission on September 28, 2012, alleging that Paccor France S.A.S. 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 Coveris Rigid (Auneau) France S.A.S. The EU Competition Authority has issued its decision on June 24, 2015, imposing a fine on Coveris Rigid (Auneau) France SAS, jointly responsible with Huhtamaki Oyj, in the amount of €4,756. Coveris believes that the fine levied upon Coveris Rigid (Auneau) France SAS will be indemnified by Huhtamaki Oyj, the previous owner of the company, under the Sale and Purchase Agreement dated September 22, 2010. The claim has been accepted by Huhtamaki Oyj by fax dated October 9, 2012, and they have since confirmed in writing that they will indemnify the full amount awarded under the decision. Huhtamaki Oyj has since appealed the decision of the Competition Authority.

We have not recorded any contingent liability related to this matter as this contingency is not likely to be settled directly by us due to the underlying circumstances.

### ***Autobar Packaging Spain S.A. Price Fixing Allegations***

In December 2013, Paccor Packaging Spain, S.A. (subsequently renamed Coveris Rigid Spain S.A., "Paccor Spain") received a demand letter from the counsel for SUCA, S.C.A. ("SUCA") and Asociacion de Organizaciones de Productores de Frutas y Hortalizas de Almeria-Coexphal ("COEXPHAL"). The demand letter alleges that a Paccor Spain predecessor business, Autobar Packaging Spain S.A. ("Autobar") participated in price fixing activities with respect to packaging products sold in Spain between 1999 and 2007. The Autobar business was sold as a going concern to Group Guillin in 2006 and was contributed into Group Guillin's subsidiary, Veripack. The demand letter claims damages "preliminarily estimated" at €13,500 (made against all cartel participants and not just Paccor Spain), together with interest and costs.

The demand letter also referenced a second legal action pending before an Italian court in Bologna, Italy, and notified Paccor Spain that SUCA has named Paccor Spain as a co-defendant in the Italian action, on the basis of a decision rendered by the Spanish Competition Authority ("CNC") in 2011 stating that price-fixing activities have been undertaken by some parties, including Veripack, the successor of the relevant business unit of Paccor Spain. Coveris purchased Autobar in May 2013, without the business unit allegedly involved in the Cartel, which had been transferred to Group Guillin/Veripack. Under Spanish law, which Coveris believes should apply since all the companies allegedly damaged by the cartel are Spanish entities, a one-year term of limitation applies to tort claims. The CNC decision was rendered on December 2, 2011 and the first request for damages addressed to Paccor Spain was dated November 28, 2013, after the limitation period had expired. Under Spanish law there is no longer any possibility for the damaged parties to include Paccor Spain in the proceedings or request for damages. However, in the Bologna, Italy proceedings, SUCA and COEXPHAL are alleging that Italian law should apply, under which the term of limitations is 5 years. On January 23, 2014, Paccor Spain received formal notice of the Italian action. A hearing on this matter was held in November 2014, in which we raised (a) procedural objections, (b) objections on the merits, (c) an indemnity claim against Groupe Guillin and Veripack on ground that they should be held exclusively liable for any possible damage since they are the exclusive successors of the Autobar business unit allegedly involved in the Cartel, and (d) alternatively, an action in recourse against all Cartelists. Groupe Guillin and Veripack have denied any liability on the grounds that Coveris, being the successor to Autobar, should be held exclusively liable for the whole period investigated by the CNC. The other cartelists have also claimed an action in recourse against the other cartelists (including Coveris).

Since some of the summoned parties (including some of the cartelists) did not appear before the Court, the Judge directed the separation of the proceedings involving the action in recourse with respect to the defaulting parties, authorizing us to summon the defaulting parties in the separate proceedings. Accordingly our indemnity claim against Groupe Guillin and Veripack, as well as

our action in recourse against the other cartelists which have appeared in the Bologna proceedings remain part of the main proceedings while our action in recourse against those cartelists that have not appeared were initially set for separate proceedings. The defaulting parties, however, failed to appear at two consecutive hearings in the separate proceedings, after which the case was stricken from the Court's role due to non-appearance of the parties. Among the two cartelists who failed to appear in the main proceedings, one is bankrupted and the other has limited assets. In light of this fact, and to avoid further costs, we decided not to pursue the separate claim and to send them a letter to reserve the right to act in recourse at a later stage in the event of an unfavorable judgment.

As to the main proceedings, the Judge set a briefing schedule through March 30, 2015, which has been completed, and a hearing to discuss the parties' evidentiary requests for October 22, 2015. At that hearing, the Judge appointed a Court Expert and set a further hearing for January 28, 2016 for the submission of relevant questions to the Court Expert.

Coveris Spain was sold to a third party on July 22, 2014. An indemnification/guarantee has been granted to the Purchaser of Coveris Spain by both Coveris Holdings SA and Coveris Rigid Polska (formerly, Paccor Polska) for any losses and costs arising from the SUCA claim, and the Coveris Group remains responsible for handling the defense in this case. Any imposition of fines or damage awards and expenses which would invoke the indemnity granted by the Group, could have a material adverse effect on our business, results of operations, financial condition or cash flow.

The Company has not recorded any contingent liability related to this matter as this contingency is not probable and estimable due to the underlying circumstances at this time.

### ***PerfoTec BV***

On December 29, 2014, Coveris Flexibles US LLC received notice that PerfoTec BV had filed a suit in The Netherlands (District Court of the Hague) against Coveris Flexibles US LLC ("Coveris US"), Coveris Germany Holding GmbH and Coveris Flexibles Deutschland GmbH (together with Coveris Germany Holding GmbH, "Coveris Germany"). The complaint alleges breach of two license agreements signed by each of Coveris US and Coveris Germany, as well as several purchase order confirmations issued by PerfoTec (but generally not signed by Coveris US or Coveris Germany) (collectively, the "License and Purchase Agreements"). Specifically, PerfoTec alleges breach of the obligations of (i) Coveris US to pay €200, representing the 50% unpaid balance for four PerfoTec systems, to be increased by statutory commercial interest as of June 1, 2013, (ii) Coveris Germany to pay €70 for the purchase of a third PerfoTec laser, to be increased by statutory commercial interest as of June 1, 2013, and (iii) both Coveris US and Coveris Germany to comply with obligations to use commercially reasonable efforts to promote the PerfoTec laser system in conjunction with a packaging machine or converting machine, including promotion as a premium product at two significant trade shows each year for three years. PerfoTec alleges that it suffered damages of €20,000 because Coveris US and Coveris Germany failed to comply with their obligations under the license agreements. PerfoTec also seeks an order of specific performance for the defendants to comply with the License and Purchase Agreements (including the promotion obligations), subject to forfeiture of a penalty of €1,000 per day or partial day of non-compliance with the order, an unspecified amount to compensate for losses incurred by PerfoTec resulting from non-compliance with the License and Purchase Agreements, and an award of costs.

PerfoTec filed its statement of claim with the court on April 1, 2015. Coveris US and Coveris Germany filed their statement of reply on May 27, 2015. In the statement of reply, a counterclaim amounting to €1,058 and \$522, plus statutory interest, was made. These amounts were paid by the Coveris entities in connection with the acquisition of the systems and recovery is sought based on termination of the agreements.

The judge has scheduled a hearing in this matter for November 20, 2015.

Coveris believes that it has strong defenses to these claims and intends to fully defend against them. The Company has not recorded any contingent liability related to this matter as this contingency is not probable and estimable due to the underlying circumstances at this time.

### **Recent Developments**

On May 22, 2015, we entered into the First Amendment Agreement ("First Amendment") to the Term Loan with Goldman Sachs Bank USA, as administrative and collateral agent, amongst others. The First Amendment reduces our annual interest rates by 75 bps on the Term Loan - USD Tranche and by 125 bps on the Term Loan - EUR Tranche. In addition, we have increased the Term Loan - EUR Tranche to €247,800 and decreased the Term Loan - USD Tranche by a U.S. dollar equivalent amount. The First Amendment matures on May 8, 2019.

## **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. The price of polymers and the other raw materials that we use is a function of supply and demand, suppliers' capacity utilization, industry and consumer sentiment and prices for crude oil, natural gas and other raw materials. Prices for paper depend on the industry's capacity utilization and the costs of raw materials. After rapid polyethylene price rises from 2009 to 2011, reaching a peak in 2011, polyethylene prices continued to be volatile from 2012 through 2015, driven by changes in oil prices and periodic supply disruptions. Similarly, polymer prices increased between 2009 and 2011, and remain volatile through 2015, mainly due to changing oil prices and supply disruptions caused by unplanned outages at the production facilities of polymer producers. Changes in prices of raw materials may have an impact on our profitability in the future. In addition, the recent strengthening of the U.S. dollar versus the euro and British pound may present opportunities for us to further improve our cost of raw materials, through the import or export of raw materials and/or finished goods to various geographies.

As a result of operating large manufacturing facilities, the fuels necessary to power our facilities and operations constitute a significant portion of our cost of sales. We use large amounts of electricity, natural gas and oil in our production. Prices for these fuels have been highly volatile in recent years and have generally risen since 2005. However, during 2014 and 2015, oil prices decreased by more than 50% compared to 2013. While this decrease in oil prices might lead to a temporary reduction in fuel costs, any future increase in energy prices may adversely affect our business to the extent that we are unable to pass these increased costs on to our customers.

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. 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 increasing the price of our products. In addition, a 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. Furthermore, we seek to take advantage of decreases in raw material prices by keeping our sales prices at the same levels until price terms of the contract are renegotiated.

Our product mix and ability to create innovative products that use raw materials efficiently also impacts the amount of raw materials we use to produce our products. If we are able to produce products that use less resin, or use a mix of raw materials that are less subject to 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 22 different countries, and sell our products into approximately 105 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. We have entered into a series of cross currency swaps, 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 consolidated statement of operations. See “Quantitative and Qualitative Information Regarding Market and Operating Risks-Foreign Exchange Risk.”

We present our condensed 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 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, Central America, 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.

### ***Debt Refinancing***

On November 8, 2013, we issued \$325,000 in aggregate principal amount of Senior Notes and entered into a 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 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. On February 17, 2015 and June 16, 2015, we issued the Additional Notes under the Indenture with the same terms and conditions as the Senior Notes and will constitute a single series with, and will be consolidated and fungible with, the Senior Notes for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. In addition, on May 22, 2015, the Company entered into the First Amendment to the Term Loan. The First Amendment reduces our annual interest rates by 75 bps on the Term Loan - USD Tranche and by 125 bps on the Term Loan - EUR Tranche. In addition, we have increased the Term Loan - EUR Tranche to €247,800 and decreased the Term Loan - USD Tranche by a U.S. dollar equivalent amount.



## ***Acquisitions***

We have acquired control over various companies through a series of separate transactions completed between August 5, 2010 and June 17, 2015. Except for the acquisition of Rose HPC Holding, LLC and its subsidiaries (collectively referred to as "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 place 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 acquisition 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.

## ***Factors Affecting Comparability***

We have completed a number of selective acquisitions since January 1, 2014 to complement the growth in net sales, operating income and cash flow that we are targeting through organic sales volume growth and cost savings. The acquisitions since January 1, 2014 are as follows:

- KubeTech. On May 30, 2014, we 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. We incorporated KubeTech into our Rigid segment. We have consolidated KubeTech in our financial statements from the date of its acquisition by Sun Capital Partners V, L.P. on December 31, 2012, as KubeTech was accounted for as a business combination under common control.
- St. Neots. On June 12, 2014, we 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. We have consolidated St. Neots in our financial statements from the date of its acquisition and include its results in our Flexible reporting segment.
- Learoyd. On August 21, 2014, we acquired the shares of Learoyd Packaging Limited ("Learoyd"), which is one of the UK's leading flexographic print specialists supplying flexible packaging solutions to major supermarkets, own brands and food manufacturers and retailers. We believe that the acquisition of Learoyd supports and strengthens our UK flexible packaging offering through advanced processes and technologies in addition to providing access to new customer and product markets. We have consolidated Learoyd in our financial statements from the date of its acquisition and include its results in our Flexible reporting segment.
- Coveris Australasia. On May 29, 2015, we acquired the shares of Coveris Australasia, which expands our global footprint into the Australasian region of the world and will allow us a channel for expansion of several existing product lines. We have consolidated Coveris Australasia in our financial statements from the date of its acquisition and include its results within our Flexible reporting segment.
- Olefinas. On June 17, 2015, we acquired the shares of Olefinas, a leading agricultural plastics manufacturer with operations in Guatemala and Mexico. Entering Latin America supports our initiative to provide a full range of packaging solutions for agricultural products, including tree bags, twine and aging ribbons for the banana industry, as well as mulch and fumigation films, insect traps, modified atmospheric packaging and shrink films. We have consolidated Olefinas in our financial statements from the date of its acquisition and include its results within our Flexible reporting segment.

As we included the results of operations of each acquired business in our condensed consolidated financial statements from the date of their respective acquisition, results for the nine months ended September 30, 2015 and 2014 are not comparable as a result of the St Neots, Learoyd, Coveris Australasia and Olefinas acquisitions.

## **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.

### ***Depreciation and Amortization***

Depreciation and amortization expenses consist of the depreciation of non-manufacturing related property, plant and equipment as well as the amortization of intangible assets.

### ***Interest Expense***

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

### ***Other Income (Expense), Net***

Our other income (expense), net generally consists of gains and losses on the disposal or sale of assets and other items that relate to ancillary business activities.

### ***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. Additionally, included in this line item are the changes in the fair value of derivative instruments not designated as hedges.

### ***Income Tax Benefit (Provision)***

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**



### ***Basis of Presentation***

These condensed 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. As such, the condensed consolidated statement of operations are not directly comparable for the three and nine months ended September 30, 2015 and 2014.

### ***Consolidated Analysis for the Three Months Ended September 30, 2015 and 2014***

<i>(in thousands of U.S. dollars)</i>	<b>Three Months Ended</b>			
	<b>September 30, 2015</b>		<b>September 30, 2014</b>	
<b>Statement of Operations Data:</b>	<b>\$</b>	<b>% of Net Sales</b>	<b>\$</b>	<b>% of Net Sales</b>
Net sales	\$ 676,643	100 %	\$ 686,781	100 %
Cost of sales	(577,212)	-85.3 %	(591,592)	-86.1 %
Gross margin	99,431	14.7 %	95,189	13.9 %
Selling, general and administrative expenses	(59,587)	-8.8 %	(73,787)	-10.7 %
Depreciation and amortization	(12,406)	-1.8 %	(12,166)	-1.8 %
Operating income (loss)	27,438	4.1 %	9,236	1.3 %
Interest expense, net	(33,388)	-4.9 %	(32,617)	-4.7 %
Other income (expense), net	2,121	0.3 %	164	— %
Foreign currency exchange gain (loss)	3,605	-0.6 %	(17,970)	3.0 %
Income (loss) before taxes from continuing operations	(224)	— %	(41,187)	-6.0 %
Income tax benefit (provision)	(3,064)	-0.5 %	1,443	0.2 %
<b>Income (loss) from continuing operations</b>	<b>\$ (3,288)</b>	<b>-0.5%</b>	<b>\$ (39,744)</b>	<b>-5.8%</b>

*Net Sales.* Net sales for the three months ended September 30, 2015 decreased \$10,138 or 1.5% from the prior year. Foreign exchange had an unfavorable impact of \$68,293, partially offset by the acquisitions of Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015). Acquisitions contributed \$45,710 to net sales. Excluding the impact of foreign currency and acquisitions, net sales increased \$12,445 primarily as a result of increased volumes and pricing initiatives in our European flexible business. For a more detailed discussion of the change in net sales from the three months ended September 30, 2014, please see our analysis by reportable segment below.

*Cost of Sales.* Cost of sales for the three months ended September 30, 2015 decreased \$14,380 or 2.4% from the prior year. Foreign exchange had a favorable impact of \$60,538, partially offset by the acquisitions of Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015). Acquisitions contributed \$34,292 to cost of sales. Excluding the impact of foreign currency and acquisitions, cost of sales increased \$11,866. As a percentage of sales, cost of sales decreased 83 basis points ("bps"). This favorable increase in our gross margin percentage is largely due to decreased resin pricing from our vendors that we anticipate to get passed through to our customers in the three months ended December 31, 2015. For a more detailed discussion of our results of operations compared to the three months ended September 30, 2014, 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, 2015 decreased \$14,200 or 19.2% from the prior year. Foreign exchange had a favorable impact of \$5,585, partially offset by the acquisitions of Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015). Acquisitions contributed \$3,244 to SG&A. Excluding foreign currency and acquisitions, SG&A decreased \$11,859 from the three months ended September 30, 2014 as a result of our ongoing cost savings initiatives.

*Depreciation and Amortization ("D&A").* D&A for the three months ended September 30, 2015 increased \$240 from the prior year. Foreign exchange had a favorable impact of \$1,337, partially offset by acquisitions of Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015). Acquisitions contributed \$56 to incremental D&A from the three months ended September 30, 2014. Excluding foreign currency impact and acquisitions, D&A increased \$1,521 compared to the three months ended September 30, 2014 as a result of various plant modernization and capacity initiatives.

*Interest expense, net.* Interest expense, net for the three months ended September 30, 2015 increased \$771 from the prior year, primarily due to the additional Senior Notes issued during 2015, partially offset by entering into the First Amendment to the Term Loan in May 2015, which reduced the interest rate on the Term Loan by 75 bps for the USD Tranche and 125 bps for the EUR Tranche.

*Other income (expense), net.* Other income, net of \$2,121 for the three months ended September 30, 2015 increased by \$1,957 from a prior year period other income, net of \$164. The increase is primarily the result of increased gains on disposal of assets in 2015 versus 2014.

*Foreign currency exchange gain (loss).* Foreign currency exchange gain was \$3,605 for the three months ended September 30, 2015 compared to a loss of \$17,970 for the three months ended September 30, 2014. The change is driven largely by decreased volatility between the euro and the US dollar and the Great British pound and the US dollar for the comparative quarterly periods. In the prior year quarter, the dollar weakened against the euro and Great British pound, causing a significant unrealized foreign exchange loss primarily on the remeasurement of our USD Tranche of our Term Loan and Senior Notes that were maintained in a euro functional currency entity. In the current quarterly period, the US dollar has been less volatile.

*Income tax benefit (provision).* For the three months ended September 30, 2015, we recorded an income tax provision of \$3,064 compared to a tax benefit of \$1,443 for the three months ended September 30, 2014. The movement of \$4,507 is primarily due to a reduction in the amount of the Company's loss before taxes.

***Analysis by Reportable Segments for the Three Months Ended September 30, 2015 and 2014***

Net sales by segment for the three months ended September 30, 2015 and 2014 are as follows:

	<b>Three Months Ended</b>			
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>\$ Change</b>	<b>% Change</b>
Net sales from external customers:				
Flexible	\$ 514,597	\$ 491,369	\$ 23,228	4.7 %
Rigid	162,046	195,412	(33,366)	(17.1)%
<b>Total net sales</b>	<b>\$ 676,643</b>	<b>\$ 686,781</b>	<b>\$ (10,138)</b>	<b>(1.5)%</b>

Operating income (loss) by segment for the three months ended September 30, 2015 and 2014 are as follows:

	<b>Three Months Ended</b>			
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>\$ Change</b>	<b>% Change</b>
Operating income (loss):				
Flexible	\$ 23,441	\$ 12,479	\$ 10,962	87.8 %
<i>Percentage of Flexible net sales</i>	<i>4.6%</i>	<i>2.5 %</i>		
Rigid	2,135	(1,920)	4,055	211.2 %
<i>Percentage of Rigid net sales</i>	<i>1.3%</i>	<i>(1.0)%</i>		
Corporate/Eliminations	1,862	(1,323)	3,185	(240.7)%
<b>Total operating income (loss)</b>	<b>\$ 27,438</b>	<b>\$ 9,236</b>	<b>\$ 18,202</b>	<b>197.1 %</b>
Percentage of total net sales	4.1%	1.3 %		

*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, Europe, Central America and Australasia.

Our Flexible segment net sales for the three months ended September 30, 2015 increased \$23,228 or 4.7% from the prior year, despite an unfavorable foreign exchange impact of \$40,329. The acquisitions of Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015) contributed \$45,710 to our increase from the prior period. Excluding the impact of foreign currency and acquisitions, net sales increased \$17,847, primarily due to increased volumes in our European and North American food markets.

For the three months ended September 30, 2015, our Flexible segment operating income increased \$10,962 from the prior year. The acquisitions of Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015) contributed \$8,118 to operating income, partially offset by an unfavorable foreign currency impact of \$259. Excluding the impact of foreign currency and acquisitions, operating income increased \$3,103 primarily driven by the Company's various operational effectiveness 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, 2015 decreased \$33,366 or 17.1% from the prior year, primarily due to an unfavorable foreign exchange impact of \$27,964 and reduced pricing resulting from the pass through of declining resin prices.

For the three months ended September 30, 2015, operating income in the Rigid segment increased \$4,055 compared to the three months ended September 30, 2014. The primary driver in the increase to operating income is operational efficiencies from our various cost savings initiatives such as CBS and CPS, partially offset by unfavorable foreign exchange of \$576.

### **Consolidated Analysis for the Nine Months Ended September 30, 2015 and 2014**

<i>(in thousands of U.S. dollars)</i>	Nine Months Ended			
	September 30, 2015		September 30, 2014	
<b>Statement of Operations Data:</b>	\$	% of Net Sales	\$	% of Net Sales
Net sales	\$ 1,961,511	100 %	\$ 2,095,747	100 %
Cost of sales	(1,663,955)	-84.8 %	(1,797,216)	-85.8 %
Gross margin	297,556	15.2 %	298,531	14.2 %
Selling, general and administrative expenses	(191,114)	-9.7 %	(207,494)	-9.9 %
Depreciation and amortization	(33,919)	-1.7 %	(36,043)	-1.7 %
Operating income (loss)	72,523	3.7 %	54,994	2.6 %
Interest expense, net	(95,085)	-4.8 %	(96,797)	-4.6 %
Other income (expense), net	5,534	0.3 %	(304)	— %
Foreign currency exchange gain (loss)	(21,158)	1.3 %	(15,403)	0.9 %
Income (loss) before taxes from continuing operations	(38,186)	-1.9 %	(57,510)	-2.7 %
Income tax benefit (provision)	3,725	0.2 %	(1,760)	-0.1 %
<b>Income (loss) from continuing operations</b>	<b>\$ (34,461)</b>	<b>-1.8%</b>	<b>\$ (59,270)</b>	<b>-2.8%</b>

*Net Sales.* Net sales for the nine months ended September 30, 2015 decreased \$134,236 or 6.4% from the prior year. Foreign exchange had an unfavorable impact of \$223,825, partially offset by the acquisitions of St. Neots (June 12, 2014), Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015). Acquisitions contributed \$96,375 to net sales. Excluding the impact of foreign currency and acquisitions, net sales decreased \$6,786, primarily due to reduced pricing resulting from the pass through of declining resin prices throughout the year and decreased volumes in our Coatings and Rigid business units. For a more detailed discussion of the change in net sales from the nine months ended September 30, 2014, please see our analysis by reportable segment below.

*Cost of Sales.* Cost of sales for the nine months ended September 30, 2015 decreased \$133,261 or 7.4% from the prior year, primarily due to a favorable foreign exchange impact of \$195,134, partially offset by the acquisitions of St. Neots (June 12, 2014), Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015). Acquisitions contributed \$79,171

to cost of sales. Excluding the impact of foreign currency and acquisitions, cost of sales decreased \$17,298. As a percentage of sales, cost of sales decreased 93 basis points ("bps"). The favorable change in cost of sales as a percentage of net sales is primarily driven by favorable 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 nine months ended September 30, 2014, please see our analysis by reportable segment below.

*Selling, General and Administrative ("SG&A") expenses.* SG&A expenses for the nine months ended September 30, 2015 decreased \$16,380 or 7.9% from the prior year, primarily due to a favorable foreign exchange impact of \$20,803, partially offset by the acquisitions of St. Neots (June 12, 2014), Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015). Acquisitions contributed \$6,588 to SG&A. Excluding foreign currency and acquisitions, SG&A decreased \$2,165 from the nine months ended September 30, 2014 primarily due to our various cost savings initiatives.

*Depreciation and Amortization ("D&A").* D&A for the nine months ended September 30, 2015 decreased \$2,124 from the prior year, primarily due to a favorable foreign exchange impact of \$3,531. Excluding the impact of foreign currency, D&A was relatively flat compared to the nine months ended September 30, 2014.

*Interest expense, net.* Interest expense, net for the nine months ended September 30, 2015 decreased \$1,712 from the prior year, primarily due to foreign exchange and entering into the First Amendment to the Term Loan in May 2015, which reduced the interest rate on the Term Loan by 75 bps for the USD Tranche and 125 bps for the EUR Tranche.

*Other income (expense), net.* Other income, net of \$5,534 for the nine months ended September 30, 2015 increased \$5,838 from other expense, net of \$304 in the prior year. The change is primarily due to the loss on the disposal and sale of our facility in Sopolana, Spain in the prior year.

*Foreign currency exchange gain (loss).* Foreign currency exchange loss was \$21,158 for the nine months ended September 30, 2015 compared to a loss of \$15,403 for the nine months ended September 30, 2014. The increase is primarily attributable to an increasingly stronger US dollar against the euro and Great British pound in the current period compared to the prior year period, which drives an unrealized foreign exchange loss on our US dollar denominated debt maintained in a euro functional currency subsidiary.

*Income tax benefit (provision).* For the nine months ended September 30, 2015, we incurred an income tax benefit of \$3,725 compared to a tax provision of \$1,760 for the nine months ended September 30, 2014. The movement of \$5,485 is primarily due to a reduction of deferred tax liability recorded previously on unremitted earnings of a certain subsidiary and a reduction in tax losses for which no deferred tax asset was recognized.

***Analysis by Reportable Segments for the Nine Months Ended September 30, 2015 and 2014***

Net sales by segment for the nine months ended September 30, 2015 and 2014 are as follows:

	<b>Nine Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>September 30, 2015</b>	<b>September 30, 2014</b>		
Net sales from external customers:				
Flexible	\$ 1,486,771	\$ 1,498,799	\$ (12,028)	(0.8)%
Rigid	474,740	596,948	(122,208)	(20.5)%
<b>Total net sales</b>	<b>\$ 1,961,511</b>	<b>\$ 2,095,747</b>	<b>\$ (134,236)</b>	<b>(6.4)%</b>

Operating income (loss) by segment for the nine months ended September 30, 2015 and 2014 are as follows:

	<b>Nine Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>September 30, 2015</b>	<b>September 30, 2014</b>		
<b>Operating income (loss):</b>				
Flexible	\$ 61,101	\$ 54,465	\$ 6,636	12.2 %
<i>Percentage of Flexible net sales</i>	<i>4.1%</i>	<i>3.6%</i>		
Rigid	5,647	4,263	1,384	(32.5)%
<i>Percentage of Rigid net sales</i>	<i>1.2%</i>	<i>0.7%</i>		
Corporate/Eliminations	5,775	(3,734)	9,509	(240.7)%
<b>Total operating income (loss)</b>	<b>\$ 72,523</b>	<b>\$ 54,994</b>	<b>\$ 17,529</b>	<b>31.9 %</b>
Percentage of total net sales	3.7%	2.6%		

### *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, Europe, Central America and Australasia.

Our Flexible segment net sales for the nine months ended September 30, 2015 decreased \$12,028 or 0.8% from the prior year. Foreign exchange had an unfavorable impact of \$134,722, partially offset by the acquisitions of St. Neots (June 12, 2014), Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015). Acquisitions contributed \$96,375 to net sales. Excluding the impact of foreign currency and acquisitions, net sales increased \$26,319, primarily due to increased volumes in our food packaging applications in North America as well as market share gains in our label and film product lines in the United Kingdom. The volume increase was partially offset by reduced pricing passed on to customers as a result of lower resin costs.

For the nine months ended September 30, 2015, our Flexible segment operating income increased \$6,636 from the prior year. The acquisitions of St. Neots (June 12, 2014), Learoyd (August 21, 2014), Coveris Australasia (May 29, 2015) and Olefinas (June 17, 2015) contributed \$9,698 to operating income. Excluding an unfavorable foreign currency impact of \$2,029, the remaining decrease of \$1,033 is primarily due to acquisition costs related to acquisitions as well as spend associated with implementing various governance and process improvement initiatives in the first half of 2015.

### *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 nine months ended September 30, 2015 decreased \$122,208 or 20.5% from the prior year, primarily due to unfavorable foreign exchange impact of \$89,103. Excluding foreign exchange impact, the remaining decrease of \$33,105 is a result of reduced pricing due to the pass through of declining resin prices and unfavorable volumes. The decline in volume is driven primarily by plant closures in the prior year and soft demand in North America and Europe.

For the nine months ended September 30, 2015, operating income in the Rigid segment increased \$1,384 from prior period. Foreign exchange had an unfavorable foreign exchange impact \$2,331. The unfavorable foreign exchange impact and lower volumes were partially offset by lower SG&A expense due to prior restructuring activities and cost alignment initiatives, in conjunction with CBS and CPS to better leverage our existing resources and improve operating results.

### **Unaudited Non-GAAP Information**

The following tables present certain operating metrics derived by combining the historical condensed consolidated net sales and gross margin of the Company with the historical unaudited 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, 2015 and 2014, which includes the legacy St Neots, Learoyd, Coveris Australasia and Olefinas businesses. The following unaudited non-GAAP information for the three and nine months ended September 30, 2015 and 2014 gives effect to the acquisitions of St Neots



(acquired June 12, 2014), Learoyd (acquired August 21, 2014), Coveris Australasia (acquired May 29, 2015) and Olefinas (acquired June 17, 2015) as if they were acquired on January 1, 2014.

Adjusted net sales for the Company are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014*	September 30, 2015*	September 30, 2014*
Flexible	\$ 514,597	\$ 538,998	\$ 1,554,670	\$ 1,664,138
Rigid	162,046	195,412	474,740	596,948
<b>Total net sales</b>	<b>\$ 676,643</b>	<b>\$ 734,410</b>	<b>\$ 2,029,410</b>	<b>\$ 2,261,086</b>

\* Adjusted net sales for the nine months ended September 30, 2015 and for the three and nine months ended September 30, 2014 include the impact of combining the results of St Neots, Learoyd, Coveris Australasia and Olefinas as if they had been acquired on January 1, 2014.

Adjusted gross margin percentage is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014*	September 30, 2015*	September 30, 2014*
Gross margin percentage	14.6%	14.0%	15.2%	14.6%

\* Adjusted gross margin percentage for the nine months ended September 30, 2015 and for the three and nine months ended September 30, 2014 includes the impact of combining the results of St Neots, Learoyd, Coveris Australasia and Olefinas as if they had been acquired on January 1, 2014.

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, and adjusted for special items and acquisitions as if they were acquired on January 1, 2014 ("Adjusted EBITDA"), except for the retrospective application of purchase price allocation adjustments. Adjusted EBITDA is a non-GAAP measure.

We present herein the Group's Adjusted EBITDA for the three and nine months ended September 30, 2015 and 2014. The Group's Adjusted EBITDA for the three and nine months ended September 30, 2015 and 2014 gives effect to the acquisitions of St Neots (acquired June 12, 2014), Learoyd (acquired August 21, 2014), Coveris Australasia (acquired May 29, 2015) and Olefinas (acquired June 17, 2015), as if they were acquired on January 1, 2014. Adjusted EBITDA for the three and nine months ended September 30, 2015 and 2014 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 St Neots, Learoyd, Coveris Australasia and Olefinas 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 is not a measurement of performance under GAAP and you should not consider 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 is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties in evaluating our business. Adjusted EBITDA is used by different companies for varying purposes and is often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Adjusted EBITDA as reported by us to Adjusted EBITDA of other companies. Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. For example, Adjusted EBITDA: (i) does not reflect our cash expenditures or future requirements for capital expenditures; (ii) does not reflect changes in, or cash requirements for, our working capital needs; (iii) does not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt; (iv) does not reflect any cash income taxes we may be required to pay; and (v) does not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations.

The following table reconciles Adjusted EBITDA to its most directly comparable GAAP financial measure, which is net income, for the three and nine months ended September 30, 2015 and 2014:



<i>(in millions of U.S. dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
<b>U.S. GAAP Net income (loss)</b>	<b>\$ (3,288)</b>	<b>\$ (39,849)</b>	<b>\$ (34,461)</b>	<b>\$ (59,866)</b>
Interest expense, net	33,388	32,617	95,085	96,797
(Benefit) provision for income taxes	3,064	(1,443)	(3,725)	1,760
Depreciation and amortization	37,970	39,311	109,546	117,349
<b>Non-GAAP EBITDA</b>	<b>71,134</b>	<b>30,636</b>	<b>166,445</b>	<b>156,040</b>
<b>Acquisition Adjustments <sup>(a)</sup>:</b>				
Unadjusted St. Neots EBITDA prior to Fund V acquisition	—	—	—	3,037
Unadjusted Learoyd EBITDA prior to Fund V acquisition	—	547	—	2,279
Unadjusted Coveris Australasia EBITDA prior to Fund V acquisition	—	386	(534)	1,492
Unadjusted Olefinas EBITDA prior to Fund V acquisition	—	3,916	8,266	12,424
<b>Non-GAAP EBITDA after Acquisition Adjustments</b>	<b>71,134</b>	<b>35,485</b>	<b>174,177</b>	<b>175,272</b>
<b>Special Items:</b>				
PPA Adjustments and FX translation	(8,375)	20,509	18,066	17,263
Restructuring and related relocation costs <sup>(b)</sup>	6,612	11,089	22,498	26,538
Management fees and expenses	1,827	2,369	6,445	7,551
Transaction related expenses <sup>(c)</sup>	2,651	4,065	6,475	7,697
Business improvement consulting cost	5,017	6,432	16,151	12,762
(Gain) loss on disposal of assets	(130)	499	(1,152)	1,483
Pension revaluation	211	416	634	1,254
Other expenses <sup>(d)</sup>	4,758	1,003	8,342	14,145
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 83,705</b>	<b>\$ 81,867</b>	<b>\$ 251,636</b>	<b>\$ 263,965</b>

(a) Adjustments to retrospectively include results of certain entities prior to the Company's acquisition of the entity.

(b) Costs associated primarily with various restructuring activities, employee relocation expenses or employee severance costs.

(c) Costs associated with the Combination, transactions and acquisition costs.

(d) Costs associated with information technology, consulting, rebranding and other infrequent expenses.

Actual results may differ materially from the assumptions within the accompanying unaudited non-GAAP information. The unaudited non-GAAP 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. Furthermore, on February 17, 2015 and June 16, 2015, we issued the Additional Notes to refinance

certain of our outstanding indebtedness. The Additional Notes have the same terms and conditions as the Senior Notes issued on November 8, 2013, and constitute a single series with, and will be consolidated and fungible with our Senior Notes.

### **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 our Canadian subsidiaries for up to \$15,000 (the Canadian dollar equivalent). The NA ABL Facility also provides our 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 U.S. and 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, 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 consolidated balance sheets as of September 30, 2015 and December 31, 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 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 2.44% as of September 30, 2015.

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, 2015, we were in compliance with these covenants.

As of September 30, 2015, \$54,352 was outstanding and \$33,474 was available for additional borrowings, net of outstanding letters of credit of \$6,107 under the NA ABL Facility.

### **European ABL Facility**

On November 8, 2013, we entered into 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).

As of September 30, 2015, \$109,432 was outstanding, \$41,627 was the net amount available for additional borrowings and the weighted average interest rate on borrowings outstanding under the European ABL Facility was 2.99%.

## ***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.

## **Senior 7 7/8% Notes**

On November 8, 2013 we issued \$325,000 in aggregate principal amount 7<sup>7</sup>/<sub>8</sub>% Senior Notes (the “Senior Notes”). On February 17, 2015 and June 16, 2015, respectively, we issued an additional \$85,000 and \$155,000 in aggregate principal amount 7<sup>7</sup>/<sub>8</sub>% Senior Notes (the “Additional Notes” and together with the Senior Notes, the “Notes”). The Additional Notes were issued under the indenture, dated as of November 8, 2013 (the “Indenture”), governing our existing Senior Notes and have the same terms and conditions as the Senior Notes and will constitute a single series with, and will be consolidated and fungible with, the Senior Notes for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Notes mature on November 1, 2019, and pay interest semi-annually on each November 1 and May 1. The \$85,000 Additional Notes were issued at a premium of \$850, and the \$155,000 Additional Notes were issued at a discount of \$194. The premium and discount will be amortized over the remaining term of such notes. The Notes are senior unsecured obligations of the Company, ranking senior in right of payment to all of our future debt that is expressly subordinated in right of payment to the Notes and rank pari passu in right of payment with our existing and future debt that is not so subordinated, including our obligations under the Term Loan, the European ABL Facilities, the NA ABL Facility and the Exopack Notes.

The Notes are guaranteed on a senior unsecured basis (the “Guarantees”) by certain subsidiaries (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 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 \$325,000 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2019 Offering Memorandum dated October 24, 2013, the \$85,000 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2019 Offering Memorandum dated February 10, 2015, and the \$155,000 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2019 Offering Memorandum dated June 11, 2015. The Notes and Guarantees are structurally subordinated to all obligations of our 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, 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; *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 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:

<b>Year</b>	<b>Redemption Price</b>
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 our discretion, be subject to the satisfaction of one or more conditions precedent.

The Notes require us to comply with customary covenants applicable to our 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) additional collateral and guarantor requirements; and (v) designation of unrestricted subsidiaries.
- 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, 2015, the Company was 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 all of Exopack's subsidiaries incorporated in the United States as well as certain subsidiaries that also guarantee the Senior Notes. 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 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 Notes. As of September 30, 2015, we were in compliance with all of these covenants.

### **Term Loan**

On November 8, 2013, we entered into a credit agreement (the "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 "Term Loan - USD Tranche") in principal amount and a single draw euro denominated term loan of approximately €175,000 (the "Term Loan - EUR Tranche") in principal amount pursuant to the Term Loan Facility Agreement. On May 22, 2015, we entered into the First Amendment Agreement to the



Term Loan with Goldman Sachs Bank USA, as administrative and collateral agent, amongst others. The First Amendment reduces our annual interest rates by 75 bps on the Term Loan - USD Tranche and by 125 bps on the Term Loan - EUR Tranche. In addition, we have increased the Term Loan - EUR Tranche to €247,800 and decreased the Term Loan - USD Tranche by a U.S. dollar equivalent amount.

The 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 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 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 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) 3.50% in excess of the London interbank offer rate (adjusted for maximum reserves), and (ii) with respect to loans denominated in euros, 3.50% 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 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 Term Loan Facility will be secured by substantially all of our assets and the Guarantors.

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

The 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 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 (xiii) 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, 2015, we were in compliance with all of these covenants.

## **GBP Revolving Credit Facility**



On October 18, 2013, we entered into a Loan Authorization Agreement (the "GBP Revolving Credit Facility") with Bank of Montreal Ireland P.L.C.

Borrowings on the GBP 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, 2015, there was \$0 outstanding on our GBP Revolving Credit Facility.

### **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 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 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 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, 2015 and December 31, 2014, we had related party shareholder loans which are PECs, ALPECs, or YFPECs.

#### *PEC Shareholder Loans*

Our 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. The PECs include an optional redemption feature, at par value plus any accrued interest. The PECs are not secured by any assets but receive priority in liquidation over common shareholders.

#### *ALPEC Shareholder Loans*

Our shareholders 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*

Our 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 at par value. The YFPEC is not secured by any of the assets of the Company but receives priority in liquidation over common shareholders.

### **Liquidity Discussion**

As of September 30, 2015, we had approximately \$33,474 of available borrowing capacity under our NA ABL Facility and \$41,627 under our European ABL Facilities. 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, 2015, we had \$1,637,949 of third party, interest-bearing debt and \$47,013 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) increased \$101,544 to \$160,780 as of September 30, 2015 from \$59,236 as of December 31, 2014. The increase from the prior year end is largely attributable to acquisitions. Olefinas and Coveris Australasia contributed an incremental \$45,827 and \$11,113, respectively, to net working capital as of September 30, 2015.

Cash and cash equivalents decreased \$4,666 from December 31, 2014, compared to a \$19,350 decrease during the same period in 2014.

Cash provided by operating activities was \$79,791 for the nine months ended September 30, 2015 and compared to \$28,170 for the nine months ended September 30, 2014 or an increase of \$51,621. The increase in operating cash flows is primarily due to operational efficiencies driving and inventory management.

Cash used in investing activities for the nine months ended September 30, 2015 and 2014 was \$248,199 and \$93,027, respectively. The increase is primarily due to the acquisitions of Olefinas and Coveris Australasia in 2015, which were significantly larger than the acquisitions completed in the comparative period. Additionally, we have increased capital expenditures in the current year as we invest in various plant modernization efforts, as well as capacity.

Cash provided by financing activities for the nine months ended September 30, 2015 was \$161,862 compared to \$47,807 for the nine months ended September 30, 2014. This increase is primarily comprised of the proceeds from the issuance of our Additional Notes and the repayments of legacy debt of acquired companies in the prior year, partially offset by the repayment of the GBP Revolving Credit Facility, decreased borrowings, net of repayments, on our North American and European ABL Facilities and deferred financing costs related to the Additional Notes. The decreased use of our various credit facilities is due to changes in 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 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 22 different countries, and sell our products into approximately 105 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. We have entered into a series of cross currency swaps, 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 condensed 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 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 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, 2015, 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 \$982.

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 Term Loan, the NA ABL Facility and the European ABL Facilities and other local working capital borrowing.