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Coveris Holdings S.A.

QUARTERLY REPORT

For the Quarterly Period Ended March 31, 2016

COVERIS HOLDINGS S.A.
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QUARTERLY REPORT

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SECTION I

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

(in thousands of U.S. dollars, except share information)	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,432	$ 46,455
Trade accounts receivable (net of allowance for uncollectible accounts of $7,113 and $6,732 as of March 31, 2016 and December 31, 2015, respectively)	368,111	364,558
Inventories	296,065	291,411
Prepaid expenses and other current assets	67,551	72,713
Total current assets	**776,159**	**775,137**
Property, plant and equipment, net	861,705	841,968
Intangible assets, net	265,117	276,470
Goodwill	511,350	512,506
Deferred income tax assets	2,217	1,890
Pension assets	15,919	16,371
Noncurrent deferred financing costs, net	38,176	39,151
Other noncurrent assets	13,964	19,831
Total assets	**$ 2,484,607**	**$ 2,483,324**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Current portion of interest-bearing debt and capital leases	$ 183,846	$ 174,545
Accounts payable	299,981	310,468
Accrued liabilities	188,629	179,681
Income taxes payable	1,061	2,641
Total current liabilities	**673,517**	**667,335**
Noncurrent liabilities:		
Long-term debt, less current portion	1,414,941	1,406,673
Capital lease obligations, less current portion	49,218	49,874
Shareholder loans	188,409	181,648
Deferred income tax liabilities	52,867	52,795
Pension and post-retirement obligation	46,975	46,776
Other noncurrent liabilities	24,251	18,460
Total liabilities	**2,450,178**	**2,423,561**
Commitments and contingencies (*Note 8. Commitments and Contingencies*)		
Shareholders' invested equity (deficiency):		
Ordinary shares of par value EUR 1.00 per share	40	40
Additional paid-in capital	455,362	455,362
Accumulated deficit	(381,959)	(360,185)
Accumulated other comprehensive loss, net	(38,087)	(35,225)
Total shareholders' equity (deficiency)	**35,356**	**59,992**
Non-controlling interest	(927)	(229)
Total liabilities and shareholders' equity (deficiency)	**$ 2,484,607**	**$ 2,483,324**

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

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

(in thousands of U.S. dollars)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015 *
Net sales	$ 638,031	$ 633,889
Cost of sales	(538,305)	(539,258)
Gross margin	**99,726**	**94,631**
Operating expenses:		
Selling, general and administrative expenses	(70,252)	(76,607)
Operating income (loss)	**29,474**	**18,024**
Nonoperating income (expense):		
Interest expense, net	(33,640)	(31,232)
Other income (expense), net	(1,441)	2,476
Foreign currency exchange gain (loss)	(11,727)	(14,665)
Nonoperating income (expense), net	**(46,808)**	**(43,421)**
Income (loss) before taxes	**(17,334)**	**(25,397)**
Income tax benefit (provision)	(4,446)	5,117
Net income (loss)	**$ (21,780)**	**$ (20,280)**
Net income (loss) attributable to non-controlling interest	(6)	(82)
Net income (loss) attributable to parent	**$ (21,774)**	**$ (20,198)**

*Please refer to Note 1, "Organization and Significant Accounting Policies"

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)

(in thousands of U.S. dollars)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net income (loss)	**$ (21,780)**	**$ (20,280)**
Other comprehensive income (loss):		
Foreign currency translation adjustment	(2,464)	3,619
Change in employee benefit obligations, net of income taxes of $0 and $0 for the three months ended March 31, 2016 and 2015, respectively	(398)	(512)
Other comprehensive income (loss)	**(2,862)**	**3,107**
Comprehensive income (loss)	**$ (24,642)**	**$ (17,173)**
Comprehensive income (loss) attributable to non-controlling interest	(6)	(94)
Comprehensive income (loss) attributable to parent	**$ (24,636)**	**$ (17,079)**

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)

	Share Capital							
(in thousands of U.S. dollars, except share information)	Shares	Amount	(Distributions in Excess of) Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Non-Controlling Interest	Total Equity (Deficiency)
Balances as of December 31, 2015	**12,500**	**$ 40**	**$ 455,362**	**$ (360,185)**	**$ (35,225)**	**$ 59,992**	**$ (229)**	**$ 59,763**
Net income (loss)	—	—	—	**(21,774)**	—	**(21,774)**	**(6)**	**(21,780)**
Foreign currency translation adjustment	—	—	—	—	**(2,464)**	**(2,464)**	—	**(2,464)**
Change in employee benefit obligations, net of tax	—	—	—	—	**(398)**	**(398)**	—	**(398)**
Loss of control of certain noncontrolling interest (1)	—	—	—	—	—	—	**(692)**	**(692)**
Capital distribution to parent	—	—	—	—	—	—	—	—
Balances as of March 31, 2016	**12,500**	**$ 40**	**$ 455,362**	**$ (381,959)**	**$ (38,087)**	**$ 35,356**	**$ (927)**	**$ 34,429**

(1) During February 2016, the minority shareholder of Coveris Rigid Ukraine LLC seized control of the facility in the Ukraine and obtained full ownership of this company. Refer to Note 15, Loss of Controlling Interest, for further disclosures regarding the loss of the Ukraine facility.

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

Coveris Holdings S.A.

Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands of U.S. dollars)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
OPERATING ACTIVITIES		
Net income (loss)	**$ (21,780)**	**$ (20,280)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	36,387	35,899
Amortization of deferred financing costs and debt premium	2,787	2,298
Foreign currency loss (gain) on non-operating activities	10,276	25,051
Unrealized loss (gain) on derivative financial instruments	16,871	(10,929)
Loss (gain) on sale and disposition of property, plant and equipment	1,741	(1,471)
Deferred income tax provision (benefit)	915	(7,842)
Changes in operating assets and liabilities:		
Receivables, prepaid expenses, and other assets	(2,608)	20,529
Inventories	(2,918)	5,780
Accounts payable and accrued and other liabilities	(14,915)	(18,384)
Net cash provided (used) by operating activities	**26,756**	**30,651**
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(37,208)	(27,115)
Proceeds from sales of property, plant and equipment	409	2,135
Cash paid for acquisitions, net of cash acquired	(2,641)	—
Net cash provided (used) by investing activities	**(39,440)**	**(24,980)**
FINANCING ACTIVITIES		
Proceeds from North American ABL Facility	235,011	240,928
Repayments from North American ABL Facility	(232,938)	(257,309)
Proceeds (repayments) from European ABL Facilities, net of borrowings	8,702	(3,506)
Proceeds from issuance of Senior 7 7/8% Notes	—	85,850
Repayments on Term Loan	(1,571)	(1,625)
Proceeds from GBP Revolving Credit Facility	—	24,385
Repayments of GBP Revolving Credit Facility	—	(88,842)
Repayments of other credit facilities and capital lease obligations	(4,124)	(2,078)
Deferred financing costs paid	—	(4,864)
Capital distribution to parent	—	(155)
Net cash provided (used) by financing activities	**5,080**	**(7,216)**
Effect of exchange rate changes on cash	5,581	(6,708)
Increase (decrease) in cash	(2,023)	(8,253)
Beginning cash and cash equivalents	46,455	51,679
Ending cash and cash equivalents	**$ 44,432**	**$ 43,426**

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 and other value-added 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 68 production and warehousing facilities worldwide, which allows the Company to supply global customers reliably, quickly and efficiently across multiple regions. The Company operates 20 facilities in North and Central America, 45 facilities across Europe, one facility 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

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, 2015.

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 or based on proportionate interest in the subsidiaries of the combination if acquired through 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.

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. The Company is evaluating the impact of this ASU on the Company's condensed consolidated financial statements. The ASU will

become effective for annual periods beginning on or after December 15, 2017, and for interim periods within annual periods beginning on or after December 15, 2018.

In 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 from prepaid expenses and other current assets to current portion of interest-bearing debt and capital leases of $1,654, as well as a reclassification from noncurrent deferred financing costs to long-term debt, less current portion of $38,176 on the Company's condensed consolidated balance sheet as of March 31, 2016. As of December 31, 2015, this ASU would have resulted in a reclassification from prepaid expenses and other current assets to current portion of interest-bearing debt and capital leases of $2,357, as well as a reclassification from noncurrent deferred financing costs to long-term debt, less current portion of $39,151.

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 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-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. The impact of this ASU is not material to the condensed consolidated financial statements.

In November 2015, FASB issued ASU 2015-17, Income Taxes (Topic 740). ASU 2015-17 simplifies the requirements related to the reporting of deferred income tax assets and liabilities. Current standards require that deferred income tax assets and liabilities be classified in the statement of financial position as current and noncurrent amounts. ASU 2015-17 amends this standard by

requiring that all deferred income tax assets and liabilities be presented as noncurrent in the statement of financial position as the previous requirement was deemed to add no value to the users of the financial statements. The ASU will become effective for annual periods beginning after December 31, 2017, and interim periods within annual periods beginning after December 15, 2018. The Company has elected early adoption as permitted by this ASU and included the impact of the guidance from the ASU in these condensed consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. The ASU updates current guidance to require the recognition of lease assets and lease liabilities by the lessee for leases classified as operating leases under previous US GAAP. The ASU retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company is evaluating the impact of this ASU on the Company's condensed consolidated financial statements.

3. Balance Sheet Information

The major components of certain balance sheet accounts as of March 31, 2016 and December 31, 2015 are as follows:

Assets	March 31, 2016	December 31, 2015
Inventories		
Raw materials and supplies	$ 98,355	$ 101,931
Work in progress	35,754	35,293
Finished goods	161,956	154,187
Total inventories	**$ 296,065**	**$ 291,411**
Property, plant, and equipment		
Land and land improvements	$ 37,333	$ 36,770
Buildings and leasehold improvements	182,198	179,148
Machinery and equipment	$ 957,373	946,968
Construction in progress	104,234	85,063
Gross property, plant and equipment	1,281,138	1,247,949
Less: Accumulated depreciation	(419,433)	(405,981)
Property, plant, and equipment, net	**$ 861,705**	**$ 841,968**

Depreciation expense for the three months ended March 31, 2016 and 2015 was $27,587 and $26,855, 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):

	Foreign Currency Translation Adjustments	Pension and OPEB Plans Liability	Cumulative Deferred Tax Effect on Pension and OPEB Liability	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2014	**$ (13,962)**	**$ (25,297)**	**$ 8,004**	**$ (31,255)**
Change during 2015	3,619	(512)	—	3,107
Balance as of March 31, 2015	**$ (10,343)**	**$ (25,809)**	**$ 8,004**	**$ (28,148)**

	Foreign Currency Translation Adjustments	Pension and OPEB Plans Liability	Cumulative Deferred Tax Effect on Pension and OPEB Liability	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2015	**$ (24,264)**	**$ (18,828)**	**$ 7,576**	**$ (35,516)**
Change during 2016	(2,464)	(398)	—	(2,862)
Balance as of March 31, 2016	**$ (26,728)**	**$ (19,226)**	**$ 7,576**	**$ (38,378)**

5. Business Combinations

Coveris Australasia

On May 29, 2015, the Company acquired the shares of Elldex Holdings Limited and subsidiaries (collectively referred to as "Coveris Australasia"). Coveris Australasia consists of a manufacturing facility in New Zealand and a sales office located in Australia. The acquisition expands Coveris' global footprint into the Australasian region and allows the Company to explore 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. As of the date of this report, Company has not finalized the purchase price allocation. The final purchase accounting is pending the Company's valuation of identified intangible assets and corresponding deferred tax balances. The purchase price provisionally exceeds net assets acquired by NZD9,737 or $7,206 as of March 31, 2016. 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.

Olefinas

On June 17, 2015, the Company acquired 100% of the shares of McNeel International Corp., a Delaware corporation previously conducting business as Olefinas, and subsidiaries (collectively referred to as "Olefinas") for an initial cash consideration of $116,046, net of cash acquired of $630. During the 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:

(in thousands of U.S. dollars)	Purchase Price Allocation	Purchase Price Adjustments	Adjusted Purchase Price Allocation
Purchase price for Olefinas, net of cash acquired of $630	$ 116,046	$ (1,991)	$ 114,055
Assets acquired:			
Trade accounts receivable	18,565	(759)	17,806
Inventories	29,322	(7,313)	22,009
Deferred income taxes, current	2,955	(2,955)	—
Prepaid expenses and other current assets	13,993	(709)	13,284
Property, plant and equipment, net	23,311	18,622	41,933
Intangible assets, net	—	11,692	11,692
Deferred income tax assets	192	(192)	—
Other noncurrent assets	1,644	(696)	948
Total assets acquired, net of cash	89,982	17,690	107,672
Liabilities assumed:			
Accounts payable	12,311	(48)	12,263
Accrued liabilities	7,931	(905)	7,026
Deferred income tax liabilities	1,203	4,511	5,714
Other noncurrent liabilities	167	—	167
Total liabilities assumed	21,612	3,558	25,170
Net assets acquired	68,370	14,132	82,502
Purchase price in excess of net assets acquired (Provisional)	$ 47,676	$ (16,123)	$ 31,553

The Company has provisionally allocated the purchase price and recorded goodwill of $31,553 pending the finalization of the valuation of the identified intangible assets as well as facts and circumstances pertaining to certain local tax contingencies and other indemnifiable costs. The goodwill arising from the acquisition is primarily attributable to synergies from merging with the Coveris Holdings S.A. business. In addition, the Company has estimated identifiable intangible assets consisting of customer relationships valued at $5,745 and technologies, patents and licenses valued at $5,947. The goodwill arising from this acquisition is not deductible for tax purposes.

In order to determine the fair value of the customer relationships acquired, the Company adopted the multi-period excess earnings method (level 3) based on forecasted revenues. Revenues were forecasted using a long-term growth rate of 2.0% and a customer retention rate of 90.0%. After-tax contributory charges for the use of net working capital, fixed assets, and the assembled work force were calculated based on projected requirements and depreciation. After-tax earnings of customer revenues in excess of the estimated contributory asset charges were then discounted using discount rates ranging from 12.0% to 15.0%.

In order to determine the fair value of technologies, patents and licenses, the Company adopted the relief from royalty method (level 3) based on forecasted revenues. The Company then applied a royalty rate of 3.0% in determining royalty savings. The Company then discounted after-tax royalty savings using discount rates ranging from 12.5% to 14.5%.

Rivendell

On March 7, 2016, the Company acquired the shares of Rivendell Holdings Limited and subsidiary (collectively referred to as "Rivendell") for total consideration of £1,846 ($2,641), net of cash acquired. The purchase price provisionally exceeds net assets

acquired by £555 or $799. Rivendell is a provider of photographic, digital and catalog creation services based in the United Kingdom. The acquisition of Rivendell supports the Company's plans for growth, with a vision to become the global supplier of choice for brands and retailers requiring multi-channel content and graphic solutions. The financial results of Rivendell 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.

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 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, Coveris Advanced Coatings, North America Performance Packaging, UK Food and Consumer, EMEA 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.

The changes in the Company's goodwill balances by reportable segment from December 31, 2015 through March 31, 2016 are as follows:

(in thousands of U.S. dollars)	Flexible Goodwill	Rigid Goodwill	Total
Balances as of December 31, 2015	495,514	16,992	512,506
PPA adjustments[1]	259	—	259
Additions to goodwill acquired through acquisitions[2]	799	—	799
Foreign currency translation	(1,744)	(470)	(2,214)
Balance as of March 31, 2016	$ 494,828	$ 16,522	$ 511,350

(1) This ASC 805 measurement period adjustment to goodwill is driven by purchase price adjustments related to the Olefinas acquisitions.
(2) The additions during the three months ended March 31, 2016, to the Flexibles segment are due to the acquisition of Rivendell on March 7, 2016. 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 March 31, 2016 and December 31, 2015 consisted of the following:

	March 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 339,299	$ (101,881)	$ 237,418	$ 343,261	$ (95,905)	$ 247,356
Technologies, patents and licenses	53,550	(25,851)	27,699	53,439	(24,325)	29,114
	$ 392,849	**$ (127,732)**	**$ 265,117**	**$ 396,700**	**$ (120,230)**	**$ 276,470**

Amortization expense for finite-lived intangible assets was $8,800 and $9,044 for the three months ended March 31, 2016 and 2015, respectively.

7. Financing Arrangements

As of March 31, 2016 and December 31, 2015, the Company had the following third party debt facilities and financing arrangements outstanding:

	March 31, 2016	December 31, 2015
North American ABL Facility	$ 57,415	$ 55,269
European ABL Facility	104,473	97,046
Senior 7 7/8 % Notes	565,519	565,517
10% Exopack Notes	235,255	235,284
Term Loan - USD Tranche	343,028	343,906
Term Loan - EUR Tranche	277,487	268,212
Other interest-bearing debt	4,971	4,951
Capital lease obligations	59,857	60,907
Total third party debt and financing arrangements	**1,648,005**	**1,631,092**
Less: current portion	(183,846)	(174,545)
Total long term third party debt and capital leases	**$ 1,464,159**	**$ 1,456,547**

North American ABL Facility

On May 31, 2013, the Company assumed the North American asset-backed lending facility (the "NA ABL Facility"). The NA ABL Facility provides a maximum credit facility of $110,000, 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.

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 March 31, 2016 and December 31, 2015.

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 at a variable rate equal to the Canadian Index Rate (as defined therein) plus 1.00% to 1.25%, depending upon utilization, at the Company's election, at an annual rate equal to the BA Rate (as defined therein) plus 2.00% to 2.25%, depending upon utilization. Pricing will increase by an additional 50 basis points above the rates described in the foregoing sentences on any loans made against the last 5.00% of eligible accounts receivable and eligible inventory. The NA ABL Facility also includes unused facility, ticking and letter-of-credit fees which are reflected in interest expense. The weighted average interest rate on borrowings outstanding under the NA ABL Facility was 2.80% and 2.67% as of March 31, 2016 and December 31, 2015, respectively.

The NA ABL Facility is secured by the accounts receivable, inventory, proceeds therefrom and related assets of certain subsidiaries in North America on a first lien basis (subject to permitted liens) and by substantially all other asset of the same subsidiaries on a second lien basis (subject to permitted liens). However, the assets of any non-U.S. subsidiaries 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 March 31, 2016, the Company was in compliance with these covenants.

As of March 31, 2016, $57,415 was outstanding and $30,832 was available for additional borrowings, net of outstanding letters of credit of $8,144 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 March 31, 2016, $104,473 was outstanding and $30,819 was the net amount available for additional borrowings. The weighted average interest rate on borrowings outstanding under the European ABL Facility was 2.91% and 2.77% as of March 31, 2016 and December 31, 2015, respectively.

France

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

Germany

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

United Kingdom

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

Senior 7 7/8% Notes

On November 8, 2013 the Company issued $325,000 in aggregate principal amount 7 7/8% Senior Notes (the "Senior Notes"). The Company issued an additional $85,000 and $155,000 in aggregate principal amount 7 7/8% 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 the existing Senior Notes and have the same terms and conditions as the Senior Notes and will constitute a single series with, and are 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.

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 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 each of the offering memorandum dated October 24, 2013, relating to the $325,000 7 7/8% Senior Notes due 2019, the offering memorandum dated as of February 10, 2015, relating to the $85,000 7 7/8% Senior Notes due 2019, and the offering memorandum dated June 11, 2015, relating to the $155,000 7 7/8% Senior Notes due 2019. 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:

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

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

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

The 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 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 March 31, 2016, 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 all other subsidiaries of the Company that also guarantee the Senior Notes, excluding the non-US subsidiaries of the Exopack business. 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 March 31, 2016, 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.

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 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 March 31, 2016. The applicable interest rate applicable to amounts outstanding on the Term Loan - EUR Tranche was 4.50% as of March 31, 2016.

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 March 31, 2016, the Company was in compliance with all of these covenants.

Shareholder loans

As of March 31, 2016 and December 31, 2015, the Company had related party shareholder loans which are preferred equity certificates ("PECs"), asset linked preferred equity certificates ("ALPECs") or yield free preferred equity certificates ("YFPECs"). The terms and the carrying amount of the shareholder loans are as follows:

	March 31, 2016	December 31, 2015
€ 66,000 PEC	75,245	72,545
€ 37,000 PEC	42,395	40,874
€ 17,000 PEC	22,675	21,861
€ 7,000 PEC	10,273	9,904
€ 28,000 ALPEC	32,685	31,512
€ 4,000 ALPEC	1,959	1,889
€ 2,000 YFPEC	3,177	3,063
Total shareholder loans	**$ 188,409**	**$ 181,648**

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

The Company also has a defined benefit pension plan in the Netherlands. Members of this plan are entitled to pension benefits on retirement. This plan is active and provides lifelong post-retirement benefits to its current members and, to a certain extent, spouses of current members based on pensionable salary and length of service.

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 months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended	
	March 31, 2016	**March 31, 2015**
Service cost	$ 53	$ 402
Interest cost	1,176	1,035
Expected return on plan assets	(1,177)	(1,151)
Amortization of net actuarial loss	(68)	57
Net periodic pension benefit (cost)	**$ (16)**	**$ 343**

10. Related Party Transactions

Related party balances as of March 31, 2016 and December 31, 2015, respectively, and related party transactions for the three months ended March 31, 2016 and 2015, respectively, were as follows:

		Receivable (Payable)		Income/(Expenses)	
		As of		Three Months Ended	
Name of related party	**Transaction type**	**March 31, 2016**	**December 31, 2015**	**March 31, 2016**	**March 31, 2015**
Sun Capital Partners IV, LLC	Management fee	$ —	$ —	$ (2,143)	$ (2,424)
Coveris Intermediate Holdings S.a.r.l.	Financing	(33,959)	(29,740)	(3,061)	(3,138)
Totals		**$ (33,959)**	**$ (29,740)**	**$ (5,204)**	**$ (5,562)**

During March 2016, a related party of Coveris Holdings S.A. completed the acquisition of Supraplast. Supraplast is a shrink sleeve and adhesive label technologies company based in Guayaquil, Ecuador. Coveris Holding Corp. and Coveris Flexibles US LLC, subsidiaries of Coveris Holdings S.A., have entered into a Management Services Agreement ("MSA") with Supraplast. The MSA will afford Coveris an opportunity for expansion and growth in the South American region. The financial results of Supraplast will not be included in the Company's condensed consolidated financial statements for the foreseeable future.

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 production processes. The types of products sold from each segment are similar in nature and have similar production processes, in addition to conformity with the chief operating decision maker's ("CODM's") review and management objectives for the business.

The Company 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 for the three months ended March 31, 2016 and 2015:

	Three Months Ended	
	March 31, 2016	March 31, 2015
Net sales to external customers:		
Flexible	$ 486,713	$ 482,075
Rigid	151,318	151,814
Total	**$ 638,031**	**$ 633,889**
Operating income (loss)		
Flexible	$ 26,103	$ 17,477
Rigid	3,371	547
Total	**$ 29,474**	**$ 18,024**

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 three months ended March 31, 2016, the difference between the statutory tax rate and the Company's effective income tax rate primarily relates to (i) non-deductible expenses and non-taxable income; (ii) tax losses for which no deferred tax asset is recognized, and (iii) business taxes, which are not calculated based on pre-tax net income.

The Company's tax provision is based on projected earnings and losses by jurisdiction for the annual period. During the three months ended March 31, 2016, 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 in those jurisdictions for which it expects to derive no future benefit. The effective tax rate may fluctuate significantly on a quarterly basis due to both changes in jurisdictions in which earnings or losses are 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 with notional amounts of $14,980 to exchange foreign currencies as of March 31, 2016. All forward contracts mature between June 30, 2016 and December 31, 2016. The Company has elected to not pursue

effective hedge accounting treatment on these forward contracts, and accordingly, these instruments are adjusted to fair value through earnings in foreign currency exchange gain (loss).

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. In February 2016, the Company settled its GBP-to-USD cross currency swap for a realized gain of $16,926. The realized gain on the settlement of the GBP-to-USD cross currency swap is included in foreign currency exchange gain (loss) in the Company's condensed consolidated statement of operations. 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:

	Three Months Ended	
	March 31, 2016	**March 31, 2015**
Unrealized (gain) loss on change in fair value of derivatives	16,871	(10,929)
Realized (gain) loss on change in fair value of derivatives	(17,964)	(1,351)
Total (gain) loss on derivatives	**$ (1,093)**	**$ (12,280)**

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 three months ended March 31, 2016, the Company has settled forward contracts with aggregate notional amounts of $6,420. 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 March 31, 2016 and December 31, 2015:

	Fair Value of Derivatives Not Designated as Hedge Instruments [(a)]	
	March 31, 2016	**December 31, 2015**
Derivative assets:		
Prepaid expenses and other current assets	$ 1,650	$ 2,450
Other noncurrent assets	6,337	12,409
Derivative liabilities:		
Other noncurrent liabilities	$ 10,974	$ 1,476

(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 March 31, 2016 and December 31, 2015 are as follows:

March 31, 2016	Carrying Value	Total Fair Value	Level 1	Level 2	Level 3
$ 565,000 7 7/8 % Senior Notes	$ 565,519	$ 508,500	$ —	$ 508,500	$ —
$ 235,000 10% Exopack Notes	235,255	227,950	—	227,950	—
€ 2,000 YFPEC	3,177	157	—	—	157

December 31, 2015	Carrying Value	Total Fair Value	Level 1	Level 2	Level 3
$ 325,000 7 7/8 % Senior Notes	$ 565,517	$ 497,200	$ —	$ 497,200	$ —
$ 235,000 10% Exopack Notes	235,284	223,250	—	223,250	—
€ 2,000 YFPEC	3,063	151	—	—	151

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. Loss of Controlling Interest

During February 2016, the minority shareholder of Coveris Rigid Ukraine LLC seized control of the facility in the Ukraine and obtained full ownership of this company. Coveris has withdrawn all operations and funding from Coveris Rigid Ukraine LLC and is supplying customers from other Coveris facilities. Coveris Rigid Ukraine had net sales of $7,316 for the year ended December 31, 2015 and net assets of $616 as of December 31, 2015. The total recorded loss of $1,859 related to the loss of controlling interest in the Ukraine is included in other income (expense), net in the Company's condensed consolidated statement of operations.

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This quarterly report of Coveris Holdings S.A. and subsidiaries (collectively referred to as the "Company" or the "Group") for the three months ended March 31, 2016, 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, 2015. The occurrence of any one or more of the risks or uncertainties described in our annual report for the year ended December 31, 2015, 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, 2015, 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, as of and for the three months ended March 31, 2016, 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, 2015.

We are one of the largest manufacturers of plastic and other value-added 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 68 production and warehousing facilities in 20 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 20 facilities in North and Central America, 45 facilities across Europe, one facility 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.

Over the last 3 years, we have invested approximately $400,000 in capital spending 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 are expected to reduce costs and drive volume gains through access to new markets and higher throughput. We have also 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").

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 eight 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 Oyi, 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 Oyi 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 Oyi has since appealed the decision of the Competition Authority before the EU General Court. No hearing is expected in the appeal until late 2016.

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 cartelist 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. At a hearing on October 22, 2015 to discuss the parties' evidentiary requests, the Judge appointed a Court Expert. Questions have since been submitted to the Court Expert and the initial report of the Court Expert is expected in October 2016, after which the parties will have 60 days to submit comments. A hearing has been scheduled for April 13, 2017 to consider the Court Expert’s final report. 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.

Recent Developments

On February 19, 2016, we settled our GBP cross currency swap for $16,926. As of December 31, 2015, the GBP cross currency swap had a fair value of $7,628.

During February 2016, the minority shareholder of Coveris Rigid Ukraine LLC seized control of the facility in the Ukraine and obtained full ownership of this company. We have withdrawn all operations and funding from Coveris Rigid Ukraine LLC and are supplying customers of that plant from other Coveris facilities. Coveris Rigid Ukraine had net sales of $7,316 for the year ended December 31, 2015 and net assets of $616 as of December 31, 2015. The total loss recorded of $1,859 related to the loss of controlling interest in the Ukraine is included in other income (expense), net in our condensed consolidated statement of operations.

During March 2016, a related party of Coveris Holdings S.A. completed the acquisition of Supraplast. Supraplast is a shrink sleeve and adhesive label technologies company based in Guayaquil, Ecuador. Coveris Holding Corp. and Coveris Flexibles US LLC, subsidiaries of Coveris Holdings S.A., have entered into a Management Services Agreement ("MSA") with Supraplast. The MSA will afford us an opportunity for expansion and growth in the South American region. The financial results of Supraplast will not be included in our condensed consolidated financial statements for the foreseeable future.

On March 7, 2016, we acquired the shares of Rivendell, which supports our plans for growth with a vision to become the global supplier of choice for brands and retailers requiring multi-channel content and graphic solutions. We have consolidated Rivendell in our financial statements from the date of acquisition and include its results within our Flexibles reporting segment.

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 through the first quarter of 2016, driven by changes in oil prices and periodic supply disruptions. Similarly, polymer prices increased between 2009 and 2011, and remain volatile through the first quarter of 2016, 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 relative strength of the U.S. dollar compared to the euro, British pound and other currencies 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, although they have rebounded slightly in 2016. 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 portion 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 20 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 refinance our legacy debt structure, including the repayment of the majority of our existing debt in Europe as well as the legacy $350,000 Term Loan Facility from Exopack, thus establishing a sustainable credit structure which strategically positions our business for future growth and funds 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 are 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. We account for 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.

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, 2015 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, 2015 are as follows:

- 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 to explore several existing product lines for expansion. 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.
- Rivendell. On March 7, 2016, we acquired the shares of Rivendell, which supports our plans for growth with a vision to become the global supplier of choice for brands and retailers requiring multi-channel content and graphic solutions. We have consolidated Rivendell in our financial statements from the data of acquisition and include its results within our Flexibles 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 three months ended March 31, 2016 and 2015 are not comparable as a result of the Coveris Australasia, Olefinas and Rivendell 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, depreciation of non-manufacturing related property, plant and equipment and 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 months ended March 31, 2016 and 2015.

Consolidated Analysis for the Three Months Ended March 31, 2016 and 2015

(in thousands of U.S. dollars)	Three Months Ended			
	March 31, 2016		March 31, 2015	
Statement of Operations Data:	**$**	**% of Net Sales**	**$**	**% of Net Sales**
Net sales	$ 638,031	100 %	$ 633,889	100 %
Cost of sales	(538,305)	-84.4 %	(539,258)	-85.1 %
Gross margin	99,726	15.6 %	94,631	14.9 %
Selling, general and administrative expenses	(70,252)	-11.0 %	(76,607)	-12.1 %
Operating income (loss)	29,474	4.6 %	18,024	2.8 %
Interest expense, net	(33,640)	-5.3 %	(31,232)	-4.9 %
Other income (expense), net	(1,441)	-0.2 %	2,476	0.4 %
Foreign currency exchange gain (loss)	(11,727)	-1.8 %	(14,665)	-2.3 %
Income (loss) before taxes	(17,334)	-2.7 %	(25,397)	-4.0 %
Income tax benefit (provision)	(4,446)	-0.7 %	5,117	0.8 %
Net income (loss)	**$ (21,780)**	**-3.4%**	**$ (20,280)**	**-3.2%**

Net Sales. Net sales for the three months ended March 31, 2016 increased $4,142 or 0.7% from the prior year, primarily as a result of the acquisitions of Coveris Australasia (May 29, 2015), Olefinas (June 17, 2015) and Rivendell (March 7, 2016), which contributed $39,676 to net sales. The increase in net sales from acquisitions is partially offset by an unfavorable foreign exchange impact of $16,625. Excluding the impact of foreign currency and acquisitions, net sales decreased $18,909 primarily as a result of decreased volumes in our UK flexible business and pass through of reduced raw material input prices, partially offset by increased volumes in our rigid business. For a more detailed discussion of the change in net sales from the three months ended March 31, 2015, please see our analysis by reportable segment below.

Cost of Sales. Cost of sales for the three months ended March 31, 2016 decreased $953 or 0.2% from the prior year. The acquisitions of Coveris Australasia (May 29, 2015), Olefinas (June 17, 2015) and Rivendell (March 7, 2016) contributed $30,571 to cost of sales, partially offset by a favorable foreign exchange impact of $14,406. Excluding the impact of foreign currency and acquisitions, cost of sales decreased $17,118. As a percentage of sales, cost of sales decreased 70 basis points ("bps"). This favorable increase in our gross margin percentage is largely due to improvements in our Flexibles business units in North and Central America resulting from continued productivity improvements from the ongoing implementation of CPS as well as procurement savings,

decreases in raw material costs, and lower waste compared to prior year. For a more detailed discussion of our results of operations compared to the three months ended March 31, 2015, please see our analysis by reportable segment below.

Selling, General and Administrative ("SG&A") expenses. SG&A expenses for the three months ended March 31, 2016 decreased $6,355 or 8.3% from the prior year. Foreign exchange had a favorable impact of $1,952, while the acquisitions of Coveris Australasia (May 29, 2015), Olefinas (June 17, 2015) and Rivendell (March 7, 2016) contributed $3,365 to SG&A. Excluding foreign currency and acquisitions, SG&A decreased $7,768 from the three months ended March 31, 2015 as a result of our ongoing cost savings initiatives.

Interest expense, net. Interest expense, net for the three months ended March 31, 2016 increased $2,408 from the prior year, primarily due to the interest on the additional Senior Notes issued during 2015, partially offset by a reduction in interest on our Term Loan as a result of 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 expense, net of $1,441 for the three months ended March 31, 2016 decreased by $3,917 from prior year period other income, net of $2,476. The increase is primarily the result of a loss recorded in the current year in connection with the loss of controlling interest in our Ukraine facility. Additionally, in the prior year we experienced a larger gain on the disposal of fixed assets compared to the current year.

Foreign currency exchange gain (loss). Foreign currency exchange loss was $11,727 for the three months ended March 31, 2016 compared to a loss of $14,665 for the three months ended March 31, 2015. The change is driven largely by decreased volatility between the euro and the US dollar for the comparative quarterly periods. In the prior year quarter, the dollar strengthened against the euro and Great British pound from the previous year end, 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 and weakened compared to the euro. The change in unrealized foreign exchange loss from remeasurement of our debt instruments is partially offset by a reduction to the gain on our derivative instruments, which largely fluctuate with currency movements in order to mitigate the foreign currency fluctuations on our debt instruments.

Income tax benefit (provision). For the three months ended March 31, 2016, we recorded an income tax provision of $4,446 compared to a tax benefit of $5,117 for the three months ended March 31, 2015. The movement of $9,563 is primarily due to the inclusion in taxable income of income earned in certain subsidiaries and the prior year removal of a deferred tax liability for unremitted earnings of a certain subsidiary.

Analysis by Reportable Segments for the Three Months Ended March 31, 2016 and 2015

Net sales by segment for the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Net sales from external customers:				
Flexible	$ 486,713	$ 482,075	$ 4,638	1.0 %
Rigid	151,318	151,814	(496)	(0.3)%
Total net sales	**$ 638,031**	**$ 633,889**	**$ 4,142**	**0.7 %**

Operating income (loss) by segment for the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Operating income (loss):				
Flexible	$ 26,103	$ 17,477	$ 8,626	49.4 %
Percentage of Flexible net sales	*5.4%*	3.6%		
Rigid	3,371	547	2,824	516.3 %
Percentage of Rigid net sales	*2.2%*	0.4%		
Total operating income (loss)	**$ 29,474**	**$ 18,024**	**$ 11,450**	**63.5%**
Percentage of total net sales	4.6%	2.8%		

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 March 31, 2016 increased $4,638 or 1.0% from the prior year. The increase is primarily attributable to the acquisitions of Coveris Australasia (May 29, 2015), Olefinas (June 17, 2015) and Rivendell (March 7, 2016), which contributed $39,676 to our increase from the prior period. The increase from acquisitions is partially offset by an unfavorable foreign exchange impact of $13,139. Excluding the impact of foreign currency and acquisitions, net sales decreased $21,899, primarily due to decreased volumes in our UK food markets related to changes in food packaging regulation and the loss of customer contracts as well as the pass through of reduced raw material input prices. Additionally, we have strategically exited certain business in order to save costs and improve margins.

For the three months ended March 31, 2016, our Flexible segment operating income increased $8,626 from the prior year, primarily as the result of the acquisitions of Coveris Australasia (May 29, 2015), Olefinas (June 17, 2015) and Rivendell (March 7, 2016), which contributed $5,740 to operating income. The increase from acquisitions is partially offset by an unfavorable foreign exchange impact of $249. Excluding the impact of foreign currency and acquisitions, operating income increased $3,135 primarily driven by the Company's various operational effectiveness initiatives such as CBS and CPS and other cost saving initiatives throughout the business.

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 March 31, 2016 decreased $496 or 0.3% from the prior year, primarily due to an unfavorable foreign exchange impact of $3,486. Excluding the impact of foreign currency, net sales increased $2,990 as a result of volume improvements compared to the prior year, which are partially offset by the pass through of declining resin prices.

For the three months ended March 31, 2016, operating income in the Rigid segment increased $2,824 compared to the three months ended March 31, 2015. The primary driver in the increase to operating income is operational efficiencies from our various cost savings initiatives such as CBS and CPS and other cost saving initiatives throughout the business.

Unaudited Non-GAAP Information

When analyzing, evaluating and monitoring the operating performance of our business, we take into account our adjusted earnings before interest, taxes, depreciation and amortization, and adjusted for special items.

We present herein the Group’s Adjusted EBITDA for the three months ended March 31, 2016 and 2015. Adjusted EBITDA for the three months ended March 31, 2016 and 2015 is presented for information purposes only and 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 (loss), for the three months ended March 31, 2016 and 2015:

	Three Months Ended	
(in millions of U.S. dollars)	**March 31, 2016**	**March 31, 2015**
U.S. GAAP Net income (loss)	**$ (21,780)**	**$ (20,280)**
Interest expense, net	33,640	31,232
(Benefit) provision for income taxes	4,446	(5,117)
Depreciation and amortization	36,387	35,899
Non-GAAP EBITDA	**52,693**	**41,734**
Non-Operational Adjustments:		
(Gain) loss on disposal of assets	1,741	(1,471)
Pension revaluation	—	213
Foreign currency exchange (gain) loss	11,137	15,223
Other	857	—
Total Non-Operational Adjustments	**13,735**	**13,965**
Special Items:		
Restructuring and related relocation costs [(a)]	2,868	4,688
Management fees and expenses	2,143	2,400
Transaction related expenses [(b)]	130	394
Business improvement consulting cost	1,854	6,207
Other expenses [(c)]	2,196	4,343
Non-GAAP Adjusted EBITDA	**$ 75,619**	**$ 73,731**

(a) Costs associated primarily with various restructuring activities, employee relocation expenses or employee severance costs.
(b) Costs associated with transactions and acquisition costs.
(c) 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 are 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 $110,000, 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.

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 March 31, 2016 and December 31, 2015.

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 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 2.80% as of March 31, 2016.

The NA ABL Facility is secured by the accounts receivable, inventory, proceeds therefrom and related assets of Exopack on a first lien basis (subject to permitted liens) and by substantially all other assets of Exopack on a second lien basis (subject to permitted liens). However, the assets of any non-U.S. entities in Exopack 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 March 31, 2016, we were in compliance with these covenants.

As of March 31, 2016, $57,415 was outstanding and $30,832 was available for additional borrowings, net of outstanding letters of credit of $8,144 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 March 31, 2016, $104,473 was outstanding, $30,819 was the net amount available for additional borrowings and the weighted average interest rate on borrowings outstanding under the European ABL Facility was 2.91%.

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 $7^{7}/_{8}$% 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 $7^{7}/_{8}$% 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 constitute a single series with, and are 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 each of the offering memorandum, dated October 24, 2013, relating to the $325,000 $7^{7}/_{8}$% Senior Notes due 2019, the offering memorandum dated February 10, 2015, relating to the $85,000 $7^{7}/_{8}$% Senior Notes due 2019, and the offering memorandum, dated June 11, 2015, relating to the $155,000 $7^{7}/_{8}$% Senior Notes due 2019. 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:

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

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

Any redemption and notice may, in 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 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 March 31, 2016, 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 all other subsidiaries that also guarantee the Senior Notes, excluding the non-US subsidiaries of the Exopack business. 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 March 31, 2016, 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 (xii) post-closing matters.
- The negative covenants include limitations on: (i) liens; (ii) debt (including guaranties); (iii) fundamental changes; (iv) dispositions (including sale leasebacks); (v) affiliate transactions; (vi) investments; (vii) restrictive agreements, and no negative pledges; (viii) restricted payments; (ix) voluntary prepayments of unsecured and subordinated debt; (x) amendments to certain debt agreements and organizational documents; (xi) changes of business, center of main interests or fiscal years; and (xii) anti-terrorism and sanctions related matters.

As of March 31, 2016, we were in compliance with all of these covenants.

Shareholder loans

As of March 31, 2016 and December 31, 2015, we had related party shareholder loans which are preferred equity certificates ("PECs"), asset linked preferred equity certificates ("ALPECs") or yield free preferred equity certificates ("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 March 31, 2016, we had approximately $30,832 of available borrowing capacity under our NA ABL Facility and $30,819 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 March 31, 2016, we had $1,648,005 of third party, interest-bearing debt and $44,432 in cash and cash equivalents on hand. We expect our principal sources of liquidity will be borrowings from our NA ABL Facility, European ABL Facility, factoring lines and cash flow from operations.

Net working capital (current assets less current liabilities) decreased $5,160 to $102,642 as of March 31, 2016 from $107,802 as of December 31, 2015. The decrease is largely attributable to the use of working capital to make financing and capital lease payments.

Cash and cash equivalents decreased $2,023 from December 31, 2015, compared to a $8,253 decrease during the same period in 2015.

Cash provided by operating activities was $26,756 for the three months ended March 31, 2016 and compared to $30,651 for the three months ended March 31, 2015 or a decrease of $3,895. The decrease in operating cash flows is primarily due to increased vendor payments for the three months ended March 31, 2016.

Cash used in investing activities for the three months ended March 31, 2016 and 2015 was $39,440 and $24,980, respectively. The increase is primarily due to increased capital expenditures in the current year as we increased our investments in various plant modernization efforts, as well as capacity compared to the prior year.

Cash provided by financing activities for the three months ended March 31, 2016 was $5,080 compared to cash used in financing activities of $7,216 for the three months ended March 31, 2015. This net change is primarily attributable to net borrowings on our North American and European ABL Facilities in the current year compared to net repayments in the prior year. The increased use of these facilities is due to changes in working capital needs. In addition, we repaid our GBP Revolving Credit Facility in the prior

year, using the majority of the proceeds from the issuance of the Additional Notes. 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 20 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 March 31, 2016, 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 $978.

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.