

Coveris Holdings S.A.  
**QUARTERLY REPORT**

For the Quarterly Period Ended  
September 30, 2017



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

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

<i>(in thousands of U.S. dollars, except share information)</i>	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 30,226	\$ 49,404
Trade accounts receivable (net of allowance for doubtful accounts of \$4,851 and \$5,798 as of September 30, 2017 and December 31, 2016, respectively)	309,867	286,828
Inventories	332,473	273,629
Prepaid expenses and other current assets	77,127	67,195
<b>Total current assets</b>	<b>749,693</b>	<b>677,056</b>
Property, plant and equipment, net	880,490	824,724
Intangible assets, net	208,270	224,553
Goodwill	503,367	487,697
Deferred income tax assets	20,990	9,689
Pension assets	6,521	6,007
Other noncurrent assets	10,950	19,380
<b>Total assets</b>	<b>\$ 2,380,281</b>	<b>\$ 2,249,106</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Trade Accounts Payable	\$ 261,064	\$ 259,363
Accrued Liabilities	161,916	142,020
Income taxes payable	6,416	3,258
Revolving Credit Facility & Current Portion Of Long-Term Debt & Cap Leases	239,555	134,303
<b>Total current liabilities</b>	<b>668,951</b>	<b>538,944</b>
<b>Noncurrent liabilities:</b>		
Long-Term Debt Less Current Portion	1,507,971	1,458,382
Capital lease obligations, less current portion	41,198	44,067
Shareholder Loans Less Current Portion	36,179	32,206
Deferred income taxes	27,001	35,993
Pension And Other Post-Retirement Liabilities	43,793	42,734
Other liabilities	7,507	9,513
<b>Total liabilities</b>	<b>2,332,600</b>	<b>2,161,839</b>
<b>Commitments and contingencies (Note 8. Commitments and Contingencies)</b>		
<b>Shareholders' invested equity:</b>		
Ordinary shares of par value EUR 1.00 per share	40	40
Additional paid-in capital	627,043	629,075
Accumulated deficit	(539,291)	(492,607)
Accumulated other comprehensive loss, net	(39,151)	(48,281)
<b>Total shareholders' equity</b>	<b>48,641</b>	<b>88,227</b>
Non-controlling interest	(960)	(960)
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,380,281</b>	<b>\$ 2,249,106</b>

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

**Coveris Holdings S.A.**

**Condensed Consolidated Statements of Operations (unaudited)**

<i>(in thousands of U.S. dollars)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016*</b>	<b>September 30, 2017</b>	<b>September 30, 2016*</b>
Net sales	\$ 627,576	\$ 619,617	\$ 1,863,395	\$ 1,927,829
Cost of sales	(543,722)	(528,179)	(1,612,655)	(1,625,835)
<b>Gross margin</b>	<b>83,854</b>	<b>91,438</b>	<b>250,740</b>	<b>301,994</b>
<b>Operating expenses:</b>				
Selling, general and administrative expenses	(74,575)	(68,403)	(224,863)	(210,825)
<b>Operating income (loss)</b>	<b>9,279</b>	<b>23,035</b>	<b>25,877</b>	<b>91,169</b>
<b>Nonoperating income (expense):</b>				
Financing expense, net	(33,401)	(38,986)	(93,238)	(107,183)
Other income (expense), net	(1,083)	(6,216)	(1,258)	(7,206)
Foreign currency exchange gain (loss)	4,196	(17,844)	8,802	(56,145)
<b>Nonoperating income (expense), net</b>	<b>(30,288)</b>	<b>(63,046)</b>	<b>(85,694)</b>	<b>(170,534)</b>
<b>Income (loss) before taxes</b>	<b>(21,009)</b>	<b>(40,011)</b>	<b>(59,817)</b>	<b>(79,365)</b>
Income tax benefit (provision)	4,928	12,076	13,133	9,686
<b>Net income (loss)</b>	<b>\$ (16,081)</b>	<b>\$ (27,935)</b>	<b>\$ (46,684)</b>	<b>\$ (69,679)</b>
Less: non-controlling interest in net income (loss)	—	—	—	(6)
<b>Net income (loss) attributable to parent</b>	<b>\$ (16,081)</b>	<b>\$ (27,935)</b>	<b>\$ (46,684)</b>	<b>\$ (69,673)</b>

\*Please refer to *Recast of the Condensed Consolidated Financial Statements* in 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)**

<i>(in thousands of U.S. dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016*	September 30, 2017	September 30, 2016*
<b>Net income (loss)</b>	<b>\$ (16,081)</b>	<b>\$ (27,935)</b>	<b>\$ (46,684)</b>	<b>\$ (69,679)</b>
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustment	345	145	9,125	(453)
Actuarial gains (losses) on employee benefit obligations, net of income taxes of \$0 and \$0 for the three and nine months ended September 30, 2017 and 2016, respectively	—	30	5	(339)
Other comprehensive income (loss)	<b>345</b>	<b>175</b>	<b>9,130</b>	<b>(792)</b>
<b>Comprehensive income (loss)</b>	<b>\$ (15,736)</b>	<b>\$ (27,760)</b>	<b>\$ (37,554)</b>	<b>\$ (70,471)</b>
Less: non-controlling interest in comprehensive income (loss)	—	—	—	(6)
<b>Comprehensive income (loss) attributable to parent</b>	<b>\$ (15,736)</b>	<b>\$ (27,760)</b>	<b>\$ (37,554)</b>	<b>\$ (70,465)</b>

\*Please refer to *Recast of the Condensed Consolidated Financial Statements* in 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 Statement of Shareholders' Equity (Deficiency) (unaudited)**

<i>(in thousands of U.S. dollars, except share information)</i>	<u>Share Capital</u>		(Distributions in Excess of) Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Non-Controlling Interest	Total Equity (Deficiency)
	Shares	Amount						
<b>Balances as of December 31, 2016</b>	<b>12,500</b>	<b>\$ 40</b>	<b>\$ 629,075</b>	<b>\$ (492,607)</b>	<b>\$ (48,281)</b>	<b>\$ 88,227</b>	<b>\$ (960)</b>	<b>\$ 87,267</b>
Net income (loss)	—	—	—	(46,684)	—	(46,684)	—	(46,684)
Foreign currency translation adjustment	—	—	—	—	9,125	9,125	—	9,125
Amortization of actuarial (gain) loss, net of tax	—	—	—	—	5	5	—	5
Capital distribution to parent	—	—	(2,032)	—	—	(2,032)	—	(2,032)
<b>Balances as of September 30, 2017</b>	<b>12,500</b>	<b>\$ 40</b>	<b>\$ 627,043</b>	<b>\$ (539,291)</b>	<b>\$ (39,151)</b>	<b>\$ 48,641</b>	<b>\$ (960)</b>	<b>\$ 47,681</b>

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

<i>(in thousands of U.S. dollars)</i>	<b>Nine Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016*</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net income (loss)</b>	<b>\$ (46,684)</b>	<b>\$ (69,679)</b>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	115,350	112,326
Amortization of deferred financing costs and debt premium	11,432	8,642
Foreign currency loss (gain) on non-operating activities	(18,535)	59,385
Unrealized loss (gain) on derivative financial instruments	10,806	15,752
Loss (gain) on early extinguishment of debt	—	5,875
Loss (gain) on sale and disposition of property, plant and equipment	410	6,033
Deferred income tax provision (benefit)	(20,696)	(18,001)
Changes in operating assets and liabilities:		
Receivables, prepaid expenses, and other assets	(6,038)	14,892
Inventories	(39,776)	(12,325)
Accounts payable and accrued and other liabilities	6,027	(40,196)
<b>Net cash provided (used) by operating activities</b>	<b>12,296</b>	<b>82,704</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(103,180)	(111,770)
Proceeds from sales of property, plant and equipment	5,844	4,247
Cash paid for acquisitions, net of cash acquired	—	(13,946)
<b>Net cash provided (used) by investing activities</b>	<b>(97,336)</b>	<b>(121,469)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from North American ABL Facility	706,995	691,378
Repayments of North American ABL Facility	(663,006)	(741,486)
Proceeds from European ABL Facilities, net of borrowings	32,723	1,241
Proceeds from Incremental Term Loan	—	349,340
Repayments on Term Loan	(7,471)	(5,633)
Redemption of Exopack Notes	—	(235,000)
Redemption Penalty on Early Redemption of Exopack Notes	—	(5,875)
Proceeds from other credit facilities	15,000	37,104
Repayments of other credit facilities and capital lease obligations	(9,877)	(24,702)
Deferred financing costs paid	(8,720)	(6,825)
Capital distribution to parent	(2,032)	—
<b>Net cash provided (used) by financing activities</b>	<b>63,612</b>	<b>59,542</b>
<b>Effect of exchange rate changes on cash</b>	<b>2,250</b>	<b>(3,836)</b>
Increase (decrease) in cash	(19,178)	16,941
Beginning cash and cash equivalents	49,404	46,455
<b>Ending cash and cash equivalents</b>	<b>\$ 30,226</b>	<b>\$ 63,396</b>

\*Please refer to *Recast of the Condensed Consolidated Financial Statements* in Note 1, "Organization and Significant Accounting Policies". 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 and 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, cartonboard, roll stocks, films, laminates, coated substrates, 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.

The Company operates through a network of 67 production and warehousing facilities worldwide, which allows the Company to supply global customers reliably, quickly and efficiently across multiple regions. The Company operates 19 facilities in the Americas, 45 facilities across Europe, one facility in Australasia, as well as two strategically located facilities in the Middle East and China.

### *Recast of the Condensed Consolidated Financial Statements*

The results of Supraplast S.A. ("Supraplast"), a business combination under common control, have been retrospectively included within the Flexible reporting segment from March 3, 2016 through September 30, 2016. Supraplast was legally acquired by the Company on October 3, 2016. The retrospective inclusion of Supraplast's results for the common control period is immaterial for further discussion.

### **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 ("U.S. GAAP") for interim financial information.

These condensed consolidated financial statements include all of the accounts of the Company and its 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. For common control acquisitions, the results of acquired companies are included from the date that common control is established in the period 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, 2016.

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 consolidated subsidiary. Net income (loss) and total comprehensive income (loss) from non-controlling interest is valued at the percentage ownership of the consolidated subsidiaries' underlying net income not held by the Company.

## **2. Recent Accounting Pronouncements**



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In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), (“ASU 2014-09”) and issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016 and May 2016 within ASU 2015-04, ASU 2016-08, ASU 2016-10 and ASU 2016-12, respectively (ASU 2014-09, ASU 2015-04, ASU 2016-08, ASU 2016-10 and ASU 2016-12 collectively, Topic 606). Previous revenue recognition guidance in U.S. GAAP comprised broad revenue recognition concepts together with numerous revenue requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. The core principle of the 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. To achieve this core principal, five steps are required to be applied. In addition, ASU 2014-09 expands and enhances disclosure requirements, which require disclosing sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This includes both qualitative and quantitative information. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, (“ASU 2015-14”). The amendments in ASU 2015-14 delay the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017 and allow early adoption as of the original public entity effective date. The amendments in ASU 2016-08, ASU 2016-10 and ASU 2016-12 are effective in conjunction with ASU 2015-14. The Company is currently in the process of evaluating this new standard update.

In July 2015, the 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 February 2016, the 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 U.S. 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 September 30, 2017 and December 31, 2016 are as follows:

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<i>Assets</i>	September 30, 2017	December 31, 2016
<b>Inventories</b>		
Raw materials and supplies	\$ 114,667	\$ 93,486
Work in progress	47,964	33,525
Finished goods	169,842	146,618
<b>Total inventories</b>	<b>\$ 332,473</b>	<b>\$ 273,629</b>
<b>Property, plant, and equipment</b>		
Land and land improvements	\$ 35,749	\$ 35,134
Buildings and leasehold improvements	191,464	177,924
Machinery and equipment	1,142,822	966,690
Construction in progress	75,599	92,690
Gross property, plant and equipment	1,445,634	1,272,438
Less: Accumulated depreciation	(565,144)	(447,714)
<b>Property, plant, and equipment, net</b>	<b>\$ 880,490</b>	<b>\$ 824,724</b>

Depreciation expense for the three and nine months ended September 30, 2017 was \$32,143 and \$90,902 respectively. Depreciation expense for the three and nine months ended September 30, 2016 was \$28,758 and \$85,730, 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)
<b>December 31, 2015</b>	<b>\$ (23,550)</b>	<b>\$ (18,828)</b>	<b>\$ 7,576</b>	<b>\$ (34,802)</b>
Changes during 2016	(453)	(339)	—	(792)
<b>September 30, 2016</b>	<b>\$ (24,003)</b>	<b>\$ (19,167)</b>	<b>\$ 7,576</b>	<b>\$ (35,594)</b>

	Foreign Currency Translation Adjustments	Pension and OPEB Plans Liability	Cumulative Deferred Tax Effect on Pension and OPEB Liability	Accumulated Other Comprehensive Income (Loss)
<b>December 31, 2016</b>	<b>\$ (27,730)</b>	<b>\$ (25,485)</b>	<b>\$ 4,555</b>	<b>\$ (48,660)</b>
Changes during 2017	9,125	5	—	9,130
<b>September 30, 2017</b>	<b>\$ (18,605)</b>	<b>\$ (25,480)</b>	<b>\$ 4,555</b>	<b>\$ (39,530)</b>

#### 5. Business Combinations

##### 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 exceeded 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.

## Supraplast

On October 3, 2016, the Company's immediate parent contributed 90% of the shares of Coveris Supraplast Holding Limited and its subsidiary Supraplast, S.A. (collectively referred to as "Supraplast") to the Company. Supraplast is a shrink sleeve and adhesive label technologies company based in Guayaquil, Ecuador. The acquisition will afford Coveris an opportunity for expansion and growth in the South American region. Previously, Supraplast was owned and controlled by a related party of the Company, which acquired Supraplast on March 3, 2016. In accordance with guidance for common control transactions, the results of Supraplast have been retrospectively included within the Flexible reporting segment back to the date of the March 3, 2016 acquisition.

In the original transaction on March 3, 2016, Supraplast was acquired for total purchase consideration of \$11,955, net of cash acquired. The Company has accounted for this acquisition under the purchase method of accounting prescribed in ASC 805. Accordingly, the purchase consideration was allocated to the assets acquired and liabilities assumed based on their fair value as of the original transaction date. As of December 31, 2016, the Company has recorded goodwill of \$2,397 and allocated \$3,710 to identifiable intangible assets, consisting of customer relationships valued at \$568, tradenames valued at \$142 and non-compete agreements valued at \$3,000. 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 four goodwill reporting units as defined by ASC 350, *Intangibles - Goodwill and Other*: Americas Packaging, Coveris Advanced Coatings, UK Food and Consumer and EMEA Food and Consumer. The Company's Rigid segment is composed of just one goodwill reporting unit. 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.

Effective September 1, 2017, the Company reorganized the production facilities that were included in the former Americas Food and Consumer, North America Performance Packaging and Australasia reporting units to be included in the Americas Packaging reporting unit. The reorganization better aligns product lines, strategic leadership and direction. There was no goodwill transferred between reportable segments as a result of these changes within lower level goodwill reporting units.

The changes in the Company's goodwill balances by reportable segment from December 31, 2016 through September 30, 2017 are as follows:

<i>(in thousands of U.S. dollars)</i>	<b>Flexible Goodwill</b>	<b>Rigid Goodwill</b>	<b>Total</b>
Balance as of December 31, 2016	\$ 473,536	\$ 14,161	\$ 487,697
Foreign currency translation	14,458	1,212	15,670
Balance as of September 30, 2017	<u>\$ 487,994</u>	<u>\$ 15,373</u>	<u>\$ 503,367</u>

### 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-

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lived assets for impairment whenever there is an impairment indicator. Finite lived intangible assets are tested for impairment by comparing anticipated related undiscounted future cash flows from operations to the carrying value of the asset. The Company's intangible assets as of September 30, 2017 and December 31, 2016 consist of the following:

	<u>September 30, 2017</u>			<u>December 31, 2016</u>		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	\$ 327,555	\$ (133,630)	\$ 193,925	\$ 311,922	\$ (107,651)	\$ 204,271
Technologies, patents and licenses	48,911	(34,566)	14,345	47,986	(27,704)	20,282
	<u>\$ 376,466</u>	<u>\$ (168,196)</u>	<u>\$ 208,270</u>	<u>\$ 359,908</u>	<u>\$ (135,355)</u>	<u>\$ 224,553</u>

Amortization expense for finite-lived intangible assets was \$8,167 and \$8,958 for the three months ended September 30, 2017 and 2016, respectively. Amortization expense for finite-lived intangible assets was \$24,448 and \$26,596 for nine months ended September 30, 2017 and 2016, respectively.

## 7. Financing Arrangements

As of September 30, 2017 and December 31, 2016, the Company had the following third party debt facilities and financing arrangements outstanding:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
North American ABL Facility	\$ 72,988	\$ 28,948
European ABL Facility	109,007	69,759
Senior 7 7/8 % Notes	565,310	565,370
Term Loan - USD Tranche	417,638	511,291
Term Loan - EUR Tranche	566,250	422,671
Other interest-bearing debt	42,900	20,633
Capital lease obligations	52,279	53,709
Less: unamortized deferred financing costs	(37,648)	(35,629)
<b>Total third party debt and financing arrangements</b>	<u><b>1,788,724</b></u>	<u><b>1,636,752</b></u>
Less: current portion of third party debt	(241,267)	(135,656)
Less: current portion of deferred financing costs	1,712	1,353
<b>Total long term third party debt and capital leases</b>	<u><b>\$ 1,549,169</b></u>	<u><b>\$ 1,502,449</b></u>

### 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 the earlier of (i) August 18, 2022 and (ii) the date falling 90 days before the maturity of the Term Loan.

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

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in the current portion of interest-bearing debt and capital leases on the Company's condensed consolidated balance sheets as of September 30, 2017 and December 31, 2016.

Interest accrues on amounts outstanding under the U.S. facility at a variable annual rate equal to the U.S. 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 financing expense. The weighted average interest rate on borrowings outstanding under the NA ABL Facility was 4.12% and 3.68% as of September 30, 2017 and December 31, 2016, 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 September 30, 2017, the Company was in compliance with these covenants.

As of September 30, 2017, \$72,988 was outstanding and \$15,285 was available for additional borrowings, net of outstanding letters of credit of \$3,976 under the NA ABL Facility.

### **European ABL Facility**

On November 8, 2013, the Company entered into accounts receivable and/or 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. On July 20, 2016, the French Facilities and the German Facilities were sold to Crédit Mutuel and on September 30, 2016, the UK Facility was sold to a syndicate led by Wells Fargo Capital Finance (UK) Limited (the "ABL Lenders"). The terms and conditions of the original facilities are unchanged under the new lenders.

As of September 30, 2017, \$109,007 was outstanding and \$15,441 was the net amount available for additional borrowings. The weighted average interest rate on borrowings outstanding under the European ABL Facility was 2.75% and 2.62% as of September 30, 2017 and December 31, 2016, respectively.

### **France**

Under the French Facilities with Crédit Mutuel (the "Factor"), certain wholly-owned subsidiaries shall sell and assign to the Factor certain receivables 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 receivable is approximately 85%. 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 the Factor 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 Factor 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 Factor 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

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period by any means or party. Within the frame of the French Facilities, certain wholly-owned subsidiaries have pledged to the benefit of the Factor, the receivables held over the Factor on the current accounts opened in their books, in order to secure the obligations under the terms of the French Facilities. As of September 30, 2017, the Company was in compliance with all covenants under this agreement.

### ***Germany***

Under the German facilities with Crédit Mutuel, to be entered into by certain wholly-owned subsidiaries as originators and Crédit Mutuel as factoring bank (the “Germany Facilities”), certain wholly-owned subsidiaries may sell and assign to Crédit Mutuel certain receivables which, subject to the terms and conditions of the 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 Crédit Mutuel to guarantee their obligations under the Germany Facilities. The factoring fee for the 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 Germany Facilities is limited to €25,000. The 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 Crédit Mutuel may terminate at any time if one of the following termination events, amongst others, occurs: a change of control and a cross-default. As of September 30, 2017, the Company was in compliance with all covenants under this agreement.

### ***United Kingdom***

Under the UK Facility, certain wholly-owned subsidiaries (the “Clients”) assign to the ABL Lenders certain receivables which, subject to customary conditions, the ABL Lenders are obliged to buy and accept. Certain wholly-owned subsidiaries are guarantors under the UK Facility (the “UK Obligors”). The Clients and UK Obligors have granted security in favor of the ABL Lenders (in their capacity as Security agent) over non-vesting receivables and certain other assets and a floating charge over all assets subject to the terms of the Intercreditor Agreement. The UK Facility is comprised of an Invoice Finance Facility and a Revolving Inventory Finance Facility for which the aggregate total account limit is £86,900. Under the Invoice Facility, the advance percentage for the assigned receivables is 90% of the nominal amount, 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 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 UK Facility will terminate automatically on the earlier of (i) June 29, 2022 and (ii) the date falling 90 days before the maturity date of the Term Loan. Any prior 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 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 is less than £8,690, 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. As of September 30, 2017, the Company was in compliance with all covenants under this agreement.

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

On November 8, 2013 the Company issued \$325,000 in aggregate principal amount 7<sup>7</sup>/<sub>8</sub>% Senior Notes (the “Senior Notes”). The Company issued an additional \$85,000 and \$155,000 in aggregate principal amount 7<sup>7</sup>/<sub>8</sub>% Senior Notes (the “Additional Notes” and together with the Senior Notes, the “Notes”) on February 17, 2015 and June 16, 2015, respectively. The Senior Notes and the Additional Notes were issued under the indenture (the “Indenture”), dated as of November 8, 2013, and the Additional Notes 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 the Company's future debt that is expressly subordinated in right of payment

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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 and the NA ABL Facility.

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 and the NA ABL Facility, 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<sup>7</sup>/<sub>8</sub> % Senior Notes due 2019, the offering memorandum dated as of February 10, 2015, relating to the \$85,000 7<sup>7</sup>/<sub>8</sub> % Senior Notes due 2019, and the offering memorandum dated June 11, 2015, relating to the \$155,000 7<sup>7</sup>/<sub>8</sub> % 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.

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 following periods:

<b>Year</b>	<b>Redemption Price</b>
November 1, 2016 through October 31, 2017	103.938%
November 1, 2017 through October 31, 2018	101.969%
November 1, 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 based on the amount of total assets carried on the Company's balance sheet, 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 September 30, 2017, 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 in an original aggregate principal amount of \$235,000 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.

The Exopack Notes were senior unsecured obligations of the Company and ranked equally in right of payment with all existing and future senior indebtedness of Exopack, ranked senior in right of payment to any future subordinated indebtedness of Exopack, and were effectively subordinated to any secured indebtedness of Exopack up to the value of the collateral securing such indebtedness. The Exopack Notes were 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-U.S. subsidiaries of the Exopack business. The guarantees of the Exopack Notes ranked equally in right of payment with all existing and future senior indebtedness of the guarantors, ranked senior in right of payment to any future subordinated indebtedness of the guarantors, and were 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 could have been 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.

On August 18, 2016 the Company redeemed the Exopack Notes in full (the "Redemption") at a price equal to 102.5% of the aggregate principal amount along with all of the outstanding interest on the date of redemption using the proceeds from the Incremental Term Loan (as described in more detail under *Term Loan* below).

### **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 (the "Term Loan Syndicate") 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.

#### First Amendment 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.

#### Second Amendment Agreement

On August 18, 2016, the Company entered into the Second Amendment Agreement ("Second Amendment") to the existing Term Loan and increased borrowings with proceeds from an incremental term loan (the "Incremental Term Loan"). The Incremental Term Loan has the same terms as the existing Term Loan, including interest rate and maturity date. The Incremental Term Loan increases the U.S. dollar-denominated tranche of the Term Loan by \$171,855 (\$172,500 principal balance, net of an \$845 issuance discount). In addition to permitting the incurrence of the Incremental Term Loan, the proposed amendments to the Term Loan include amending the negative covenants in the Term Loan to provide the Company with additional capacity for, among other things, additional indebtedness, restricted payments, dispositions, investments and acquisitions. The proceeds from the Incremental Term Loan were used for the Redemption and to repay (the "Repayment") a portion of the amounts outstanding under the North American and United Kingdom asset-backed revolving credit facilities to which certain subsidiaries of the Company are party, and to pay any fees, premiums and expenses related to the Redemption and the Repayment.

#### Third Amendment Agreement



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On June 29, 2017, the Company successfully amended and extended the terms of the Term Loan by entering into the "Third Amendment Agreement ("Third Amendment"). Through the Third Amendment, the composition of the Term Loan Syndicate has changed with regard to the participation of certain pre-existing lenders, the exit of certain pre-existing lenders and the on-boarding of new lenders. Additionally, various terms of the Term Loan have been amended:

- The maturity date of the Term Loan has been extended to the earlier of (i) June 29, 2022 and (ii) 91 days prior to the maturity date of the Senior 7 7/8% Notes.
- Term Loan - USD Tranche borrowings of \$90,307 were satisfied and reissued at the euro equivalent in the Term Loan - EUR Tranche.
- Principal Payments of \$1,086 and €1,246 toward the Term Loan - USD Tranche and Term Loan - EUR Tranche, respectively, are due on the last day of each fiscal quarter.
- The Term Loan, at the Company's option, will from time to time bear interest at either (i) with respect to USD Tranche loans, (a) 3.25% in excess of the alternate base rate (i.e., the greatest of the prime rate, the federal funds effective rate in effect on such day plus 1/2 of 1%, and the London interbank offer rate (after giving effect to any floor) for an interest period of one month) in effect from time to time, or (b) 4.25% in the case of Eurocurrency Rate Loans, and (ii) with respect to any EUR Tranche loans, 4.00% 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 5.55% as of September 30, 2017. The interest rate applicable to the amounts outstanding on the Term Loan - EUR Tranche was 5.00% as of September 30, 2017.

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 Germany Facilities and the French Facilities and the lien priorities, the Term Loan Facility will be secured by substantially all assets of the Company and the Guarantors.

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

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

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

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

As of September 30, 2017, the Company was in compliance with all of these covenants.

### Shareholder loans

As of September 30, 2017 and December 31, 2016, the Company had related party shareholder loans which are asset linked preferred equity certificates ("ALPECs"). The terms and the carrying amount of the shareholder loans are as follows:

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
€ 28,000 ALPEC	34,133	30,385
€ 4,000 ALPEC	2,046	1,821
<b>Total shareholder loans</b>	<b>\$ 36,179</b>	<b>\$ 32,206</b>

### 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.

## 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

#### *U.S. Plans*

The collective pension assets and obligations (collectively the "U.S. Plans") of the Retirement Plan of Coveris Flexibles US, LLC (the "U.S. Retirement Plan") and the pension obligations of the Coveris Flexibles US, LLC Pension Restoration Plan for Salaried Employees (the "U.S. Restoration Plan") were transferred to and assumed by the Company in connection with the acquisition of Exopack. The U.S. Plans were frozen prior to the Exopack acquisition. Accordingly, the employees' final benefit calculation under the U.S. Plans was the benefit they had earned under the U.S. 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.

#### *Other Defined Benefit Plans*

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

**Other Post Employment Benefit Plans**

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

The components of net periodic benefit cost for the Company's various pension and OPEB plans for the three and nine months ended September 30, 2017 and 2016 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Service cost	\$ (2,386)	\$ 358	\$ 1,002	\$ 769
Interest cost	886	1,177	2,883	3,532
Expected return on plan assets	(1,149)	(1,136)	(3,448)	(3,488)
Amortization of net actuarial loss (gain)	3	4	9	—
<b>Net periodic pension cost (benefit)</b>	<b>\$ (2,646)</b>	<b>\$ 403</b>	<b>\$ 446</b>	<b>\$ 813</b>

**10. Related Party Transactions**

Related party balances as of September 30, 2017 and December 31, 2016, respectively, and related party transactions for the three and nine months ended September 30, 2017 and 2016, respectively, are as follows:

Name of related party	Transaction type	Receivable (Payable)		Income/(Expenses)			
		As of		Three Months Ended		Nine Months Ended	
		September 30, 2017	December 31, 2016	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Sun Capital Partners IV, LLC	Management fee	\$ —	\$ —	\$ (1,813)	\$ (2,096)	\$ (6,013)	\$ (6,329)
Coveris Intermediate Holdings S.a.r.l.	Financing	(14,816)	(11,374)	(685)	(3,197)	(1,908)	(9,423)
<b>Totals</b>		<b>\$ (14,816)</b>	<b>\$ (11,374)</b>	<b>\$ (2,498)</b>	<b>\$ (5,293)</b>	<b>\$ (7,921)</b>	<b>\$ (15,752)</b>

**11. Segments**

The Company identifies its reportable operating segments in accordance with FASB guidance for disclosures about segments of an enterprise and related information. In accordance with FASB guidance, the Company reviewed certain qualitative factors in identifying and determining reportable operating segments. These factors include: 1) the nature of products; 2) the nature of production processes; 3) major raw material inputs; 4) the class of consumer for each product; and 5) the methods used to distribute each product. While all of these factors were reviewed, the most relevant factors are the nature of the products and the nature of 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:

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- 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.
- Unallocated costs - this segment contains costs that are generally comprised of corporate-level expenses, such as executive compensation, consulting costs and other expenses not directly attributable to a particular reportable segment.

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 and nine months ended September 30, 2017 and 2016:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
<b>Net sales to external customers:</b>				
Flexible	\$ 459,992	\$ 458,049	\$ 1,388,959	\$ 1,439,976
Rigid	167,584	161,568	474,436	487,853
<b>Total</b>	<b>\$ 627,576</b>	<b>\$ 619,617</b>	<b>\$ 1,863,395</b>	<b>\$ 1,927,829</b>
<b>Operating income (loss)</b>				
Flexible	\$ 11,775	\$ 21,945	\$ 47,213	\$ 91,898
Rigid	13,880	11,194	28,499	28,978
Unallocated Costs	(16,376)	(10,104)	(49,835)	(29,707)
<b>Total</b>	<b>\$ 9,279</b>	<b>\$ 23,035</b>	<b>\$ 25,877</b>	<b>\$ 91,169</b>

## 12. Income Taxes

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

For the nine months ended September 30, 2017, 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 or changes in assumptions regarding future benefits of recognized deferred tax assets; (iii) statutory tax rate changes; (iv) foreign statutory tax rate differential, and (v) 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 nine months ended September 30, 2017, the Company set its effective income tax rate based on those jurisdictions and entities where it expects to have book income for the year and excluded recording a benefit on those jurisdictions for which it expects to derive 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

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and foreign currency options. The Company's accounting policies for these instruments are in accordance with U.S. GAAP for instruments designated as non-hedge instruments as defined in ASC 815. The Company records all derivatives on the balance sheet at fair value.

The Company's objective for its contracts is to mitigate foreign currency risk related to future debt principal and interest payments in U.S. dollars from cash flows largely generated in British pounds and euros. In addition, the Company seeks to mitigate the risk of foreign currency changes affecting working capital specifically related to transactions conducted in euros for entities operating in British pounds.

The Company had outstanding forward contracts and average rate options with notional amounts totaling \$8,573 to exchange foreign currencies as of September 30, 2017. All forward contracts mature between October 31, 2017 and September 30, 2018. The Company has elected to not pursue effective hedge accounting treatment on these forward contracts and average rate options, and accordingly, these instruments are adjusted to fair value through earnings in foreign currency exchange gain (loss).

On February 12, 2015, the Company entered into two cross currency swaps, a GBP-to-USD swap with a notional amount of \$259,000 and a EUR-to-USD swap with a notional amount of \$198,000, in order to address the Company's exposure to foreign currency risk related to the future principal of the Senior Notes and Term Loan. On February 29, 2016, the Company settled its GBP-USD cross currency swap for a realized gain of \$16,926. On March 2, 2017, the Company settled its EUR-to-USD cross currency swap for a realized gain of \$8,830. The realized gain on the settlement of the cross currency swaps is included in foreign currency exchange gain (loss) in the Company's condensed consolidated statement of operations.

Summarized financial information related to these derivative contracts and changes in the fair value of the underlying exposures are as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Unrealized (gain) loss on change in fair value of derivatives	\$ 11	\$ 5,170	10,806	15,752
Realized (gain) loss on change in fair value of derivatives	(94)	(997)	(9,558)	(20,547)
<b>Total (gain) loss on derivatives</b>	<b>\$ (83)</b>	<b>\$ 4,173</b>	<b>\$ 1,248</b>	<b>\$ (4,795)</b>

Unrealized (gain) loss on change in fair value of derivatives is the result of mark-to-market gains or losses on the Company's various forward contracts, options or cross currency swaps. Realized (gain) loss on change in fair value of derivatives is the gain or loss on various derivative instruments that have settled during the period. During the nine months ended September 30, 2017, the Company has settled forward contracts with aggregate notional amounts of \$8,440. Total (gain) loss on derivatives is included in foreign currency exchange gain (loss) in the Company's condensed consolidated statement of operations.

The Company's derivative instruments are recorded as follows in the consolidated balance sheet as of September 30, 2017 and December 31, 2016:

	<b>Fair Value of Derivatives Not Designated as Hedge Instruments <sup>(a)</sup></b>	
	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Derivative assets:		
Prepaid expenses and other current assets	\$ 151	\$ 1,143
Other noncurrent assets	—	9,611
Derivative liabilities:		
Other noncurrent liabilities	\$ 98	\$ 46

(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**

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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) PECs and ALPECs, (8) other debt instruments carrying interest rates that fluctuate with market rates; and (9) certain other current liabilities. The carrying amounts reported on our condensed consolidated balance sheets for the above financial instruments closely approximate their fair value due to either the short-term nature of the aforementioned assets and liabilities or due to carrying an interest rate based upon a variable market rate. See *Note 13. Derivatives and Hedging Activities* for additional disclosures regarding the fair value of derivative instruments.

The fair values of the Company's other financial instruments for which fair value does not approximate carrying value as of September 30, 2017 and December 31, 2016 are as follows:

<b>September 30, 2017</b>	<b>Carrying Value</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
7 7/8 % Senior Notes	\$ 565,310	\$ 555,819	\$ —	\$ 555,819	\$ —

  

<b>December 31, 2016</b>	<b>Carrying Value</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
7 7/8 % Senior Notes	\$ 565,370	\$ 565,000	\$ —	\$ 565,000	\$ —

The Company utilizes a market approach to calculate the fair value of the Company's Senior 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.

#### **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.

#### **16. Subsequent Events**

On October 2, 2017, the Company borrowed an additional \$10,000 on the current BMO facility.

On November 7, 2017, the Company announced that it has realigned its operations into four business units: Americas, Rigid, EMEA, and UK Food & Consumer. This action was taken to continue to enhance how the company delivers service in response to changing market demands. The Company further announced as part of its go-forward strategy that it is exploring strategic alternatives for its Americas and Rigid packaging businesses following the realignment, for the continued optimization of the company. Goldman Sachs & Co. LLC and Wells Fargo Securities have been retained to advise on the Americas business and Rothschild & Co. will begin advising on the Rigid business in the first quarter of 2018. The review of strategic alternatives is not anticipated to adversely impact the Company's operations, ongoing commitments to customers, or investment in the business.

The Company has evaluated subsequent events that have occurred after the balance sheet date but before the issuance of these consolidated financial statements and provided, where it was necessary, the appropriate disclosures for those events. The date of the evaluation of subsequent events is the same as the date the financial statements issued on November 16, 2017.

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

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

*This quarterly report of Coveris Holdings S.A. and subsidiaries (collectively referred to as the "Company" or the "Group") for the three and nine months ended September 30, 2017, 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, 2016. The occurrence of any one or more of the risks or uncertainties described in our annual report for the year ended December 31, 2016, 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, 2016, 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 and nine months ended September 30, 2017, 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, 2016, as well as the risk factors contained in our annual report for the year ended December 31, 2016.

We are one of the largest manufacturers of plastic and other value-added packaging products in the world and conduct our business principally through two reportable segments: Flexible and Rigid. In the Flexible packaging segment, we manufacture a variety of flexible and semi-rigid plastic and paper products, including bags, pouches, cartonboard, roll stocks, films, laminates, coated substrates, sleeves and labels. These products are sold primarily in North America, Europe, Central America and Australasia. In the Rigid packaging segment, we manufacture 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.

We operate 67 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 19 facilities in the Americas, 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 7,000 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 over \$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 investments throughout the world 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 headcount. These programs have increased our operating efficiency, integrated synergies from redundant operations and scaled our current footprint.

At the core of our operations is the Coveris Business System ("CBS"), which enables us to achieve our strategic goals and priorities. CBS starts with a foundation of our values, mission and culture, which are based around Commercial Excellence, Supply Chain 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 nine 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. Arguments in the appeal were heard by the Court on October 13, 2017, but no ruling is expected until early 2018.

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 indemnity by Huhtamaki.

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

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

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

Since some of the summoned parties (including some of the cartelists) did not appear before the Court, the Judge directed the separation of the proceedings involving the action in recourse with respect to the defaulting parties, authorizing us to summon the defaulting parties in the separate proceedings. Accordingly our indemnity claim against Groupe Guillin and Veripack, as well as our action in recourse against the other cartelists which have appeared in the Bologna proceedings remain part of the main proceedings while our action in recourse against those cartelists that have not appeared were initially set for separate proceedings. The defaulting

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

As to the main proceedings, the Judge set a briefing schedule through March 30, 2015, which has been completed. At a hearing on October 22, 2015 to discuss the parties' evidentiary requests, the Judge appointed a Court Expert. The Court Expert has submitted his final report on September 15, 2017 in which he confirmed: (i) the period to be considered for the damage is between 1999/2000 and 2006; (ii) any cartel overcharges have likely been passed - at least partially - onto final customers; and (iii) with respect to the overcharges allegedly applied by Autobar, quantified the overall amount at approximately €1.4 million (or approximately €1.7 million adjusted for inflation). At a hearing on October 5<sup>th</sup>, the Court requested briefs from the parties by November 21, 2017 and adjourned the case to the hearing on December 5, 2017.

In the interim, the Group Guillin companies (including Groupe Guillin and Veripack) have reached a settlement agreement with SUCA and COEXPHAL, the terms of which have not yet been disclosed. In January, 2017, INFIA, SUCA and COEXPHAL notified the Court and other parties that they had reached a settlement, the terms of which were not disclosed. At the October 5, 2017 hearing, SUCA and Coexphal reported that they have reached a settlement with Group Guillin, the terms of which were not disclosed.

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 we remain responsible for handling the defense in this case. Any imposition of fines or damage awards and expenses which would invoke the indemnity granted by us, could have a material adverse effect on our business, results of operations, financial condition or cash flow.

After considering the final report of the Court Expert, the Company has recorded a contingent liability reserve for the amount of €570 in this matter based on its estimate of the range of probable outcomes.

## **Recent Developments**

On August 18, 2017, we entered into the Fifth Amendment to the Fourth Amended and Restated Agreement to the Company's NA ABL Facility. The primary effect of this Fifth Amendment extends the maturity date of the NA ABL Facility to August 18, 2022 or 90 days prior to the maturity of the Term Loan. In addition, we have extended the maturity dates of each our European ABL Facilities to 2022 or 90 days prior to the maturity of the Term Loan.

In September 2017, Dimitri Panayotopoulos was appointed Coveris Chairman and Interim Chief Executive Officer by the Coveris Board of Directors. David Mezzanotte, former Chief Executive Officer, has announced his decision to retire and will assist in a transition period. Dimitri has had a very distinguished career, including thirty-seven years at Procter & Gamble where he led multiple businesses and served as Vice Chairman. During his time at P&G, Dimitri gained vast knowledge of best business practices across multiple geographies such as the U.K., Switzerland, Germany, Egypt, China and the USA, and many different categories. His acute knowledge of the fast-moving consumer goods market will prove invaluable in driving continued growth and commercial success at Coveris.

## **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. Generally, purchases for most resins in Europe and the Americas have increased throughout 2017 from the comparative period in 2016 on the back of higher oil/feedstock prices and strong demand. 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 may be highly volatile. Increases 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 instruments 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. dollar 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 affected 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 foam packaging, 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.

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 increased the Term Loan - EUR Tranche to €247,800 and decreased the Term Loan - USD Tranche by a U.S. dollar equivalent amount.

On August 18, 2016, we entered into the Second Amendment Agreement ("Second Amendment") to the Term Loan and increased our borrowings with proceeds from an incremental term loan (the "Incremental Term Loan"). The proceeds from the Incremental Term Loan were used to repay certain legacy debt financing of Exopack (the "Exopack Notes") as well as partially repay our North American ABL and European ABL facilities. Please See *Liquidity, Liabilities and Financing Agreements* included elsewhere in this report for further information on the Second Amendment and Incremental Term Loan borrowings.

On June 29, 2017, we successfully amended and extended the terms of the Term Loan by entering into the "Third Amendment Agreement ("Third Amendment") to the Term Loan. Through the Third Amendment, we were able to extend the maturity date of our Term Loan to June 29, 2022. Please see the *Liquidity, Liabilities and Financing Agreements* included elsewhere in this report for further information on the Third Amendment.

### ***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 from the acquisition date.

### ***Factors Affecting Comparability***

We have completed a number of selective acquisitions 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, 2016 are as follows:

- 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 date of its acquisition and include its results within our Flexibles reporting segment.
- Supraplast. On October 3, 2016, we acquired 90% of the shares of Coveris Supraplast Holding Limited and its subsidiary Supraplast, S.A. (collectively referred to as "Supraplast"). Supraplast is a shrink sleeve and adhesive label technologies company based in Guayaquil, Ecuador. The acquisition will afford us an opportunity for expansion and growth in the South American region. Previously, Supraplast was owned and controlled by a related party of the Company, which acquired Supraplast on March 3, 2016. In accordance with guidance for common control transactions, the results of Supraplast are retrospectively included within the Flexible reporting segment back to the date of the March 2016 acquisition.

The results of operations of each acquired business are included in our condensed consolidated financial statements from the dates of their respective acquisition. We generally exclude the impact of material acquisitions and divestitures when comparing to prior periods. Change in operating results excluding the impact of acquisitions and divestitures are non-U.S. GAAP financial measures. We feel it is important to exclude the impact of acquisitions and divestitures on year-over-year results in order to evaluate performance on a more comparable basis.

### **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 based on customer consumption. Provisions for estimated returns and allowances and customer rebates are recorded when the related products are sold.

#### ***Cost of Sales***

Our cost of sales represents the amount paid for direct costs of running the business, including amounts due to external third parties for services directly related to revenue. These costs include direct and indirect materials costs, direct and indirect labor costs, including fringe benefits, supplies, utilities, depreciation, 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 cost of materials 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.

***Financing Expense, Net***

Our financing expense, net 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, partially offset by interest income.

***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 non-operating 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 all of the accounts of the Company and its 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. For common control acquisitions, the results of acquired companies are included from the date that common control is established in the period 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.

***Recast of Previously Reported Results***

The results of Supraplast S.A. ("Supraplast"), a business combination under common control, have been retrospectively included within the Flexible reporting segment from March 3, 2016 through September 30, 2016. Supraplast was legally acquired on October 3, 2016. The retrospective inclusion of Supraplast's results for the common control period is immaterial for further discussion.

**Consolidated Analysis for the Three Months Ended September 30, 2017 and 2016**

(in thousands of U.S. dollars)	Three Months Ended			
	September 30, 2017		September 30, 2016*	
	\$	% of Net Sales	\$	% of Net Sales
<b>Statements of Operations Data:</b>				
Net sales	\$ 627,576	100.0 %	\$ 619,617	100.0 %
Cost of sales	(543,722)	-86.6 %	(528,179)	-85.2 %
Gross margin	83,854	13.4 %	91,438	14.8 %
Selling, general and administrative expenses	(74,575)	-11.9 %	(68,403)	-11.0 %
Operating income (loss)	9,279	1.5 %	23,035	3.7 %
Financing expense, net	(33,401)	-5.3 %	(38,986)	-6.3 %
Other income (expense), net	(1,083)	-0.2 %	(6,216)	-1.0 %
Foreign currency exchange gain (loss)	4,196	0.7 %	(17,844)	-2.9 %
Income (loss) before taxes	(21,009)	-3.3 %	(40,011)	-6.5 %
Income tax benefit (provision)	4,928	0.8 %	12,076	1.9 %
<b>Net income (loss)</b>	<b>\$ (16,081)</b>	<b>-2.6%</b>	<b>\$ (27,935)</b>	<b>-4.5%</b>

\* Please see our explanation above regarding the *Recast of Previously Reported Results*.

**Net Sales.** Net sales for the three months ended September 30, 2017 increased by \$7,959 or 1.3% from the prior year. The increase is primarily the result of foreign currency, which had a favorable impact of \$6,663 resulting mainly from the strengthening of the euro to the U.S. dollar. On a constant currency basis, net sales are flat compared to prior year, increasing \$1,296 or 0.21%. For a more detailed discussion of the change in net sales from the three months ended September 30, 2016, please see our analysis by reportable segment below.

**Cost of Sales.** Cost of sales for the three months ended September 30, 2017 increased by \$15,543 or 2.9% from the prior year. Foreign currency had an unfavorable impact of \$5,597. Excluding the impact of foreign currency, cost of sales increased \$9,946. As a percentage of sales, cost of sales increased by 140 basis points ("bps"). This unfavorable increase in our cost of sales percentage is largely due to competitive pressures in the UK and unfavorable mix. For a more detailed discussion of our results of operations compared to the three months ended September 30, 2016, please see our analysis by reportable segment below.

**Selling, General and Administrative ("SG&A") expenses.** SG&A expenses for the three months ended September 30, 2017 increased by \$6,172 or 9% from the prior year. Foreign currency had an unfavorable impact of \$478. Excluding the impact of foreign currency, SG&A increased by \$5,694 from the three months ended September 30, 2016. The increase to SG&A is primarily the result of increased consulting costs for various projects to improve sales and business processes.

**Financing expense, net.** Financing expense, net for the three months ended September 30, 2017 decreased \$5,585 from the prior year, primarily due to the prior year financing expense, net including a non-recurring \$5,875 redemption premium related to the early redemption of the Exopack Notes.

**Other income (expense), net.** Other expense, net of \$1,083 for the three months ended September 30, 2017 decreased \$5,133 from other expense, net of \$6,216 in the prior year. The decrease is primarily attributable to a non-recurring loss incurred on the sale of our Magic Digital Imaging assets in the prior year quarter as well as reduced losses on the disposal of fixed assets during the current year quarter.

**Foreign currency exchange gain (loss).** Foreign currency exchange gain was \$4,196 for the three months ended September 30, 2017 compared to a foreign currency exchange loss of \$17,844 for the three months ended September 30, 2016. The change is largely driven by the foreign currency remeasurement of our various external and intercompany debt instruments. In the prior year quarter, the Great British pound weakened against the U.S. dollar, while the euro remained relatively flat. In the current year quarter, both the Great British pound and the euro have strengthened compared to the U.S. dollar. The strengthening of the euro compared to the U.S. dollar has a favorable foreign currency exchange impact due to the remeasurement of our U.S. dollar-denominated debt instruments recorded on a euro functional currency entity.

**Income tax benefit (provision).** For the three months ended September 30, 2017, we recorded an income tax benefit of \$4,928 compared to \$12,076 for the three months ended September 30, 2016. The movement of \$7,148 is primarily due to an increase in losses in the UK.



### Analysis by Reportable Segments for the Three Months Ended September 30, 2017 and 2016

Net sales by segment for the three months ended September 30, 2017 and 2016 are as follows:

<i>(in thousands of U.S. dollars)</i>	Three Months Ended		\$ Change	% Change
	September 30, 2017	September 30, 2016*		
Net sales from external customers:				
Flexible	\$ 459,992	\$ 458,049	\$ 1,943	0.4 %
Rigid	167,584	161,568	6,016	3.7 %
<b>Total net sales</b>	<b>\$ 627,576</b>	<b>\$ 619,617</b>	<b>\$ 7,959</b>	<b>1.3%</b>

\* Please see our explanation above regarding the *Recast of Previously Reported Results*.

Operating income (loss) by segment for the three months ended September 30, 2017 and 2016 are as follows:

<i>(in thousands of U.S. dollars)</i>	Three Months Ended		\$ Change	% Change
	September 30, 2017	September 30, 2016*		
Operating income (loss):				
Flexible	\$ 11,775	\$ 21,945	\$ (10,170)	(46.3)%
<i>Percentage of Flexible net sales</i>	2.6%	4.8%		
Rigid	13,880	11,194	2,686	24.0 %
<i>Percentage of Rigid net sales</i>	8.3%	6.9%		
Unallocated Costs	(16,376)	(10,104)	(6,272)	62.1 %
<b>Total operating income (loss)</b>	<b>\$ 9,279</b>	<b>\$ 23,035</b>	<b>\$ (13,756)</b>	<b>(59.7)%</b>
Percentage of total net sales	1.5%	3.7%		

\* Please see our explanation above regarding the *Recast of Previously Reported Results*.

#### Flexible

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

Our Flexible segment net sales for the three months ended September 30, 2017 increased by \$1,943 or 0.4% from the prior year. Foreign currency had an unfavorable impact of \$312. Excluding the impact of foreign currency, net sales increased \$2,255. The organic increase to net sales is primarily related to volume increases in lower margin products in our European agribusiness products as well as the pass-through of increased resin prices to customers.

For the three months ended September 30, 2017, our Flexibles segment operating income decreased by \$10,170 or 46.3% from the prior year. The decrease to operating income includes a favorable foreign currency impact of \$42. On a constant currency basis, operating income decreased by \$10,212. The decrease is primarily due to volume, unfavorable mix, and price pressures in our UK flexibles business, unfavorable mix in our European flexibles business, and volumes in our Americas flexibles business.

#### Rigid

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

Our Rigid segment net sales for the three months ended September 30, 2017 increased by \$6,016 or 3.7% from the prior year, primarily as a result of a favorable foreign exchange impact of \$6,975. Excluding the impact of foreign currency, net sales are flat compared to prior year.

For the three months ended September 30, 2017, operating income in the Rigid segment increased by \$2,686 or 24.0% compared to the three months ended September 30, 2016. The increase in operating income for the quarter is primarily related to margin increases from production efficiencies.

#### *Unallocated Costs*

Unallocated costs are generally comprised of corporate-level expenses, such as executive compensation, consulting costs and other expenses not directly attributable to a particular reportable segment. Additionally, the CODM does not review them regularly when evaluating segment performance and allocating resources at a reportable or operating segment level.

Unallocated costs have increased by \$6,272 or 62.1% from the prior year quarter, primarily due to increased consulting costs for various projects to improve sales and business processes.

#### **Consolidated Analysis for the Nine Months Ended September 30, 2017 and 2016**

<i>(in thousands of U.S. dollars)</i>	<b>Nine Months Ended</b>			
	<b>September 30, 2017</b>		<b>September 30, 2016*</b>	
<b>Statements of Operations Data:</b>	<b>\$</b>	<b>% of Net Sales</b>	<b>\$</b>	<b>% of Net Sales</b>
Net sales	\$ 1,863,395	100.0 %	\$ 1,927,829	100.0 %
Cost of sales	(1,612,655)	-86.5 %	(1,625,835)	-84.3 %
Gross margin	250,740	13.5 %	301,994	15.7 %
Selling, general and administrative expenses	(224,863)	-12.1 %	(210,825)	-10.9 %
Operating income (loss)	25,877	1.4 %	91,169	4.7 %
Financing expense, net	(93,238)	-5.0 %	(107,183)	-5.6 %
Other income (expense), net	(1,258)	-0.1 %	(7,206)	-0.4 %
Foreign currency exchange gain (loss)	8,802	0.5 %	(56,145)	-2.9 %
Income (loss) before taxes	(59,817)	-3.2 %	(79,365)	-4.1 %
Income tax benefit (provision)	13,133	0.7 %	9,686	0.5 %
<b>Net income (loss)</b>	<b>\$ (46,684)</b>	<b>-2.5%</b>	<b>\$ (69,679)</b>	<b>-3.6%</b>

\* Please see our explanation above regarding the *Recast of Previously Reported Results*.

*Net Sales.* Net sales for the nine months ended September 30, 2017 decreased by \$64,434 or 3.3% from the prior year. The reduction is primarily a result of unfavorable foreign currency impact of \$61,109, primarily resulting from a weaker Great British pound and Egyptian pound compared to the U.S. dollar. Acquisitions, including Rivendell (March 7, 2016) and Supraplast (March 3, 2016), contributed \$3,291 of incremental net sales to the nine months ended September 30, 2017. Excluding acquisitions and foreign currency impact, net sales are flat compared to prior year, decreasing by \$6,616 or 0.3%. For a more detailed discussion of the change in net sales from the nine months ended September 30, 2016, please see our analysis by reportable segment below.

*Cost of Sales.* Cost of sales for the nine months ended September 30, 2017 decreased by \$13,180 or 0.8% from the prior year. Foreign currency had a favorable impact of \$53,522. Acquisitions, including Rivendell (March 7, 2016) and Supraplast (March 3, 2016), contributed \$2,556 of incremental cost of sales to the nine months ended September 30, 2017. Excluding the impact of acquisitions and foreign currency, cost of sales increased by \$37,786. As a percentage of sales, cost of sales increased by 221 basis points ("bps"). This unfavorable increase in our cost of sales percentage is largely due to competitive pressures in the UK and unfavorable mix. For a more detailed discussion of our results of operations compared to the nine months ended September 30, 2016, please see our analysis by reportable segment below.

*Selling, General and Administrative ("SG&A") expenses.* SG&A expenses for the nine months ended September 30, 2017 increased by \$14,038 or 6.7% from the prior year. Foreign currency had a favorable impact of \$5,442. Acquisitions, including Rivendell (March 7, 2016) and Supraplast (March 3, 2016), contributed \$646 of incremental SG&A expenses to the nine months ended September 30, 2017. Excluding the impact of foreign currency and acquisitions, SG&A increased by \$18,834 from the nine months ended September 30, 2016. The increase to SG&A is primarily the result of increased consulting costs for various projects to improve sales and business processes.

*Financing expense, net.* Financing expense, net for the nine months ended September 30, 2017 decreased by \$13,945 from the prior year, primarily due to the early redemption of the Exopack Notes with proceeds from our Incremental Term Loan, which carries a lower interest rate. In addition, included within the prior year financing expense, net is a non-recurring \$5,875 redemption premium related to the early redemption of the Exopack Notes.

*Other income (expense), net.* Other expense, net of \$1,258 for the nine months ended September 30, 2017 decreased by \$5,948 from \$7,206 in the prior year, primarily due to two non-recurring losses incurred in the prior year related to the sale of our Magic Digital Imaging assets and the exit of our Ukraine facility.

*Foreign currency exchange gain (loss).* Foreign currency exchange gain was \$8,802 for the nine months ended September 30, 2017 compared to a foreign currency exchange loss of \$56,145 for the nine months ended September 30, 2016. The change is largely driven by the foreign currency remeasurement of our various external and intercompany debt instruments. In the prior year, the Great British pound weakened considerably against the U.S. dollar, while the euro slightly strengthened compared to the U.S. dollar. In the current year, both the Great British pound and the euro have strengthened considerably compared to the U.S. dollar. The strengthening of the euro compared to the U.S. dollar has a favorable foreign currency exchange impact due to the remeasurement of our U.S. dollar-denominated debt instruments recorded on a euro functional currency entity. In addition, the Great British pound has only weakened slightly compared to the euro in the current year, where in the prior year there was significant weakening during the second and third quarter of 2016. The improvement from prior year has a favorable impact on the remeasurement of certain Great British pound-denominated receivables held at Coveris Holdings S.A. from certain subsidiaries.

*Income tax benefit (provision).* For the nine months ended September 30, 2017, we recognized an income tax benefit of \$13,133 compared to \$9,686 from the nine months ended September 30, 2016. The change is primarily due to (i) the reduction of income earned in certain subsidiaries included in taxable income, (ii) reduction of prior year adjustments in deferred tax in certain jurisdictions and (iii) statutory tax rate changes.

#### ***Analysis by Reportable Segments for the Nine Months Ended September 30, 2017 and 2016***

Net sales by segment for the nine months ended September 30, 2017 and 2016 are as follows:

<i>(in thousands of U.S. dollars)</i>	<b>Nine Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>September 30, 2017</b>	<b>September 30, 2016*</b>		
Net sales from external customers:				
Flexible	\$ 1,388,959	\$ 1,439,976	\$ (51,017)	(3.5)%
Rigid	474,436	487,853	(13,417)	(2.8)%
<b>Total net sales</b>	<b>\$ 1,863,395</b>	<b>\$ 1,927,829</b>	<b>\$ (64,434)</b>	<b>(3.3)%</b>

\* Please see our explanation above regarding the *Recast of Previously Reported Results*.

Operating income (loss) by segment for the nine months ended September 30, 2017 and 2016 are as follows:

<i>(in thousands of U.S. dollars)</i>	<b>Nine Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>September 30, 2017</b>	<b>September 30, 2016*</b>		
Operating income (loss):				
Flexible	\$ 47,213	\$ 91,898	\$ (44,685)	(48.6)%
<i>Percentage of Flexible net sales</i>	3.4%	6.4%		
Rigid	28,499	28,978	(479)	(1.7)%
<i>Percentage of Rigid net sales</i>	6.0%	5.9%		
Unallocated Costs	(49,835)	(29,707)	(20,128)	67.8 %
<b>Total operating income (loss)</b>	<b>\$ 25,877</b>	<b>\$ 91,169</b>	<b>\$ (65,292)</b>	<b>(71.6)%</b>
<i>Percentage of total net sales</i>	1.4%	4.7%		

\* Please see our explanation above regarding the *Recast of Previously Reported Results*.

### *Flexible*

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

Our Flexible segment net sales for the nine months ended September 30, 2017 decreased by \$51,017 or 3.5% from the prior year. Foreign currency had an unfavorable impact of \$52,509, primarily resulting from the continued weakening of the Great British pound and Egyptian pound compared to the U.S. dollar. Acquisitions, including Rivendell (March 7, 2016) and Supraplast (March 3, 2016), contributed \$3,291 of incremental net sales to the nine months ended September 30, 2017. Excluding the impact of foreign currency and acquisitions, net sales were flat compared to prior year, decreasing by \$1,799. The organic decrease in net sales is primarily related to lower volumes in the Americas and in the UK, partially offset by resin pass-through.

For the nine months ended September 30, 2017, our Flexibles segment operating income decreased by \$44,685 or 48.6%. The decrease to operating income includes an unfavorable foreign currency impact of \$2,204. Acquisitions, including Rivendell (March 7, 2016) and Supraplast (March 3, 2016), contributed \$89 of incremental operating income to the nine months ended September 30, 2017. Excluding acquisitions and foreign currency impact, operating income decreased by \$42,570. The decrease is primarily due to lower volumes and unfavorable mix in our UK flexibles business combined with competitive price pressures. In addition, we have experienced lower volumes and unfavorable pricing in our Americas industrial and food flexibles businesses along with negative mix of lower margin products in our European food flexibles business.

### *Rigid*

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

Our Rigid segment net sales for the nine months ended September 30, 2017 decreased \$13,417 or 2.8% from the prior year, primarily as a result of an unfavorable foreign currency impact of \$8,600. Excluding the impact of foreign currency, net sales decreased by \$4,817, primarily due to lower volumes in the UK along with reduced sales in North America resulting from the divestiture of one of our U.S. facilities in early 2017. These decreases were partially offset by price increases as a result of resin pass-through.

For the nine months ended September 30, 2017, operating income in the Rigid segment decreased \$479 or 1.7% compared to the nine months ended September 30, 2016. The decrease in operating income is largely attributable to the divestiture of one of our U.S. facilities in early 2017.

### *Unallocated Costs*

Unallocated costs are generally comprised of corporate-level expenses, such as executive compensation, consulting costs and other expenses not directly attributable to a particular reportable segment. Additionally, the CODM does not review them regularly when evaluating segment performance and allocating resources at a reportable or operating segment level.

Unallocated costs have increased \$20,128 or 67.8% from the prior year, primarily due to increased consulting costs for various projects to improve sales and business processes.

### **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 our Non-GAAP Adjusted EBITDA for the three and nine months ended September 30, 2017 and 2016. Non-GAAP Adjusted EBITDA for the three and nine months ended September 30, 2017 and 2016 is presented for information purposes only and should not be taken as representative of our Non-GAAP Adjusted EBITDA going forward and should not be unduly relied upon. Non-GAAP Adjusted EBITDA is not a measurement of performance under GAAP and you should not consider Non-GAAP 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 Non-GAAP 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. Non-GAAP 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 Non-GAAP Adjusted EBITDA as reported by us to Non-GAAP Adjusted EBITDA of other companies. Non-GAAP 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, Non-GAAP 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 Non-GAAP Adjusted EBITDA to its most directly comparable GAAP financial measure, which is net income (loss), for the three and nine months ended September 30, 2017 and 2016:

<i>(in millions of U.S. dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>U.S. GAAP Net income (loss)</b>	<b>\$ (16,081)</b>	<b>\$ (27,935)</b>	<b>\$ (46,684)</b>	<b>\$ (69,679)</b>
Financing expense, net	33,401	38,986	93,238	107,183
(Benefit) provision for income taxes	(4,928)	(12,076)	(13,133)	(9,686)
Depreciation and amortization	40,310	37,716	115,350	112,326
<b>Non-GAAP EBITDA</b>	<b>52,702</b>	<b>36,691</b>	<b>148,771</b>	<b>140,144</b>
<b>Non-Operational Adjustments:</b>				
Accounting Manual Compliance	—	44	—	350
(Gain) loss on disposal of assets	(121)	4,916	410	6,033
Pension revaluation	—	—	—	—
Foreign currency exchange (gain) loss	(4,372)	17,042	(8,804)	55,364
Other	—	871	(1,544)	1,728
<b>Total Non-Operational Adjustments</b>	<b>(4,493)</b>	<b>22,873</b>	<b>(9,938)</b>	<b>63,475</b>
<b>Special Items:</b>				
Restructuring and related relocation costs <sup>(a)</sup>	9,584	7,767	20,773	16,886
Management fees and expenses	1,875	2,095	6,092	6,420
Transaction related expenses <sup>(b)</sup>	861	810	3,086	1,174
Business improvement consulting cost	10,276	1,619	27,096	5,530
Other expenses <sup>(c)</sup>	(218)	5,814	3,598	10,308
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 70,587</b>	<b>\$ 77,669</b>	<b>\$ 199,478</b>	<b>\$ 243,937</b>

(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 one-time information technology initiatives, declaration of force majeure by suppliers, 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 been completed 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.

### **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 the earlier of (i) August 18, 2022 and (ii) the date falling 90 days before the maturity of the Term Loan.

Availability under the NA ABL Facility is capped at the lesser of the then-applicable commitment and the borrowing base. The borrowing base consists of a percentage of eligible trade receivables and eligible inventory owned by U.S. borrowers, in the case of U.S. borrowings, or Canadian borrowers, in the case of Canadian borrowings. Under the terms of a lock box arrangement, remittances automatically reduce the revolving debt outstanding on a daily basis and therefore the NA ABL Facility is included in the current portion of interest-bearing debt and capital leases on the Company's condensed consolidated balance sheets as of September 30, 2017 and December 31, 2016.

Interest accrues on amounts outstanding under the U.S. facility at a variable annual rate equal to the U.S. 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 financing expense. The weighted average interest rate on borrowings outstanding under the NA ABL Facility was 4.12% as of September 30, 2017.

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 September 30, 2017, we were in compliance with these covenants.

As of September 30, 2017, \$72,988 was outstanding and \$15,285 was available for additional borrowings, net of outstanding letters of credit of \$3,976 under the NA ABL Facility.

### **European ABL Facility**

On November 8, 2013, we entered into receivables and/or 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. On July 20, 2016, the GE French Facilities and the GE German Facilities were sold to Cr dit Mutuel and on September 30, 2016, the GE UK Facility was sold to a syndicate led by Wells Fargo Capital Finance (UK) Limited (the "ABL Lenders"). The terms and conditions of the original facilities are unchanged under the new lenders.

As of September 30, 2017, \$109,007 was outstanding, \$15,441 was the net amount available for additional borrowings and the weighted average interest rate on borrowings outstanding under the European ABL Facility was 2.75%.

### ***France***

Under the French Facilities with Crédit Mutuel (the “Factor”), certain wholly-owned subsidiaries shall sell and assign to the Factor certain receivables 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 receivable is approximately 85%. 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 the Factor 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 Factor 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 Factor 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 Factor, the receivables held over the Factor on the current accounts opened in their books, in order to secure the obligations under the terms of the French Facilities. As of September 30, 2017, we were in compliance with these covenants.

### ***Germany***

Under the German facilities with Crédit Mutuel, to be entered into by certain wholly-owned subsidiaries as originators and Crédit Mutuel as factoring bank (the “Germany Facilities”), certain wholly-owned subsidiaries may sell and assign to Crédit Mutuel certain receivables which, subject to the terms and conditions of the 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 Crédit Mutuel to guarantee their obligations under the Germany Facilities. The factoring fee for the 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 Germany Facilities is limited to €25,000. The 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 Crédit Mutuel may terminate at any time if one of the following termination events, amongst others, occurs: a change of control and a cross-default. As of September 30, 2017, we were in compliance with these covenants.

### ***United Kingdom***

Under the UK Facility, certain wholly-owned subsidiaries (the “Clients”) assign to the ABL Lenders certain receivables which, subject to customary conditions, the ABL Lenders are obliged to buy and accept. Certain wholly-owned subsidiaries are guarantors under the UK Facility (the “UK Obligor”). The Clients and UK Obligors have granted security in favor of the ABL Lenders (in their capacity as Security Agent) over non-vesting receivables and certain other assets and a floating charge over all assets subject to the terms of the Intercreditor Agreement. The UK Facility is comprised of an Invoice Finance Facility and a Revolving Inventory Finance Facility for which the aggregate total account limit is £86,900. Under the Invoice Facility, the advance percentage for the assigned receivables is 90% of the nominal amount, 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 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 UK Facility will terminate automatically on the earlier of (i) June 29, 2022 and (ii) the date falling 90 days before the maturity date of the Term Loan. Any prior 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 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 is less than £8,690, the Clients shall not permit our ratio of operating cash flow to fixed charges to be less than 1.00:1.00. As of September 30, 2017, we were in compliance with these covenants.

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

On November 8, 2013 we issued \$325,000 in aggregate principal amount 7<sup>7</sup>/<sub>8</sub>% Senior Notes (the “Senior Notes”). On February 17, 2015 and June 16, 2015, respectively, we issued an additional \$85,000 and \$155,000 in aggregate principal amount 7<sup>7</sup>/<sub>8</sub>% Senior Notes (the “Additional Notes” and together with the Senior Notes, the “Notes”). The Senior Notes and the Additional Notes were

issued under the indenture (the "Indenture"), dated as of November 8, 2013, and the Additional Notes 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 and the NA ABL Facility.

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 and the NA ABL Facility, 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<sup>7</sup>/<sub>8</sub>% Senior Notes due 2019, the offering memorandum dated February 10, 2015, relating to the \$85,000 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2019, and the offering memorandum, dated June 11, 2015, relating to the \$155,000 7<sup>7</sup>/<sub>8</sub>% 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.

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 following periods:

<b>Year</b>	<b>Redemption Price</b>
November 1, 2016 through October 31, 2017	103.938%
November 1, 2017 through October 31, 2018	101.969%
November 1, 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 based on the amount of total assets carried on the Company's balance sheet, 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 September 30, 2017, 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 in an original aggregate principal amount of \$235,000 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.

The Exopack Notes were senior unsecured obligations and ranked equally in right of payment with all existing and future senior indebtedness of Exopack, ranked 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 were 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-U.S. subsidiaries of the Exopack business. The guarantees of the Exopack Notes ranked equally in right of payment with all existing and future senior indebtedness of the guarantors, ranked senior in right of payment to any future subordinated indebtedness of the guarantors, and were 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 could have been 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.

On August 18, 2016, we redeemed the Exopack Notes in full (the "Redemption") at a price equal to 102.5% of the aggregate principal amount along with all of the outstanding interest on the date of redemption using the proceeds from the Incremental Term Loan (as described in more detail under *Term Loan* below).

### **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.

### First Amendment 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.

### Second Amendment Agreement

On August 18, 2016, we entered into the Second Amendment Agreement ("Second Amendment") to the existing Term Loan and increased borrowings with proceeds from an incremental term loan (the "Incremental Term Loan"). The Incremental Term Loan has the same terms as the existing Term Loan, including interest rate and maturity date. The Incremental Term Loan increased the U.S. dollar-denominated tranche of the Term Loan by \$171,855 (\$172,500 principal balance, net of an \$845 issuance discount). In addition to permitting the incurrence of the Incremental Term Loan, the proposed amendments to the Term Loan amended the negative covenants in the Term Loan to provide the Company with additional capacity for, among other things, additional indebtedness, restricted payments, dispositions, investments and acquisitions. The proceeds from the Incremental Term Loan were used for the Redemption and to repay (the "Repayment") a portion of the amounts outstanding under the North American and United Kingdom asset-backed revolving credit facilities to which certain subsidiaries of our business are party, and to pay any fees, premiums and expenses related to the Redemption and the Repayment.

### Third Amendment Agreement

On June 29, 2017, we successfully amended and extended the terms of the Term Loan by entering into the "Third Amendment Agreement" ("Third Amendment"). Through the Third Amendment, the composition of the Term Loan Syndicate has changed with regard to the participation of certain pre-existing lenders, the exit of certain pre-existing lenders and the on-boarding of new lenders. Additionally, various terms of the Term Loan have been amended:

- The maturity date of the Term Loan has been extended to the earlier of (i) June 29, 2022 and (ii) 91 days prior to the maturity date of the Senior 7 7/8% Notes.

- Term Loan - USD Tranche borrowings of \$90,307 were satisfied and reissued at the euro equivalent in the Term Loan - EUR Tranche.
- Principal Payments of \$1,086 and €1,246 toward the Term Loan - USD Tranche and Term Loan - EUR Tranche, respectively, are due on the last day of each fiscal quarter.
- The Term Loan, at our option, will from time to time bear interest at either (i) with respect to USD Tranche loans, (a) 3.25% in excess of the alternate base rate (i.e., the greatest of the prime rate, the federal funds effective rate in effect on such day plus 1/2 of 1%, and the London interbank offer rate (after giving effect to any floor) for an interest period of one month) in effect from time to time, or (b) 4.25% in the case of Eurocurrency Rate Loans, and (ii) with respect to any EUR Tranche loans, 4.00% in excess of the euro interbank offer rate (adjusted for maximum reserves). The London interbank offer rate and the euro interbank offer rate will be subject to a floor of 1.00% and the alternate base rate will be subject to a floor of 2.00%. Interest will be payable quarterly in arrears and at maturity.

The interest rate applicable to amounts outstanding on the Term Loan - USD Tranche was 5.55% as of September 30, 2017. The interest rate applicable to the amounts outstanding on the Term Loan - EUR Tranche was 5.00% as of September 30, 2017.

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 Germany Facilities and the French Facilities and the lien priorities, the Term Loan Facility will be secured by substantially all of our assets and the Guarantors.

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

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

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

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

As of September 30, 2017, we were in compliance with all of these covenants.

### **Shareholder loans**

As of September 30, 2017 and December 31, 2016, we had related party shareholder loans which are asset linked preferred equity certificates ("ALPECs").

#### *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.

### **Liquidity Discussion**

As of September 30, 2017, we had approximately \$15,285 of available borrowing capacity under our NA ABL Facility and \$15,441 under our European ABL Facilities. In addition, we had approximately \$1,562 of availability under our other interest-bearing debt and factoring agreements and borrowed an additional \$10,000 on our current BMO facility in October 2017. We believe our future operating cash flow, available liquidity, and current liquidity improvement plans will be sufficient to support our operations, fund our working capital and capital expenditure needs, as well as provide for scheduled interest and principal payments for the next twelve months.

As of September 30, 2017, we had \$1,788,724 of third party, interest-bearing debt, net of unamortized deferred financing costs, and \$30,226 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, cash flow from operations and current liquidity improvement plans.

Net working capital (current assets less current liabilities) decreased \$57,370 to \$80,742 as of September 30, 2017 from \$138,112 as of December 31, 2016. The decrease is largely attributable to increased borrowings from the North American ABL and European ABL facilities, which are partially offset by increased inventory and trade receivables.

Cash and cash equivalents decreased \$19,178 from December 31, 2016, compared to an increase of \$16,941 during the same period in 2016.

Cash provided by operating activities was \$12,296 for the nine months ended September 30, 2017, a decrease of \$70,408 compared to cash provided by operating activities of \$82,704 in the prior year, due primarily to decreased operating income and inventory build.

Cash used in investing activities for the nine months ended September 30, 2017 and 2016 was \$97,336 and \$121,469, respectively. The decrease is primarily due to the acquisitions of Rivendell and Supraplast in the prior year, reduced capital spending in the current year versus prior year and proceeds from the sale of certain assets in our North American Rigid Business in the current year.

Cash provided by financing activities for the nine months ended September 30, 2017 was \$63,612 compared to \$59,542 for the nine months ended September 30, 2016. In the prior year, our primary source of funding was proceeds from the Incremental Term Loan used partially to redeem the Exopack Note and repay a portion of the North American and European ABL facilities. In the current year, our primary source of funding has been the North American and European ABL facilities. The change from prior year is primarily driven by working capital needs.

### **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. dollar 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.

Recent economic events in United Kingdom, including their intention to exit from the European Union may have an adverse impact on our operating results. For the nine months ended September 30, 2017, our United Kingdom facilities had net sales of \$426,642 and an operating loss of \$8,524. For the same period, foreign exchange had an unfavorable net sales impact of \$39,076 and a favorable operating loss impact of \$905 when compared to prior year. As of September 30, 2017, our United Kingdom subsidiaries had a negative cumulative translation adjustment balance of \$6,597.

### ***Interest Rate Risk***

Interest rate risk relates to a negative impact on our profits arising from changes in interest rates. Our income and operating cash flow are also dependent on changes in market interest rates. Some balance sheet items, such as cash and bank balances, interest bearing investments and borrowings, are exposed to interest rate risk. Borrowings under our Term Loan, NA ABL Facility and European ABL Facilities bear interest at variable rates. Because these rates may increase or decrease at any time, we are subject to the risk that they may increase, thereby increasing the interest rates applicable to our borrowings under these facilities. Increases in the applicable rates would increase our interest expense and reduce our net income or increase our net loss. We do not have any instruments in place, such as interest rate swaps or caps, which would mitigate our exposure to interest rate risk related to these borrowings. Based on the amount of borrowings outstanding as of September 30, 2017, the effect of a hypothetical 0.125% increase in interest rates would increase our annual interest expense on third party variable rate debt by approximately \$1,457.

Borrowings under the Senior 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.