TRANSCONTINENTAL INC.

FORM 51-102F4

BUSINESS ACQUISITION REPORT

ITEM 1 IDENTITY OF COMPANY

1.1 *Name and Address of Company*

Transcontinental Inc. ("**TC Transcontinental**")
1 Place Ville Marie, Suite 3240
Montréal, Québec
H3B 0G1

1.2 *Executive Officer*

The following executive officer of TC Transcontinental is knowledgeable about the significant acquisition and this business acquisition report (the "**Report**"):

Christine Desaulniers
Chief Legal Officer and Corporate Secretary
(514) 954-4000

ITEM 2 DETAILS OF ACQUISITION

2.1 *Nature of Business Acquired*

On May 1, 2018, TC Transcontinental and its wholly-owned subsidiary, Cobra Acquisition Corp., completed the acquisition of the business of Coveris Americas ("**Coveris**"), through the acquisition from Coveris Holdings S.A. of all of the issued and outstanding voting common stock, non-voting common stock and preferred stock of CPG Finance, Inc., ordinary shares of Coveris Supraplast Holding Limited, shares of Coveris Holdings Limited and the regular shares 001 through 7101 of Supraplast S.A. (the "**Acquisition**").

Coveris is one of the top ten converters of flexible packaging and other value-added products in North America based on revenues for its fiscal year ended December 31, 2017. Headquartered in Chicago, Illinois, Coveris manufactures a variety of flexible plastic and paper products, including rollstock, bags and pouches, coextruded films, shrink films, coated substrates and labels.

For further information regarding the nature of the business of Coveris, readers are referred to the information under the headings "Description of the Acquired Business" (on pages 21 through 24), "Risk Factors – Risks Related to the Acquisition" (on pages 51 through 56) and "Risk Factors – Risks Related to the Post-Acquisition Business and Operations of Transcontinental and Coveris" (on pages 58 through 62) of the short form prospectus of TC Transcontinental dated April 13, 2018 filed on SEDAR and available under TC Transcontinental's issuer profile at www.sedar.com.

2.2 *Acquisition Date*

May 1, 2018

2.3 *Consideration*

The purchase price for the Acquisition was US$1.32 billion (approximately C$1.72 billion[1]), subject to certain closing and post-closing adjustments. TC Transcontinental financed the Acquisition using (i) the net proceeds of a public offering of 10,810,000 subscription receipts, inclusive of 1,410,000 subscription receipts issued pursuant to the exercise in full of the over-allotment option (the "**Subscription Receipts**") by way of a short form prospectus at a price of $26.60 per Subscription Receipt for aggregate gross proceeds of approximately $287.5 million, (ii) cash on hand, (iii) funds drawn from TC Transcontinental's new credit facilities provided by a lending syndicate comprising of Canadian Imperial Bank of Commerce and The Bank of Nova Scotia, as arrangers, and (iv) funds drawn from existing credit facilities.

2.4 *Effect on Financial Position*

TC Transcontinental does not currently have any plan or proposal for material changes in its business affairs or the affairs of Coveris which may have a significant effect on the financial performance or financial position of TC Transcontinental.

The effect of the Acquisition on TC Transcontinental's financial position is outlined in the unaudited pro forma consolidated financial statements of TC Transcontinental as at January 28, 2018 and for the year ended October 29, 2017 and the three-month period ended January 28, 2018 attached hereto as Schedule A.

2.5 *Prior Valuations*

No valuation required by securities legislation or a Canadian exchange or market to support the consideration paid by TC Transcontinental pursuant to the Acquisition has been obtained within the past 12 months.

2.6 *Parties to Transaction*

No "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations*), associate or affiliate of TC Transcontinental was involved in the transaction other than Transcontinental Printing Corporation, a wholly-owned subsidiary of TC Transcontinental, who acquired certain equity interests in Coveris, the whole as set forth in the securities purchase agreement for the Acquisition, a copy of which has been filed on SEDAR and is available under TC Transcontinental's issuer profile at www.sedar.com.

2.7 *Date of Report*

May 7, 2018

[1] Converted at CAD/USD exchange rate of 1:30:1:00.

ITEM 3 FINANCIAL STATEMENTS AND OTHER INFORMATION

The following financial information included in Schedule A and Schedule B hereto forms part of this Report:

- The unaudited pro forma consolidated financial statements of TC Transcontinental, consisting of the pro forma consolidated statement of financial position as at January 28, 2018, the pro forma consolidated statement of earnings for the three-month period ended January 28, 2018 and the pro forma consolidated statement of earnings for the year ended October 29, 2017, together with the notes thereto, as Schedule A; and

- The audited combined financial statements of Coveris (the "**Coveris Financial Statements**"), consisting of the combined balance sheets as of December 31, 2017 and 2016, the combined statements of operations, the combined statements of comprehensive income (loss), the combined statements of invested equity and the combined statements of cash flows for the years ended December 31, 2017 and 2016, together with the notes thereto, as Schedule B.

FORWARD-LOOKING STATEMENTS

This Report contains statements that are "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking statements also include, but are not limited to, statements regarding TC Transcontinental's business objectives and statements with respect to the Acquisition. Forward-looking statements typically use the conditional, as well as words such as prospect, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology. Forward-looking statements also include any other statements that do not refer to historical facts.

These forward-looking statements are used to assist readers in obtaining a better understanding of TC Transcontinental's business, current objectives, strategic priorities, expectations and plans, and may not be appropriate for other purposes. By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although TC Transcontinental believes that the expectations, opinions, projections and comments reflected in these forward-looking statements are reasonable and appropriate, it can give no assurance that such statements will prove to be correct. The assumptions generally used by TC Transcontinental in making forward-looking statements are included in TC Transcontinental's Management's Discussion and Analysis (the "**Annual MD&A**") for the financial year ended October 29, 2017 filed on SEDAR and available under TC Transcontinental's issuer profile at www.sedar.com.

TC Transcontinental cautions readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, projections, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various risk factors. For more information on the risks, uncertainties and assumptions relating to TC Transcontinental's, please also refer to the risks, uncertainties and factors described in the Annual MD&A and in the Revised Annual Information Form of TC Transcontinental for the fiscal year ended October 29, 2017, which have been updated in the Management's Discussion and Analysis for TC Transcontinental's first quarter ended January 28, 2018, as well as to other public filings available under TC Transcontinental's profile on SEDAR at www.sedar.com.

The forward-looking statements contained in this Report are expressly qualified in their entirety by the foregoing cautionary statements. The forward-looking statements contained herein are subject to change after the date of this Report. TC Transcontinental does not undertake to update any forward-looking statements, whether oral or written, made by it or on its behalf, except to the extent required by applicable Canadian securities legislation or regulation. All subsequent forward-looking statements made by TC Transcontinental or any of its directors, officers or employees or any persons authorized to be acting on their behalf, whether written or oral, are expressly qualified in their entirety by the foregoing cautionary statements.

Schedule A

Unaudited pro forma consolidated financial statements of TC Transcontinental

See attached.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at January 28, 2018
Unaudited
(in millions of Canadian dollars)

	TC Transcontinental	Coveris Americas			TC Transcontinental Pro forma Consolidated
	As at January 28, 2018	As at December 31, 2017	Pro forma Adjustments	**Notes**	As at January 28, 2018
		Note 3			
Current assets					
Cash	$ 313.7	$ 41.5	$ (206.8)	4.b) & 4.h)	**$ 148.4**
Accounts receivable	311.4	139.3	5.0	4.a)	**455.7**
Income taxes receivable	22.4	—	—		**22.4**
Inventories	118.1	163.2	14.9	4.a)	**296.2**
Prepaid expenses and other current assets	17.0	28.9	1.0	4.a)	**46.9**
Other related party receivables, current	—	35.1	(35.1)	4.a)	**—**
	782.6	408.0	(221.0)		**969.6**
Property, plant and equipment	478.5	408.1	14.4	4.a)	**901.0**
Intangible assets	162.5	147.4	489.8	4.a)	**799.7**
Goodwill	505.8	408.7	299.8	4.a)	**1,214.3**
Deferred taxes	84.3	—	2.7	4.b)	**87.0**
Other related party receivables	—	189.1	(189.1)	4.a)	**—**
Other assets	45.7	3.5	(3.5)	4.a)	**45.7**
	$ 2,059.4	$ 1,564.8	$ 393.1		**$ 4,017.3**
Current liabilities					
Accounts payable and accrued liabilities	$ 224.9	$ 154.1	$ 5.8	4.a)	**$ 384.8**
Provisions	5.0	—	—		**5.0**
Income taxes payable	12.5	10.8	0.4	4.a)	**23.7**
Other related party payable, current	—	36.0	(36.0)	4.a)	**—**
Deferred revenues and deposits	88.6	—	—		**88.6**
Current portion of long-term debt	—	116.5	4.3	4.a)	**120.8**
	331.0	317.4	(25.5)		**622.9**
Long-term debt	348.2	12.5	1,191.6	4.b) & 4.h)	**1,552.3**
Related party debt	—	1,060.2	(1,060.2)	4.a)	**—**
Deferred taxes	49.2	26.1	181.4	4.a)	**256.7**
Provisions	2.5	—	—		**2.5**
Other liabilities	92.1	24.7	(2.6)	4.a)	**114.2**
	823.0	1,440.9	284.7		**2,548.6**
Equity					
Share capital	370.0	—	242.7	4.b)	**612.7**
Contributed surplus	1.1	—	—		**1.1**
Retained earnings	888.9	—	(10.4)	4.b)	**878.5**
Net parent investment	—	142.3	(142.3)	4.a)	**—**
Accumulated other comprehensive loss	(23.6)	(18.4)	18.4	4.a)	**(23.6)**
	1,236.4	123.9	108.4		**1,468.7**
	$ 2,059.4	$ 1,564.8	$ 393.1		**$ 4,017.3**

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

Three-month period ended January 28, 2018
Unaudited
(in millions of Canadian dollars, unless otherwise indicated and per share data)

	TC Transcontinental January 28, 2018	Coveris Americas December 31, 2017 Note 3	Pro forma Adjustments	Notes	TC Transcontinental Pro forma Consolidated January 28, 2018
Revenues	$ 501.7	$ 315.7	$ —		**$ 817.4**
Operating expenses	370.9	274.9	—		**645.8**
Restructuring and other costs (gains)	(25.9)	2.4	(2.5)	4.c)	**(26.0)**
Impairment of assets	2.0	0.4	(0.4)	4.f)	**2.0**
Operating earnings before depreciation and amortization	**154.7**	**38.0**	**2.9**		**195.6**
Depreciation and amortization	31.2	16.5	8.1	4.e)	**55.8**
Operating earnings	**123.5**	**21.5**	**(5.2)**		**139.8**
Net financial expenses	2.6	19.6	(5.2)	4.d)	**17.0**
Earnings before share of net earnings in interests in joint ventures and income taxes	**120.9**	**1.9**	**—**		**122.8**
Share of net earnings in interests in joint ventures, net of related taxes	0.1	—	—		**0.1**
Income taxes	62.8	(9.7)	—	4.g)	**53.1**
Net earnings	$ 58.2	$ 11.6	$ —		**$ 69.8**
Net earnings per share - basic	$ 0.75			5)	**$ 0.80**
Net earnings per share - diluted	$ 0.75			5)	**$ 0.80**
Weighted average number of shares outstanding - basic (in millions)	77.5			5)	**86.9**
Weighted average number of shares - diluted (in millions)	77.6			5)	**87.0**

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

Year ended October 29, 2017
Unaudited
(in millions of Canadian dollars, unless otherwise indicated and per share data)

	TC Transcontinental October 29, 2017	Coveris Americas December 31, 2017 Note 3	Pro forma Adjustments	Notes	TC Transcontinental Pro forma Consolidated October 29, 2017
Revenues	$ 2,007.2	$ 1,259.1	$ —		**$ 3,266.3**
Operating expenses	1,610.5	1,093.6	—		**2,704.1**
Restructuring and other costs (gains)	(13.6)	6.9	(4.5)	4.c)	**(11.2)**
Impairment of assets	4.9	0.4	(0.4)	4.f)	**4.9**
Operating earnings before depreciation and amortization	**405.4**	**158.2**	**4.9**		**568.5**
Depreciation and amortization	103.4	69.3	33.4	4.e)	**206.1**
Operating earnings	**302.0**	**88.9**	**(28.5)**		**362.4**
Net financial expenses	17.7	80.3	(21.8)	4.d)	**76.2**
Earnings before share of net earnings in interests in joint ventures and income taxes	**284.3**	**8.6**	**(6.7)**		**286.2**
Share of net earnings in interests in joint ventures, net of related taxes	0.3	—	—		**0.3**
Income taxes	73.1	(11.5)	(1.8)	4.g)	**59.8**
Net earnings	**$ 211.5**	**$ 20.1**	**$ (4.9)**		**$ 226.7**
Net earnings per share - basic	$ 2.74			5)	**$ 2.61**
Net earnings per share - diluted	$ 2.73			5)	**$ 2.61**
Weighted average number of shares outstanding - basic (in millions)	77.3			5)	**86.7**
Weighted average number of shares - diluted (in millions)	77.5			5)	**86.9**

1 GENERAL INFORMATION AND PROPOSED ACQUISITION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Its Class A Subordinate Voting Shares and Class B Shares are traded on the Toronto Stock Exchange. The Corporation's head office is located at 1 Place Ville Marie, Suite 3240, Montreal, Quebec, Canada H3B 0G1.

The Corporation is Canada's largest printer and a key supplier of flexible packaging in North America. The Corporation is also a leader in its specialty media segments. The Corporation conducts business in Canada and the United States in two separate sectors: the Printing and Packaging Sector and the Media Sector.

On April 2, 2018, the Corporation announced that it had entered into a Securities Purchase Agreement (the "SPA") with Coveris Holdings S.A. ("CHSA") in connection with the acquisition (the "Acquisition") by the Corporation (or one of its affiliates) of all of CHSA'S net investment in Coveris Americas (the "Coveris Americas Net Investment") of the entities comprising the business of Coveris Americas. Headquartered in Chicago, Coveris Americas is a manufacturer of barrier films, multi-wall bags, pouches, coatings and labels. Coveris manufactures a variety of flexible plastic and paper products, including bags, pouches, roll stocks, films, laminates, coated substrates, and sleeves. The purchase consideration is approximately $1,716 million (US$1,320 million), subject to customary adjustments for cash, debt, working capital and other items, payable at closing in cash. The Corporation expects to finance the purchase consideration on the Acquisition Closing Date and the costs of the Acquisition out of a combination of 1) cash on hand, 2) an amount drawn from the Existing Credit Facilities; 3) an amount drawn from the New Credit Facilities; 4) and the net proceeds of this Offering (assuming no exercise of the Over Allotment Option) (collectively, the “Financing”). The Corporation expects to incur approximately $10.7 million of acquisition costs. This estimate does not include financing and other fees related to the debt and equity financing, which are estimated to be approximately $16.1 million.

2 BASIS OF PRESENTATION

The following unaudited pro forma consolidated financial statements (the "pro forma financial statements") are based on the Corporation’s historical consolidated financial statements and Coveris Americas’ historical combined financial statements as adjusted to give effect to the Acquisition and the Financing above.

The historical financial information of Coveris Americas is presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The historical financial information of the Corporation is presented in accordance with the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. The Corporation made certain adjustments to Coveris America’s historical financial statements prepared under US GAAP to conform to the Corporation’s accounting framework and accounting policies under IFRS (Note 3). The assumptions and estimates underlying the unaudited adjustments to the pro forma financial statements are described in the accompanying notes, which should be read together with the pro forma financial statements. These pro forma financial statements have been prepared by Management of the Corporation in accordance with International Financial Reporting Standards on a consistent basis with those disclosed in Note 2 of the Corporation’s audited annual consolidated financial statements as at and for the year ended October 29, 2017.

The pro forma financial statements have been prepared from information derived from, and should be read in conjunction with the following:

- the audited annual consolidated financial statements of the Corporation, together with the notes thereto, as at and for the year ended October 29, 2017;
- the audited annual combined financial statements of Coveris Americas, together with the notes thereto, as at and for the year ended December 31, 2017; and
- the unaudited interim consolidated financial statements of the Corporation, together with the notes thereto, as at and for the three-month period ended January 28, 2018.

The unaudited pro forma consolidated statements of earnings for the three-month period ended January 28, 2018 and the year ended October 29, 2017 give effect to the Acquisition and Financing as if they had occurred on November 1, 2016, as described in Note 4 hereafter. The unaudited pro forma consolidated statement of financial position as at January 28, 2018 gives effect to the Acquisition and the Financing if they had occurred on January 28, 2018, as described in Note 4 hereafter.

The historical financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma consolidated statements of earnings, expected to have a continuing impact on the combined results following the business combination. Accordingly, the pro forma financial information does not reflect the realization of any expected cost savings or other synergies from the acquisition of Coveris Americas as a result of restructuring activities and other cost savings initiatives. The Corporation currently estimates that synergies and planned restructuring activities will result in annual combined cost savings of approximately US$20 million or $26 million, which are not reflected in the pro forma consolidated statement of earnings. Although the Corporation believes such cost savings and other synergies will be realized following the business combination, there can be no assurance that these cost savings or any other synergies will be achieved in full or at all.

(in millions of Canadian dollars, unless otherwise indicated and per share data)

2 BASIS OF PRESENTATION (CONTINUED)

As of the Acquisition date of Coveris Americas, the business combination will be accounted for under the acquisition method of accounting in accordance with IFRS 3, *Business Combinations*. As the acquirer for accounting purposes, the Corporation has preliminarily estimated the fair value of Coveris Americas' assets acquired and liabilities assumed. The unaudited pro forma consolidated financial information will differ from the final acquisition accounting for a number of reasons, including the fact that the estimates of fair values of assets and liabilities acquired are preliminary and subject to change when the formal valuation and other studies are finalized. Also, the definitive determination of the fair value of assets acquired and liabilities assumed will occur on the date of acquisition, which will also have an impact on the final acquisition accounting, and ultimately on goodwill. The differences that will occur between the preliminary estimates and the final acquisition accounting could have a material impact on the accompanying unaudited pro forma consolidated financial information.

The audited combined Statement of Operations of Coveris Americas for the year ended December 31, 2017 and the unaudited combined Statement of Operations of Coveris Americas' for the three-month period ended December 31, 2017 include an overlapping period from October 1, 2017 to December 31, 2017.

All amounts in these pro forma financial statements are in Canadian dollars, unless otherwise stated.

Acquisition of Multifilm Packaging Corporation
On March 7, 2018, the Corporation announced the acquisition of Multifilm Packaging Corporation ("Multifilm"), a flexible packaging supplier located in Elgin, near Chicago, in Illinois. Due to the size of this acquisition which was not deemed a significant acquisition under National Instrument 51-102, *Continuous Disclosure Obligations*, the Corporation did not include separate additional pro forma financial information in these pro forma financial statements. The following historical financial information is derived from Multifilm's unaudited financial statements as at and for the year ended December 31, 2017:

unaudited		December 31, 2017
Revenues	$	30.5
Operating earnings before depreciation and amortization		6.3
Net income	$	2.3
Total assets	$	25.9

3 ADJUSTMENTS TO COVERIS AMERICAS' FINANCIAL STATEMENTS

The following tables reflect the adjusted financial statements derived from the annual audited combined financial statements of Coveris Americas as at and for the year ended December 31, 2017 and the unaudited combined interim financial statements of Coveris Americas for the three-month period ended December 31, 2017 as a result of the translation from US dollars ("USD") to Canadian Dollars ("CAD"), reclassifications from line to line in order to provide a consistent classification and presentation with the Corporation's consolidated financial statement presentation, and any adjustment needed to convert Coveris Americas' historical combined financial statements from US GAAP to IFRS (the "adjustments"). These adjustments reflect the Corporation's best estimates based upon the information currently available to the Corporation, and could be subject to change once more detailed information is obtained.

3 ADJUSTMENTS TO COVERIS AMERICAS' FINANCIAL STATEMENTS (CONTINUED)

COVERIS AMERICAS
COMBINED BALANCE SHEET AS AT DECEMBER 31, 2017

	As at December 31, 2017	Reclassifications	Notes	US GAAP to IFRS Adjustments	Notes	As at December 31, 2017	**As at December 31, 2017**
(in millions of dollars)	USD	USD		USD		USD	CAD
							Note 3.a
Current assets							
Cash and cash equivalents	$ 33.1	$ —		$ —		$ 33.1	**$ 41.5**
Accounts receivable	111.0	—		—		111.0	**139.3**
Inventories	130.1	—		—		130.1	**163.2**
Prepaid expenses and other current assets	23.0	—		—		23.0	**28.9**
Other related party receivables, current	28.0	—		—		28.0	**35.1**
	325.2	—		—		325.2	**408.0**
Property, plant and equipment	325.3	—		—		325.3	**408.1**
Intangible assets	117.5	—		—		117.5	**147.4**
Goodwill	325.8	—		—		325.8	**408.7**
Other related party receivables	150.7	—		—		150.7	**189.1**
Other assets	2.8	—		—		2.8	**3.5**
	$ 1,247.3	$ —		$ —		$ 1,247.3	**$ 1,564.8**
Current liabilities							
Accounts payable	$ 84.8	$ 38.0	3.b.ii)	$ —		$ 122.8	**$ 154.1**
Accrued liabilities	38.0	(38.0)	3.b.ii)	—		—	**—**
Income taxes payable	8.6	—		—		8.6	**10.8**
Other related party payables, current	28.7	—		—		28.7	**36.0**
Current portion of capital lease obligation	3.6	(3.6)	3.b.i)	—		—	**—**
Current portion of long-term debt	89.3	3.6	3.b.i)	—		92.9	**116.5**
	253.0	—		—		253.0	**317.4**
Long-term debt	—	10.0	3.b.i)	—		10.0	**12.5**
Related party debt	845.1	—		—		845.1	**1,060.2**
Capital lease obligations	10.0	(10.0)	3.b.i)	—		—	**—**
Deferred taxes	20.8	—		—		20.8	**26.1**
Pension and post-retirement obligation	16.6	(16.6)	3.b.iii)	—		—	**—**
Other liabilities	3.1	16.6	3.b.iii)	—		19.7	**24.7**
	1,148.6	—		—		1,148.6	**1,440.9**
Equity							
Net parent investment	113.4	—		—		113.4	**142.3**
Accumulated other comprehensive loss	(14.7)	—		—		(14.7)	**(18.4)**
	98.7	—		—		98.7	**123.9**
	$ 1,247.3	$ —		$ —		$ 1,247.3	**$ 1,564.8**

3 ADJUSTMENTS TO COVERIS AMERICAS' FINANCIAL STATEMENTS (CONTINUED)

COVERIS AMERICAS
COMBINED STATEMENT OF OPERATIONS - THREE-MONTH PERIOD

	December 31, 2017	Reclassifications	Notes	US GAAP to IFRS Adjustments	Notes	December 31, 2017	**December 31, 2017**
(in millions of dollars)	USD	USD		USD		USD	CAD
							Note 3.a
Revenues	$ 249.9	$ —		$ —		$ 249.9	**$ 315.7**
Cost of sales	208.0	(208.0)	3.b.iv), 3.b.v & 3.b.vii)	—		—	**—**
Operating expenses	—	217.4	3.b.v)	0.2	3.c)	217.6	**274.9**
Selling, general and administrative expenses	20.4	(20.4)	3.b.iv), 3.b.v) & 3.b.vii)	—		—	**—**
Restructuring and other costs (gains)	—	1.9	3.b.vii)	—		1.9	**2.4**
Impairment of assets	—	0.3	3.b.viii)	—		0.3	**0.4**
Operating earnings before depreciation and amortization	21.5	8.8		(0.2)		30.1	**38.0**
Depreciation and amortization	4.3	8.8	3.b.iv) & 3.b.viii)	—		13.1	**16.5**
Operating earnings	17.2	—		(0.2)		17.0	**21.5**
Net financial expenses	14.8	0.5	3.b.vi)	0.2	3.c)	15.5	**19.6**
Other expenses	0.2	(0.2)	3.b.vi)	—		—	**—**
Foreign currency exchange loss	0.3	(0.3)	3.b.vi)	—		—	**—**
Earnings before income taxes	1.9	—		(0.4)		1.5	**1.9**
Income taxes benefit	(7.6)	—		(0.1)	3.c)	(7.7)	**(9.7)**
Net earnings	$ 9.5	$ —		$ (0.3)		$ 9.2	**$ 11.6**

3 ADJUSTMENTS TO COVERIS AMERICAS' FINANCIAL STATEMENTS (CONTINUED)

COVERIS AMERICAS
COMBINED STATEMENT OF OPERATIONS - YEAR ENDED

(in millions of dollars)	December 31, 2017 USD	Reclassifications USD	Notes	US GAAP to IFRS Adjustments USD	Notes	December 31, 2017 USD	**December 31, 2017** CAD Note 3.a
Revenues	$ 966.2	$ —		$ —		$ 966.2	**$ 1,259.1**
Cost of sales	799.5	(799.5)	3.b.iv), 3.b.v & 3.b.vii)	—		—	**—**
Operating expenses	—	838.4	3.b.v)	0.8	3.c)	839.2	**1,093.6**
Selling, general and administrative expenses	80.8	(80.8)	3.b.iv), 3.b.v) & 3.b.vii)	—		—	**—**
Restructuring and other costs (gains)	—	5.3	3.b.vii)	—		5.3	**6.9**
Impairment of assets	—	0.3	3.b.viii)	—		0.3	**0.4**
Operating earnings before depreciation and amortization	85.9	36.3		(0.8)		121.4	**158.2**
Depreciation and amortization	16.5	36.7	3.b.iv) & 3.b.viii)	—		53.2	**69.3**
Operating earnings	69.4	(0.4)		(0.8)		68.2	**88.9**
Net financial expenses	58.8	1.9	3.b.vi)	0.9	3.c)	61.6	**80.3**
Other expenses	0.5	(0.5)	3.b.v) & 3.b.vi)	—		—	**—**
Foreign currency exchange loss	1.8	(1.8)	3.b.vi)	—		—	**—**
Earnings before income taxes	8.3	—		(1.7)		6.6	**8.6**
Income taxes benefit	(8.3)	—		(0.5)	3.c)	(8.8)	**(11.5)**
Net earnings	$ 16.6	$ —		$ (1.2)		$ 15.4	**$ 20.1**

3 ADJUSTMENTS TO COVERIS AMERICAS' FINANCIAL STATEMENTS (CONTINUED)

a) Foreign exchange

As the historical financial information of Coveris Americas was presented in USD, the historical financial information of Coveris Americas was translated from USD to CAD using the following historical exchange rates:

- Average exchange rate for the three-month period ended December 31, 2017 of $1.2633 / US$ 1 for Coveris Americas' Statement of operations for the three-month period ended December 31, 2017
- Average exchange rate for the year ended December 31, 2017 of $1.3031 / US$ 1 for Coveris Americas' Statement of operations for the year ended December 31, 2017
- Period-end exchange rate as at December 31, 2017 of $1.2545 / US$ 1 for Coveris Americas' Balance sheet as at December 31, 2017

b) Reclassifications

The classification of certain items presented by Coveris Americas has been modified in order to align with the presentation used by the Corporation.

Modifications to the presentation of the statement of financial position include:

i. Presentation of *Current portion of capital lease obligation* and *Capital lease obligations* within *Current portion of long-term debt* and *Long-term debt*, respectively
ii. Presentation of *Accrued liabilities* in the caption *Accounts payable and accrued liabilities*
iii. Presentation of *Pension and post-retirement obligation* in the caption *Other liabilities*.

Modifications to the statement of earnings presentation include:

iv. Reclassification of depreciation and amortization expense included in *Cost of sales* and *Selling, general and administrative expenses* in a separate caption *Depreciation and amortization*
v. Presentation of *Cost of sales, Selling, general and administrative expenses* and certain *Other expenses* in the caption *Operating expenses*
vi. Presentation of certain *Other expenses* and *Foreign currency exchange loss* in the caption *Net financial expenses*
vii. Reclassification of certain costs included in *Cost of sales* and *Selling, general and administrative expenses* to the caption *Restructuring and other costs (gains)*
viii. Reclassification of an impairment loss included in *Depreciation and amortization* to the caption *Impairment of assets.*

c) US GAAP to IFRS adjustments

Employee benefits

Under US GAAP, Coveris Americas recorded a credit to its net pension costs based for the expected return on plan assets, using the expected long-term rate of return on invested assets. Under IFRS, the concept of an expected return on plan assets does not exist. Instead, a 'net interest' expense (income) on the net defined benefit liability (asset) is recognized as a component of defined benefit cost, based on the discount rate used to determine the obligation.

In addition, under US GAAP, actuarial gains or losses are recorded in Other Comprehensive Income (OCI), to the extent that they are not recognized in employee benefit cost. Employers can elect to amortize from OCI into employee benefit cost the amount of the actuarial gains or losses in excess of the 'corridor' amount, which is 10% of the greater of the defined benefit obligation and the market-related value of the plan assets at the beginning of the period. The amount is amortized through net earnings over a period equal to the average expected years of future service (or average life expectancy if the plan is primarily inactive). Under IFRS, re-measurements of the net defined benefit asset or liability are recognized in full in OCI in the reporting period in which they arise and are not reclassified to profit or loss in a subsequent period.

These differences resulted in a pro forma adjustment to increase Operating expenses by US$0.2 million and US$0.8 million, Net financial expenses by US$0.2 million and US$0.9 million, and Income tax benefit by US$0.1 million and US$0.5 million, for the three-month period ended January 28, 2018 and the year ended October 29, 2017, respectively.

(in millions of Canadian dollars, unless otherwise indicated and per share data)

4 PRO FORMA ASSUMPTIONS AND ADJUSTMENTS TO THE PRO FORMA STATEMENT OF FIANCIAL POSITION AND STATEMENTS OF EARNINGS

Foreign exchange

The following exchange rates were used to convert certain pro forma adjustments from USD to CAD:

- Exchange rate of $1.3000 / US$ 1, which approximates the closing rate as of the announcement date of the Acquisition, for the Corporation's conversion of newly issued financing in USD in the context of the Offering (Note 4.b),
- Net assets acquired and consideration paid were translated using an exchange rate of $1.3000 / US$ 1, which approximates the closing rate as of the announcement date of the Acquisition.

Pro forma adjustments to the statement of financial position

a) Purchase price allocation

Pursuant to the SPA, the Corporation has agreed to purchase Coveris Americas for an aggregate purchase price of $1,716 million or US$1,320 million, less assumed third party debts of $117 million or US$90 million and capital lease obligations, and subject to certain closing and postclosing adjustments based on the cash, indebtedness and working capital of Coveris Americas. The third party debts will be reimbursed by the Corporation immediately following the Acquisition date and will be deducted from the purchase price.

Pursuant to the SPA, the Corporation will not acquire any related-party receivable and assume any related-party payable or debt since these amounts will be settled before the closing of the transaction.

The following table reflects the effect of Coveris Americas' preliminary purchase price allocation.

	Amount USD	Amount CAD
Assets acquired		
Accounts receivable	$ 111	$ 144
Inventories	137	178
Prepaid expenses and other current assets	23	30
Property, plant and equipment	325	423
Goodwill arising on acquisition	545	709
Intangible assets	490	637
	$ 1,631	**$ 2,121**
Liabilities assumed		
Accounts payable and accrued liabilities	$ 123	$ 160
Income tax payable	9	11
Current portion of long-term debt and capital leases	93	121
Capital lease obligations	10	13
Deferred tax liabilities	160	208
Pension and post-retirement obligation	17	22
	412	**535**
Total net assets at estimated fair value	**$ 1,219**	**$ 1,586**
Purchase price consideration:		
Aggregate purchase price	1,320	1,716
Adjustments for:		
Third party debts to be reimbursed by the Corporation at Closing	(90)	(116)
Capital lease obligations	(13)	(17)
Non-cash working capital and other	2	3
Purchase Consideration	**$ 1,219**	**$ 1,586**

The pro forma adjustments are based on preliminary estimates of the fair value of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the Acquisition. The allocation is dependent upon certain valuation and other studies that have not yet been completed. Accordingly, the pro forma purchase price allocation is subject to further adjustment as additional information becomes available and as additional analysis, including taxation and final valuations are completed.

(in millions of Canadian dollars, unless otherwise indicated and per share data)

4 PRO FORMA ASSUMPTIONS AND ADJUSTMENTS TO THE PRO FORMA STATEMENT OF FIACIAL POSITION AND STATEMENTS OF EARNINGS (CONTINUED)

a) Purchase price allocation (continued)

The deferred income tax liabilities have been adjusted to tax effect the difference between the carrying value and fair value of Coveris' assets acquired and liabilities assumed by the Corporation using the estimated statutory tax rate of 27%. This determination is preliminary and subject to change based upon the final determination of the fair value of the identifiable intangible assets and liabilities in each of the jurisdictions in which Coveris operates.

Goodwill represents the excess of the preliminary estimated purchase consideration over the fair value of the net assets acquired. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any indicators of impairment. Goodwill recognized in the Acquisition is not expected to be deductible for tax purposes.

The final determination of the purchase price allocation of the Acquisition will be based on Coveris' net assets acquired as of the Acquisition date. The purchase price allocation may change materially based on the receipt of more detailed information. Therefore, the actual allocations will differ from the pro forma adjustments presented.

b) Financing of the transaction

	Amount USD	Amount CAD
Aggregate purchase price	**$ 1,320**	**$ 1,716**
Financing of acquisition:		
Cash on-hand	219	285
New Credit Facilities [1]	750	975
Borrowing on Existing Credit Facilities [2]	171	222
Subscription Receipts issued to the public [3]	192	250
Financing and Subscription Receipts issue costs [4]	(12)	(16)
Total financing, net of financing and issue costs	**$ 1,320**	**$ 1,716**

[1] The Acquisition's consideration is being partially financed by term loans (collectively the "New Credit Facilities") as follows for a total amount of US$750 million or $975 million to a syndicate of lenders and having the following characteristics.

	Amount USD	Amount CAD	Maturity from drawdown
Term loans			
Term Loan A	$ 112.5	$ 146.3	30 months
Term Loan B	112.5	146.3	36 months
Term Loan C	150.0	195.0	42 months
Term Loan D	150.0	195.0	48 months
Term Loan E	112.5	146.3	54 months
Term Loan F	112.5	146.3	60 months
	$ 750.0	**$ 975.2**	
Other term loans			
Term Loan G [a]	200.0	260.0	12 months
Term Loan H [a]	185.0	240.5	12 months
	$ 385.0	**$ 500.5**	
	$ 1,135.0	**$ 1,475.7**	

[a] Any issue of debt or equity or disposition of assets other than inventory (over a threshold to be agreed and with customary re-investment rights) will trigger a mandatory prepayment on Term Loans G and H in an amount corresponding to the net proceeds of the issue or disposition.

4 PRO FORMA ASSUMPTIONS AND ADJUSTMENTS TO THE PRO FORMA STATEMENT OF FIANCIAL POSITION AND STATEMENTS OF EARNINGS (CONTINUED)

b) Financing of the transaction (continued)

The New Credit Facilities are non-revolving and may be drawn in Canadian dollars as either a prime rate loan or bankers' acceptance or in US dollars as either a US base rate or LIBOR loan, and will bear interest at the reference rate plus an applicable margin ranging from 0.70% to 1.70% depending on how the loans are drawn and on the senior unsecured debt rating of the Corporation. For the purpose of the pro forma consolidated statement of earnings, the reference rate was assumed to be 4.00%. An assumed increase of 1/8% in borrowing rates during the three-month period ended January 28, 2018 would have decreased unaudited consolidated pro forma net income by $0.2 million, with an equal but opposite effect for an assumed decrease of 1/8% in borrowing rates. An assumed increase of 1/8% in borrowing rates during the year ended October 29, 2017 would have decreased unaudited consolidated pro forma net income by $0.8 million, with an equal but opposite effect for an assumed decrease of 1/8% in borrowing rates.

(2) The Acquisition's consideration is being partially financed by drawings of $222 million (US$171 million) on Existing Credit Facilities (the "Existing Credit Facilities"). The Existing Credit Facilities consist of a committed credit of up to $400 million that matures in February 2023. Amounts borrowed under the Existing Credit Facilities are primarily in the form of bankers' acceptance (or an equivalent) at varying interest rate. The applicable interest rate on the Existing Credit Facilities is based on the credit rating assigned to the Corporation by Standard & Poor's and DBRS. According to the current credit rating, it is either the banker's acceptance rate or the LIBOR, plus 1.675%, or the Canadian prime rate or U.S. base rate, plus 0.675%. For the purposes of the pro forma statement of earnings, the applicable interest rate was assumed to be 3.36%. An assumed increase of 1/8% in borrowing rates during the three-month period ended January 28, 2018 would have decreased unaudited consolidated pro forma net income by $0.1 million, with an equal but opposite effect for an assumed decrease of 1/8% in borrowing rates. An assumed increase of 1/8% in borrowing rates during the year ended October 29, 2017 would have decreased unaudited consolidated pro forma net income by $0.2 million, with an equal but opposite effect for an assumed decrease of 1/8% in borrowing rates.

(3) The Acquisition's consideration is also being partially financed by the Offering of 9,400,000 Subscription Receipts, each of which will entitle the holder thereof to receive, upon the Acquisition Closing Time, one Class A Subordinate Voting share of the Corporation. The Subscription Receipts will be issued at a price of $26.60 per Subscription Receipt for aggregate gross proceeds of $250 million. The net proceeds to the Corporation will be approximately $240 million after deducting the underwriting fee and other transaction costs of approximately $10.0 million. The increase to share capital will be $242.7 million after adjustment for deferred income tax on the issuance costs of approximately $2.7 million. The Corporation has granted the underwriters an overallotment option to purchase up to an additional 1,410,000 Subscription Receipts at a price of $26.60 per Subscription Receipt, representing maximum additional gross proceeds of approximately $37.5 million. The unaudited pro forma consolidated statement of financial position does not reflect the exercise of the over-allotment option.

(4) Pro forma adjustments were made to the unaudited pro forma consolidated statement of financial position for the following:

a. to record financing costs of approximately $6.1 million as a reduction of the debt balance at inception and amortize the balance into earnings using the effective interest rate method;
b. to record share issue transaction costs of approximately $7.3 million, net of related taxes, as a reduction of the share capital balance arising from the equity offering; and
c. to record transaction costs incurred by the Corporation of approximately $10.4 million ($10.7 million less $0.3 million recorded during the three-month period ended January 28, 2018) to be incurred related to the Acquisition. The transaction costs related to the Acquisition are non-recurring items that result from the transaction and have been recognized as an adjustment to cash and retained earnings in the unaudited pro forma consolidated statement of financial position as at January 28, 2018. The transaction costs related to the Acquisition include fees to access Term Loans G and H, which will be replaced with Class A Subordinate Voting shares issued to the Public. As the long-term financing listed in the table above is expected to be in place when the Acquisition is consummated, the Term Loans G and H have not been reflected in the unaudited pro forma consolidated statement of financial position aside from recognition of the financing costs of the Acquisition.

Pro forma adjustments to the statement of earnings

c) Acquisition-related costs

Acquisition-related costs of $0.3 million were recorded by the Corporation in its unaudited interim consolidated statement of earnings for the three-month period ended January 28, 2018 (nil for the year ended October 29, 2017). In addition, Coveris Americas incurred an amount of $2.2 million for the three-month period ended December 31, 2017 ($4.5 million for the year ended December 31, 2017).

As these costs represent non-recurring directly attributable costs to the Acquisition, they have been eliminated in the unaudited pro forma consolidated statement of earnings for the three-month period ended January 28, 2018 and for the year ended October 29, 2017.

d) Interest and finance costs

The pro forma adjustment to interest expense reflects the additional interest expense that would have been incurred during the historical periods presented assuming the Financing had occurred as of November 1, 2016. For the three-month period ended January 28, 2018 and the year ended October 29, 2017, the effect of the issuance of the New Credit Facilities and the Existing Credit Facilities on the Interest expense amounts to $11.5 million and $47.1 million, respectively. In addition, amortization of deferred financing costs of $6.1 million related to the Financing was $0.4 million for the three-month period ended January 28, 2018 and $1.7 million for the year ended October 29, 2017).

Per the SPA, the Corporation will acquire Coveris Americas without any related party debt. Third party debts will be assumed by the Corporation upon closing of the Acquisition and immediately repaid (Note 4.a). For the purpose of the pro forma consolidated statement of earnings, Coveris Americas' interest expense for the three-month period and the year ended December 31, 2017 amounting to $17.1 million and $70.6 million, respectively, has been eliminated.

(in millions of Canadian dollars, unless otherwise indicated and per share data)

4 PRO FORMA ASSUMPTIONS AND ADJUSTMENTS TO THE PRO FORMA STATEMENT OF FIANCIAL POSITION AND STATEMENTS OF EARNINGS (CONTINUED)

e) Amortization of intangible assets

The amortization expense has been adjusted to record the amortization of intangible assets acquired as a result of the Acquisition purchase price allocation (Note 4.a). The amortization expense for the three-month period ended January 28, 2018 and for the year ended October 29, 2017 amounted to $13.0 million and $53.6 million, respectively. The intangible assets acquired, which consist of customer relationships, are amortized over their estimated useful lives of approximately 12 years.

The Corporation reversed the amortization expense of $4.9 million and $20.2 million related to preexisting intangible assets of Coveris Americas for the three-month period ended January 28, 2018 and for the year ended October 29, 2017, respectively.

f) Impairment of goodwill

Coveris Americas recorded an impairment loss on previously recorded goodwill of $0.4 million for the three-month period and the year ended December 31, 2017. The Corporation reversed this impairment loss in the pro forma consolidated statement of earnings as previously recognized goodwill was reversed by the Corporation as part of the preliminary purchase price allocation.

g) Income tax expense

Net adjustment to the income tax expense to reflect the tax effect on the adjustments affecting the pro forma consolidated statement of earnings. The rates used to calculate the pro forma tax adjustments are based on the rates in effect during the periods presented and for those countries in which the adjustments relate.

h) Net adjustments to cash and long-term debt comprise adjustments related to:

i. Cash

	Notes		Amount CAD
Coveris Americas' cash not acquired	4.a)	$	(41.5)
Borrowing on New Credit Facilities	4.b)		975.0
Borrowing on Existing Credit Facilities	4.b)		222.2
Financing costs	4.b.(4).a)		(6.1)
Issuance of Subscription Receipts	4.b)		250.0
Subscription Receipts issuance costs	4.b.(3)		(10.0)
Purchase consideration	4.a)		(1,586.0)
Acquisition costs	4.(b.(4).c)		(10.4)
		$	**(206.8)**

ii. Long-term debt

	Notes		Amount CAD
Borrowing on New Credit Facilities	4.b)	$	975.0
Borrowing on Existing Credit Facilities	4.b)		222.2
Financing costs	4.b.(4).a)		(6.1)
Exchange rate change on other debt			0.5
		$	**1,191.6**

(in millions of Canadian dollars, unless otherwise indicated and per share data)

5 PRO FORMA NET EARNINGS PER SHARE

Net earnings per share in the unaudited pro forma consolidated statement of earnings for the three-month period ended January 28, 2018 and the year ended October 29, 2017 were computed assuming a subscription of 9.4 million Class A Subordinate Voting shares of the Corporation issued to the public.

The following table presents a reconciliation of the components used in the calculation of basic and diluted net earnings per share on a pro forma basis.

	Three-month period ended January 28, 2018	Year ended October 29, 2017
Pro forma net earnings (basic and dilutive)	**$ 69.8**	**$ 226.7**
Shares outstanding	77.5	77.3
Pro forma issuance of shares	9.4	9.4
Pro forma weighted average shares outstanding during the period - Basic	**86.9**	**86.7**
Effect of dilutive securities	0.1	0.2
Pro forma weighted average shares outstanding during the period - Diluted	**87.0**	**86.9**
Pro forma net earnings per share:		
Basic	**$ 0.80**	**$ 2.61**
Diluted	**$ 0.80**	**$ 2.61**

Schedule B

Audited combined financial statements of Coveris

See attached.

Coveris Americas, a business of Coveris Holdings S.A.

Combined Financial Statements

As of December 31, 2017 and 2016 and for each of the two years in the period ended
December 31, 2017

COVERIS AMERICAS
TABLE OF CONTENTS

Report of Independent Auditors

To the Management of Coveris Holdings S.A.:

We have audited the accompanying combined financial statements of Coveris Americas, a business of Coveris Holdings S.A., and its subsidiaries, which comprise the combined balance sheets as of December 31, 2017 and 2016, and the related combined statements of operations, comprehensive income (loss), invested equity and cash flows for the years then ended.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Coveris Americas as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 14, 2018, except for the extension of maturity of Tranche 1 of short term notes payable discussed in Note 14 to the combined financial statements, as to which the date is April 3, 2018

Coveris Americas
Combined Balance Sheets

(in thousands of U.S. dollars)	As of December 31, 2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 33,051	$ 21,737
Trade accounts receivable (net of allowance for doubtful accounts of $1,486 and $1,364 as of December 31, 2017 and 2016, respectively)	110,990	101,309
Inventories	130,115	108,455
Prepaid expenses and other current assets	23,048	21,411
Other related party receivables, current	28,009	17,792
Total current assets	**325,213**	**270,704**
Property, plant, and equipment, net	325,291	318,685
Intangible assets, net	117,464	133,010
Goodwill	325,843	325,943
Deferred income tax assets	—	893
Other related party receivables	150,676	118,304
Other noncurrent assets	2,807	3,889
Total assets	**$ 1,247,294**	**$ 1,171,428**
LIABILITIES AND INVESTED EQUITY		
Current liabilities:		
Current portion of third party debt	$ 89,329	$ 43,659
Current portion of capital lease obligation	3,606	4,434
Accounts payable	84,785	84,723
Accrued liabilities	37,968	40,189
Income taxes payable	8,628	3,752
Other related party payables, current	28,663	5,568
Total current liabilities	**252,979**	**182,325**
Noncurrent liabilities:		
Related party debt	845,130	843,868
Capital lease obligations, less current portion	9,857	13,536
Deferred income tax liabilities	20,848	34,108
Pension and post-retirement obligation	16,586	21,776
Other noncurrent liabilities	3,125	3,072
Total liabilities	**1,148,525**	**1,098,685**
Invested equity:		
Net parent investment	113,445	96,939
Accumulated other comprehensive income (loss), net	(14,676)	(24,196)
Total invested equity	**98,769**	**72,743**
Total liabilities and invested equity	**$ 1,247,294**	**$ 1,171,428**

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

Coveris Americas
Combined Statements of Operations

(in thousands of U.S. dollars)	Year Ended December 31, 2017	2016
Net sales	$ 966,188	$ 979,309
Cost of sales	(799,507)	(798,453)
Gross margin	**166,681**	**180,856**
Operating expenses:		
Selling, general and administrative expenses	(80,837)	(76,709)
Depreciation and amortization	(16,513)	(18,343)
Operating income	**69,331**	**85,804**
Nonoperating expense:		
Financing expense	(58,830)	(67,017)
Other expense, net	(526)	(8,334)
Foreign currency exchange loss	(1,816)	(858)
Nonoperating expense, net	**(61,172)**	**(76,209)**
Income before taxes	**8,159**	**9,595**
Income tax benefit (provision)	8,347	(1,378)
Net income	**$ 16,506**	**$ 8,217**

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

Coveris Americas
Combined Statements of Comprehensive Income (Loss)

(in thousands of U.S. dollars)	Year Ended December 31, 2017	2016
Net income	**$ 16,506**	**$ 8,217**
Other comprehensive income (loss):		
Foreign currency translation adjustment	6,918	(6,834)
Changes in employee benefit obligations (net of income taxes of $(1,593) and $(542) in 2017 and 2016, respectively)	2,602	1,008
Other comprehensive income (loss)	**9,520**	**(5,826)**
Comprehensive income	**$ 26,026**	**$ 2,391**

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

Coveris Americas
Combined Statements of Invested Equity

(in thousands of U.S. dollars)	Net Parent Investment	Accumulated Other Comprehensive Income (Loss), net (AOCI)	Total Invested Equity
Invested Equity as of December 31, 2016	**$ 96,939**	**$ (24,196)**	**$ 72,743**
Net income	16,506	—	16,506
Foreign currency translation adjustment	—	6,918	6,918
Amortization of actuarial loss	—	2,602	2,602
Invested Equity as of December 31, 2017	**$ 113,445**	**$ (14,676)**	**$ 98,769**

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

Coveris Americas
Combined Statements of Cash Flow

(in thousands of U.S. dollars)	Year Ended December 31, 2017	2016
OPERATING ACTIVITIES		
Net income	**$ 16,506**	**$ 8,217**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53,557	50,966
Amortization of deferred financing costs and debt premium	173	(245)
Loss on sale of distribution business	—	4,168
Foreign currency loss (gain) on foreign currency loans	1,485	(116)
Loss (gain) on disposal of assets	(17)	1,162
Loss on early extinguishment of debt	—	5,875
Deferred income tax benefit	(14,220)	(1,579)
Changes in operating assets and liabilities:		
Receivables, prepaid expenses, and other current assets	(8,471)	(2,206)
Inventories	(20,478)	10,215
Accounts payable and accrued and other liabilities	3,508	(17,502)
Change in related party operating accounts	21,300	4,371
Net cash provided by operating activities	**53,343**	**63,326**
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(45,736)	(49,756)
Proceeds from sales of property, plant and equipment	565	467
Proceeds from sale of distribution business	—	2,166
Cash paid for acquisitions, net of cash acquired	—	(11,305)
Net loans to affiliates	(52,691)	(78,814)
Net cash used in investing activities	**(97,862)**	**(137,242)**
FINANCING ACTIVITIES		
Proceeds from ABL facilities	999,251	995,684
Repayments of ABL facilities	(953,553)	(1,026,818)
Proceeds from affiliates	12,536	345,285
Repayments to affiliates	(234)	(888)
Redemption of CHC notes	—	(240,875)
Proceeds from other credit facilities	—	22,778
Repayments of other credit facilities and capital lease obligations	(4,292)	(16,776)
Deferred financing costs paid	—	(328)
Parent's capital contribution	—	1,636
Net cash provided by financing activities	**53,708**	**79,698**
Effect of exchange rate changes on cash	2,125	(2,809)
Increase in cash and cash equivalents	11,314	2,973
Beginning cash and cash equivalents	21,737	18,764
Ending cash and cash equivalents	**$ 33,051**	**$ 21,737**
Supplemental cash flow disclosures:		
Interest paid	30,439	61,635
Income taxes paid, net of refunds	509	1,267
Supplemental non-cash disclosures:		
Purchase of property, plant and equipment in accounts payable	3,489	5,546
Non-cash capital leases	—	4,866

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

1. Description of the Business and Significant Accounting Policies

The accompanying combined financial statements of Coveris Americas ("the Company") have been carved out from the combined financial statements and accounting records of Coveris Holdings S.A. ("CHSA"). The Coveris Americas business includes Coveris Holding Corp. and subsidiaries ("CHC") [exclusive of the components of Rose HPC Limited and subsidiaries ("NA Rigid")], Coveris Supraplast Holding Ltd. and its subsidiary Supraplast S.A. (collectively referred to as "Supraplast") and Coveris Holdings Limited and subsidiaries (collectively referred to as "Australasia"), which are all collectively owned and controlled by CHSA. CHSA is majority owned by a series of holding companies which are primarily owned by Sun Capital Partners V, L.P., an affiliate of Sun Capital Partners Inc. ("Sun Capital"). The Company operates as a single group and the combined financial statements included herein present the assets, liabilities, equity, income, and cash flows as a single operating entity.

The Company is a manufacturer of barrier films, multi-wall bags, pouches, coatings and labels and conducts business principally through three business units: North America & LATAM, Coveris Advanced Coatings, and Australasia. Within these business units, the Company manufactures a variety of flexible plastic and paper products, including bags, pouches, roll stocks, films, laminates, coated substrates, and sleeves. These products are sold primarily in the Americas, the United Kingdom, and Australasia.

The Company operates through a network of 21 production facilities worldwide, which allows the Company to supply customers across multiple regions. The Company operates 18 facilities in the Americas and three facilities in Australasia, China and the UK.

Summary of Significant Accounting Policies

Basis of Presentation

These combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and should be read in conjunction with the notes thereto. Historical results may not be indicative of future operations, financial position and cash flows had the Company been a stand-alone entity.

The combined financial statements include the assets, liabilities, revenues and expenses directly attributable to the operations of the Company as well an allocation of expenses related to certain corporate functions of CHSA. The allocation of these corporate function expenses is based on direct usage when identifiable, or the Company's percentage of net sales versus total sales for CHSA, when direct usage is not identifiable. The Company considers the expense allocation methodology and results to be reasonable and applied consistently for all periods presented, however these allocations may not be indicative of the actual expenses the Company would have incurred as a stand-alone entity or of the costs the Company will incur in the future.

These combined financial statements include the accounts of all the entities and their subsidiaries as defined above. All material intercompany balances and transactions among the combined entities have been eliminated. Results of operations of companies acquired are included from their respective dates of acquisition.

Transactions with affiliates of CHSA outside the scope of the carve-out, as defined above, are shown as related party transactions. The total effect of the settlement of these transactions between the Company and CHSA is reflected in the Combined Statements of Cash Flows as an operating, investing or financing activity dependent on the nature of the transaction and the financing activity is encompassed in the Balance Sheet as "Net parent investment" in lieu of invested equity. In the Combined Statements of Invested Equity, the invested equity from CHSA relates to the collection of trade receivables, payment of accounts payables and other liabilities, payroll and employee benefit charges and charges of allocated corporate costs.

For purposes of the combined financial statements, the Company's income tax expense and deferred tax balances have been calculated on a separate tax return basis, although the Company's operations have historically been included in CHSA's U.S. federal and state tax returns or non-U.S. jurisdictions tax returns.The separate return method applies ASC Topic 740, "Income Taxes" to the standalone financial statements of each subsidiary of the consolidated group as if the subsidiary were a separate taxpayer and a standalone enterprise. As a result, actual tax transactions included in the consolidated financial statements of CHSA may not be included in the combined financial statements of the Company. Similarly, the tax treatment of certain items reflected in the combined financial statements of the Company may not be reflected in the consolidated financial statements and tax returns of CHSA; therefore, such items as alternative minimum tax, net operating losses, credit carryforwards, and valuation allowances may exist in the combined financial statements that may or may not exist in CHSA's consolidated financial statements.

Use of Estimates and Assumptions

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenues and expenses in preparing these combined financial statements. Significant items subject to such estimates include the impairment of long-lived and intangible assets, actuarial assumptions, tax valuation allowances, and assessment of loss contingencies. Actual results could differ from these estimates.

Foreign Currency Translation and Transactions

The presentation currency of these combined financial statements is the United States Dollar ("USD") unless explicitly stated otherwise in functional currency (in thousands). Translation of the financial statements of the Company's foreign subsidiaries, whose functional currencies are those other than the United States Dollar, are measured using the current exchange rate at the reporting date for the balance sheet and the weighted-average exchange rate during the reporting period for results of operations. The resulting currency translation adjustment is accumulated and reported in Accumulated other comprehensive income (loss), net ("AOCI") on the accompanying Combined Balance Sheets and Combined Statements of Invested Equity. The Company also maintains certain debt instruments and other balances in currencies other than the entity's functional currency. These balances are remeasured at the balance sheet date and the resulting gains and losses are included in Foreign currency exchange loss in the Combined Statements of Operations and the Combined Statements of Comprehensive Income (Loss).

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and all other highly liquid investments purchased with an original or remaining maturity of three months or less at the date of acquisition. Accounts payable in the accompanying Combined Balance Sheets includes approximately $3,155 and $1,016 book cash overdrafts as of December 31, 2017 and 2016, respectively.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are measured at their net realizable value after allowance for doubtful accounts. An allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The allowance for doubtful accounts represents the Company's best estimate of probable loss inherent within the existing accounts receivable balance. The Company enters into certain accounts receivable securitization facilities in North America and the UK that expire over varying maturities. These securitizations are non-recourse and meet the criteria for a true sale. There were no amounts recorded as secured borrowings at December 31, 2017 and 2016, respectively.

Inventories

Inventories are carried at the lower of cost or market. The cost of inventories is determined primarily by the First-In, First-Out ("FIFO") and weighted average methods. Inventory value is evaluated at each balance sheet date to ensure that it is carried at the net realizable value. This evaluation includes an analysis of historical physical inventory results, a review of excess and obsolete inventories based on inventory aging, and anticipated future demand. Although infrequent, the Company's policy is to adjust perpetual inventory records to reflect declines in net realizable value below carrying costs of inventory.

Property, Plant and Equipment, Net

Property, plant and equipment are recorded at cost and depreciated using the straight-line method based on the following estimated useful lives of 30 years for buildings and improvements, 10 years for machinery and equipment, and 3-7 years for other depreciable assets. Property, plant and equipment acquired as part of a business combination are recorded at fair value and depreciated using the same method and useful life assumptions. Depreciation expense is presented in cost of goods sold or in operating expenses depending on the operational use of the asset being depreciated.

The cost of property, plant and equipment and related accumulated depreciation are removed from the accounts upon the retirement or disposal of such assets and the resulting gain or loss is recognized at the time of disposition. Maintenance and repairs that do not improve efficiency or extend economic life are charged to expense as incurred. Depreciation expense for the years ended December 31, 2017 and 2016 was $37,741 and $33,237 respectively. No interest was capitalized during any of the periods presented.

Leases

Leases are reviewed for capital or operating classification at their inception under the guidance of Accounting Standard Codification (ASC) 840, *Leases*. The Company uses the lower of its incremental borrowing rate or the implicit rate noted in the lease agreement in the assessment of lease classification and assumes the initial lease term includes renewal options that are reasonably assured. For leases classified as operating leases, the Company records rent expense on a straight-line basis, over the lease term beginning with the date the Company has access to the property, which in some cases is prior to commencement of lease payments. Accordingly, the amount of rental expense recognized in excess of lease payments is recorded as a deferred rent liability and is amortized to rental expense over the remaining term of the lease.

Capital leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

At the commencement of the lease term for new leases where the Company is lessor, amounts due from lessees are recognized as receivables in the balance sheets at the amount equal to the net investment in the lease, which is the present value of the minimum lease payment receivable, plus any unguaranteed residual value, each determined at the inception of the lease.

Goodwill

The Company allocates the purchase price of acquired businesses to the identifiable tangible and intangible assets and liabilities acquired, with any remaining amount being recognized as goodwill. Goodwill is tested for impairment at least annually, as of October 1, or whenever a triggering event occurs, at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which discrete financial information is available and is regularly reviewed by Management. The Company has determined that it has three reporting units as defined by ASC 350, Intangibles - Goodwill and Other: (1) North America & LATAM, (2) Coveris Advanced Coatings, and (3) Australasia. See Note 6, "Goodwill and Other Intangible Assets" for further discussion on the Company's annual impairment test and movements in goodwill.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other ("Topic 350"): Simplifying the Test for Goodwill Impairment. Under the new guidance, if a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard will be applied prospectively and is effective for annual and interim impairment tests performed in periods beginning after December 15, 2020, for PBEs that are not SEC filers (i.e., for any impairment test performed by calendar-year entities in 2021). Early adoption is permitted and management elected to adopt this guidance on September 30, 2017.

Intangible Assets

Contractual or separable intangible assets that have finite useful lives are amortized using the straight-line method over their estimated useful lives of 11-20 years for customer relationships, 2-15 years for trademarks and licenses and 15-20 years for other intangible assets. The straight-line method of amortization reflects an appropriate allocation of the costs of the intangible assets in proportion to the amount of economic benefits obtained by the Company in each reporting period. The Company tests finite-lived assets for impairment whenever there is an impairment indicator. Finite lived intangible assets are tested for impairment by comparing anticipated related undiscounted future cash flows from operations to the carrying value of the asset. The Company has no intangible assets with indefinite lives except for goodwill. We have determined that our intangible assets have finite useful lives.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. For property, plant and equipment and other long-lived assets, other than goodwill, the Company performs undiscounted operating cash flow analysis to determine if impairment exists. The Company recognizes an impairment loss if the carrying value exceeds the estimated future discounted cash flows of the fair value of the assets. Impairment losses on assets held for sale are based on the estimated proceeds to be received, less costs to sell. There were no impairment losses recorded during the years ended December 31, 2017 and 2016 of long-lived assets except for the impairment of certain capitalized software in the Coveris Advanced Coatings reporting unit amounting to $840 for the year ended December 31, 2016 recorded in Selling, general and administrative expense.

Revenue Recognition

The Company recognizes sales revenue when all of the following conditions are met: persuasive evidence of an agreement exists, delivery has occurred, the Company's 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. The Company's stated shipping terms generally pass title and risk of inventory to the buyer at the Company's stated shipping point, unless otherwise noted in the customer contract. Sales to certain customers are on consignment and revenue is recognized when the customer uses the products. Provisions for estimated returns and allowances and customer rebates are recorded when the related products are sold. Rebates are recorded as a reduction of Net sales and an increase in Accrued liabilities.

Shipping and Handling Costs

Shipping and handling fees billed to customers are included in Net sales with the corresponding cost of such services recognized in Cost of sales. The shipping and handling fees billed to customers for the years ended December 31, 2017 and 2016 were $24,668 and $23,610, respectively.

Income Taxes

In the accompanying combined financial statements, the Company's provision for income taxes is computed on a separate return basis as if the Company filed its own tax return.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred 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. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each reporting date and a valuation allowance is recognized to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Valuation allowances are re-assessed at each reporting date and are de-recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Company recognizes tax benefits from uncertain tax positions only if that tax position is more likely than not to be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company then measures the tax benefits recognized in the financial statements from such positions based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's policy for recording interest and penalties associated with unrecognized tax benefits is to record such items as a component of income before taxes. Penalties are recorded in other income (expense), net and interest is recorded in Financing expense, in the accompanying Combined Statements of Operations. There were no significant interest or penalties associated with unrecognized tax benefits for the years ended December 31, 2017 and 2016. See Note 11, "Income Taxes", for further details on income taxes.

Pension Plans

Employees of the Company participate in defined contribution pension plans and defined benefit pension plans. Contributions made by the Company to defined contribution pension plans are expensed in the period in which they occur. Assets held by the Company's defined benefit plans are held in trust outside of the control of the Company. The Company records annual amounts relating to its defined benefit pension plans based on calculations which include various actuarial assumptions, including discount rates, mortality rates and annual rates of return on plan assets. These estimates are susceptible to significant change from period to period based on the performance of plan assets, actuarial valuations and market conditions. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends. The Company believes that the assumptions used in recording its pension obligation are reasonable based on its experience, market conditions and input from its third party actuary and investment adviser.

Equity Incentive Plans

In October 2013, the 2013 Long-Term Incentive Plan (the "2013 LTIP") was executed between a holding company of CHSA and certain key employees of the Company. Under this plan, various classes of shareholders vest ratably over a five year period in the right to participate in a waterfall distribution of proceeds generated from a liquidating distribution event, such as a an equity offering, sale of the Company or other change in control. This plan shares other characteristics that yield the plan to a compensation plan treated as a liability. A liability will be recognized when it is probable that there will be a distribution made to employees based on vested interests. This liability shall be measured at each reporting period, predicated by the probable likelihood of an estimable cash payout. As there is no probable payout event at the time of this report, no liability has been recorded or expense incurred to the Company's Combined Balance Sheets as of December 31, 2017 and 2016 or Combined Statements of Operations for the years ended December 31, 2017 and 2016 respectively, attributable to the 2013 LTIP.

Fair Value Measurements of Financial Instruments

In determining fair value of financial instruments, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and consider counterparty credit risk in assessing fair value. The Company determines fair value of financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The Company's fair value measurements are subjective and involve uncertainties and matters of significant judgment. Changes in assumptions could significantly affect our estimates. See Note 13, “Fair Value of Debt Instruments,” for further details on our fair value measurements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable. The Company controls credit risk through credit approvals, credit limits and monitoring procedures. The Company does not require collateral for trade accounts receivable. Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers and markets into which the Company’s products are sold, as well as their dispersion across many different geographic areas. There were no individual customers that accounted for more than 10% of the total accounts receivable or revenue as of December 31, 2017 and 2016.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired businesses are recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values is recorded as goodwill. Any changes in the estimated fair values of the net assets recorded for acquisitions, will change the amount of the purchase prices allocable to goodwill. Restructuring charges incurred by the Company associated with a business combination are expensed subsequent to the acquisition date. The results of operations of acquired businesses are included in the combined financial statements from the closing date of the acquisition. See Note 5, "Business Combinations" for further disclosures regarding business combinations executed during the years ended December 31, 2017 and 2016.

Deferred Financing Costs

Costs related to the issuance and modification of debt (including any premium or discount paid), are amortized as a component of Financing expense over the term of the related debt using the straight-line method, which approximates the impact utilizing the effective interest method. Noncurrent deferred financing costs are presented net of accumulated amortization as a direct deduction from the carrying value of the associated debt liability within long-term debt, less current portion. The Current portion of deferred financing costs is presented net of accumulated amortization as a direct deduction from the carrying value of the associated debt liability within the current portion of interest-bearing debt and capital leases in the Company's Combined Balance Sheets. In the event of an extinguishment of debt, the Company records a loss due to the accelerated de-recognition of the net book value of the extinguished debt's deferred financing costs on the date of extinguishment. In the event of a modification of debt, the Company recognizes the additional costs to deferred financing costs on the Combined Balance Sheets and amortizes the revised balance over the remaining term of the debt.

Restructuring Costs

The Company accounts for restructuring activities in accordance with ASC 420, *Exit or Disposal Cost Obligations*. According to the guidance, for the cost of restructuring activities that do not constitute a discontinued operation, the liability for the current period and fair value of expected future costs associated with such restructuring activity are recognized in the period in which the liability is incurred. The Company recognizes the costs of restructuring activities ratably over the remaining service period of affected personnel pursuant to a formal management approved restructuring plan, which has been communicated to affected employees and primarily includes costs associated with employee redundancies.

Research and Development Expenses

Research and development expenses include direct research related overhead costs for internal projects, which are expensed as incurred. Costs to acquire technologies that are utilized in research and development that have no alternative future use are expensed when incurred. Research and development costs are included in Operating income (loss) on the Combined Statements of Operations. Research and development costs for the years ended December 31, 2017 and 2016 were $782 and $512, respectively.

Environmental Liabilities

Various state and federal regulations relating to health, safety and the environment govern the flexible packaging and plastic films and coated products industries, and the Company has invested substantial effort to prepare for and meet these requirements. While these requirements are continually changing, the Company believes that its operations are in substantial compliance with applicable health, safety and environmental regulations.

Costs associated with cleaning up existing environmental contamination caused by past operations and costs which do not benefit future periods are expensed. The Company records undiscounted liabilities for environmental costs when a loss is probable and can be reasonably estimated. At December 31, 2017 and 2016, management believes there were no material obligations related to environmental matters. Environmental expenses incurred in all periods presented herein were insignificant.

2. Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2016, FASB issued ASU No. 2015-14, which amended the guidance to be effective for annual reporting periods after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company is evaluating the impact of this ASU on the Company's combined financial statements and will adopt on January 1, 2019.

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. ASU 2015-11 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 became effective for annual periods beginning on or after December 15, 2016, and for interim periods within annual periods beginning on or after December 15, 2017. ASU 2015-11 did not have a material impact on the Company's combined financial statements. The Company has adopted this standard for the annual period beginning January 1, 2017.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. ASU 2016-02 updates current guidance to require the recognition of lease assets and lease liabilities by the lessee for leases classified as operating leases under previous US GAAP. The ASU retains a distinction between finance leases and operating leases. The 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 ASU 2016-02 on the Company's combined financial statements and will adopt on January 1, 2020.

On August 26, 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), a consensus of the FASB's Emerging Issues Task Force. The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the Statement of Cash Flows. These classifications include, but are not limited to: debt prepayment, extinguishment, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, beneficial interests in securitization transactions, and distributions received from equity method investments. The standard will be effective for financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within annual periods beginning on or after December 15, 2019. The Company has elected to early adopt this standard for the periods included in these combined financial statements.

3. Balance Sheet Information

The major components of certain balance sheet accounts at December 31, 2017 and 2016 are as follows:

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Assets		
Inventories		
Raw materials and supplies	$ 46,853	$ 39,739
Work in progress	18,473	13,691
Finished goods	64,789	55,025
Total inventories	**$ 130,115**	**$ 108,455**
Property, plant and equipment		
Land and land improvements	$ 12,534	$ 13,591
Buildings and improvements	52,520	50,849
Machinery and equipment	372,095	284,669
Construction in progress	18,587	63,258
Gross property, plant and equipment	**455,736**	**412,367**
Less accumulated depreciation	(130,445)	(93,682)
Property, plant and equipment, net	**$ 325,291**	**$ 318,685**

Depreciation expense for the years ended December 31, 2017 and 2016 was $37,741 and $33,237, respectively.

4. Accumulated Other Comprehensive (Income) Loss

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

The following table represents the components of net accumulated other comprehensive loss:

(in thousands of U.S. dollars)	Foreign Currency Translation Adjustments	Pension and OPEB Plans Liability	Accumulated Other Comprehensive (Income) Loss, net
Balance at December 31, 2016	**18,425**	**5,771**	**24,196**
Change during 2017	(6,918)	(2,602)	(9,520)
Balance at December 31, 2017	**$ 11,507**	**$ 3,169**	**$ 14,676**

5. Business Combinations

Coveris Australasia

On May 29, 2015, CHSA acquired the shares of Elldex Holdings Limited and subsidiaries (collectively referred to as "Australasia"). Coveris Australasia consists of a manufacturing facility in New Zealand and a sales office located in Australia and is owned by Coveris Holdings Ltd. The acquisition expanded CHSA's global footprint into the Australasian region and allowed CHSA to explore several existing product lines for expansion. Australasia is a manufacturer and importer of High Density Polyethylene ("HDPE") and Low Density Polyethylene ("LDPE") flexible plastic packaging, providing solutions in the meat, dairy, seafood, horticulture and agricultural sectors. CHSA purchased the shares of Australasia for an initial purchase consideration of NZD 27,316 or $20,214, net of cash acquired. In the third quarter of 2015, CHSA finalized the working capital settlement for additional consideration of NZD 2,480 or $1,571. CHSA completed the purchase price allocation during 2015 and has recorded goodwill of NZD 6,641 or $4,721. In addition, CHSA has recorded identifiable intangible assets consisting of customer relationships valued at NZD 1,670 or $1,187 and tradenames valued at NZD 470 or $334. The Company incurred NZD 1,098 or $732 of transaction costs in conjunction with the acquisition that are recorded in Selling, general and administrative expenses for the year ended December 31, 2015. Other business combination disclosures have been omitted due to the immaterial nature of those items. The financial results of Australasia subsequent to the acquisition date are included within the combined financial statements.

Olefinas

On June 17, 2015, CHC acquired 100% of the shares of McNeel International Corp., a Delaware corporation previously conducting business as Olefinas, and subsidiaries (collectively referred to as "Olefinas") for an initial cash consideration of $116,046, net of cash acquired of $630. Olefinas is an agricultural plastics manufacturer with operations in Guatemala, Mexico and Costa Rica. Entering Latin America supported CHC's initiative to provide a full range of packaging solutions for agricultural products, including tree bags, twine and aging ribbons for the banana industry, as well as mulch and fumigation films, insect traps, modified atmospheric packaging and shrink films. The Company believes the Olefinas acquisition is material to the financial statements and has, therefore, supplied the appropriate disclosures and supplemental information below according to ASC 805, Business Combinations. The Company has only disclosed opening balance sheet information as the financial results of Olefinas subsequent to the acquisition date are included within the combined financial statements for the twelve months ended December 31, 2017 and 2016.

During the third quarter of 2015, CHC finalized the working capital settlement for Olefinas for $1,991. In addition, CHC has adjusted the amount of the original purchase price allocated to Inventories, Other noncurrent assets and Accrued liabilities due to the alignment of Olefinas accounting policies with CHC's accounting policies.

The following table discloses the net assets acquired and liabilities assumed as adjusted through the final purchase accounting:

(in thousands of U.S. dollars)	Purchase Price Allocation	Measurement Period Adjustments	Adjusted Purchase Price Allocation
Purchase price for Olefinas, net of cash acquired of $630	**$ 116,046**	**$ (1,991)**	**$ 114,055**
Assets acquired:			
Trade accounts receivable	18,565	(1,422)	17,143
Inventories	29,322	(7,939)	21,383
Deferred income taxes, current	2,955	(2,955)	—
Prepaid expenses and other current assets	13,993	(2,593)	11,400
Property, plant and equipment, net	23,311	18,622	41,933
Intangible assets, net	—	11,692	11,692
Deferred income tax assets	192	(142)	50
Other noncurrent assets	1,644	(697)	947
Total assets acquired, net of cash	**89,982**	**14,566**	**104,548**
Liabilities assumed:			
Accounts payable	12,311	(48)	12,263
Accrued liabilities	7,931	(272)	7,659
Deferred income tax liabilities	1,203	16,383	17,586
Other noncurrent liabilities	167	—	167
Total liabilities assumed	**21,612**	**16,063**	**37,675**
Net assets acquired	**68,370**	**(1,497)**	**66,873**
Purchase price in excess of net assets acquired	**$ 47,676**	**$ (494)**	**$ 47,182**

CHC completed the purchase price allocation in the second quarter of 2016 and recorded goodwill of $47,182. The goodwill arising from the acquisition is primarily attributable to synergies from merging with CHC. In addition, CHC recorded identifiable intangible assets consisting of customer relationships valued at $5,745 and technologies, patents and licenses valued at $5,947. The goodwill arising from this acquisition is not deductible for tax purposes.

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

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

Supraplast

On October 3, 2016, CHSA's immediate parent contributed 100% of the shares of Coveris Supraplast Holding Ltd. and its subsidiary Supraplast, S.A. (collectively referred to as "Supraplast") to CHSA in the amount of $1,636. Previously, Supraplast was owned and controlled by a related party of CHSA, which acquired Supraplast on March 3, 2016. The acquisition of Supraplast by CHSA was accounted for as a transaction under common control pursuant to the guidance in ASC 805. The financial results of Supraplast have been included in these combined financial statements from the original acquisition date of March 3, 2016.

On March 3, 2016, Supraplast S.A. was acquired by Supraplast Holdings Ltd. for total purchase consideration of $11,305, net of cash acquired. The acquisition was accounted for under the acquisition method of accounting prescribed in ASC 805. The Company 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. Supraplast is a shrink sleeve and adhesive label technologies company based in Guayaquil, Ecuador. The acquisition afforded the Company an opportunity for expansion and growth in the South American region. Other business combination disclosures have been omitted due to the immaterial nature of those items.

The Company does not believe the Australasia and Supraplast acquisitions summarized above are material transactions, individually or in the aggregate, subject to the disclosures and supplemental pro-forma information required by ASC 805. Accordingly, this information is not presented.

Sale of Intelicoat

On September 12, 2016, Coveris Flexibles US LLC and Coveris Advanced Coatings US LLC entered into an asset purchase agreement with Dietzgen Corporation to sell certain assets of Intelicoat. The assets and assumed liabilities sold to Dietzgen include all inventory, tangible personal property, all rights and obligations under purchase orders, all assigned intellectual property, all customer lists, all goodwill, all obligations arising under the assigned contracts and all obligations under the lease. The aggregate sales price was $1,985 plus the principal amount of a note receivable for $1,985. The net assets as of September 12, 2016 were $8,100 resulting in an approximate $4,200 loss on sale. There was approximately $223 of goodwill derecognized with the sale of Intelicoat.

6. Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. The Company's three reporting units as defined by ASC 350, *Intangibles - Goodwill and Other* are: (1) North America & LATAM, (2) Coveris Advanced Coatings, and (3) Australasia. The Company reviews goodwill for impairment on a reporting unit basis annually as of October 1 of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. While the Company is permitted to conduct a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test, for the annual goodwill impairment tests as of October 1, 2017 and 2016, the Company performed a quantitative test for all business units.

The goodwill impairment test involves the Company comparing the fair value of each reporting unit to its carrying value, including the goodwill allocated to the reporting unit. If the fair value of the reporting unit exceeds its carrying value, there is no indication of impairment and no further testing is required. If the fair value of the reporting unit is less than the carrying value, the difference is recorded as an impairment loss. Considerable judgment is necessary in estimating future cash flows, discount rates and other factors affecting the estimated fair value of the reporting units, including operating and macroeconomic factors.

Prior to September 1, 2017 the Company's reporting units were America's Food and Consumer ("AFC"), North America Performance Packaging ("NAPP"), Coveris Advanced Coatings ("CAC") and Australasia. In August 2017, the finalization of the carve-out business perimeter and the appointment of senior management to lead the combined Company caused a strategic reorganization in the reporting structure within the Company. The new reporting structure includes individual operating segment managers for North America & LATAM, Coveris Advanced Coatings, and Australasia that report directly into the CEO of the Company, who is the Chief Operating Decision Maker ("CODM"). On September 1, 2017, in order to align with the new reporting structure, the AFC and NAPP business units were combined to become the North America & LATAM business unit.

Allocation of Goodwill to Reporting Units

As the result of change in reporting structure, the Company has the following three business units, which are also its reporting units: North America & LATAM, Coveris Advanced Coatings, and Australasia.

The Company allocated the goodwill balance as of August 31, 2017 between the reporting units using a relative fair value concept approach. The change was considered a triggering event indicating a test for goodwill impairment was required as of September 1, 2017. As a result of the goodwill impairment test performed as of September 1, 2017, no impairment was recorded. The Company's goodwill balances by reporting unit for the years ended December 31, 2017 and 2016 are as follows:

(in thousands of U.S. dollars)	North America & LATAM	Coveris Advanced Coatings	Australasia	Total Goodwill
Balances as of December 31, 2016	**300,723**	**20,836**	**4,383**	**325,943**
Supraplast PPA [1]	50	—	—	50
Goodwill impairment	—	—	(313)	(313)
Foreign currency translation	—	—	163	163
Balance as of December 31, 2017	**$ 300,773**	**$ 20,836**	**$ 4,233**	**$ 325,843**

(1) This ASC 805 measurement period adjustment to goodwill driven by purchase price adjustments related to Supraplast. See Note 5, Business Combinations for further details.

Annual Impairment Test

The Company estimated the fair value of its reporting units using the discounted cash flow, guideline company and similar transaction methods for the annual goodwill impairment test performed most recently as of October 1, 2017. In our evaluation of potential impairment, the most weight was placed on the results of the discounted cash flow method. These cash flow projections are based on management's estimates of revenue growth rates, operating margins, income taxes, capital expenditures and changes in working capital requirements, taking into consideration industry and market conditions. The discount rates used are based on a weighted average cost of capital ("WACC") which reflects relevant risk factors. For the 2017 annual impairment test, the Company used WACCs ranging from 9.5% to 10.5% (compared to a range of 9.0% to 11.5% in 2016) across the Company's goodwill reporting unit and a universal terminal growth rate of 2.5% (compared to 2.5% in 2016).

In 2016, the Company concluded that the fair values of its reporting units were above their carrying values and, therefore, there was no indication of impairment. For 2017, the Company completed its annual impairment review and determined there was no indication of impairment with the exception of the Australasia reporting unit. In 2017, unrealized acquisition synergies along with significant local market developments impacted the future growth rate of the Australasia reporting unit, and therefore, it was determined that Australasia's carrying value was greater than its fair value, resulting an impairment charge of $313. The Australasia impairment charge for 2017 was included in Depreciation and amortization of the Combined Statements of Operations.

Other Intangible Assets

Contractual or separable intangible assets that have finite useful lives are being amortized using the straight-line method over their estimated useful lives of 11 - 20 years for customer relationships, 2 - 15 years for trademarks and licenses and 15 - 20 years for other intangible assets. The straight-line method of amortization reflects an appropriate allocation of the costs of the intangible assets in proportion to the amount of economic benefits obtained by the Company in each reporting period. The Company tests finite-lived assets for impairment whenever there is an impairment indicator. Finite lived intangible assets are tested for impairment by comparing anticipated related undiscounted future cash flows from operations to the carrying value of the asset. The Company's intangible assets at December 31, 2017 and 2016 consisted of the following:

	December 31, 2017			December 31, 2016		
(in thousands of U.S. dollars)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 149,223	$ (46,210)	$ 103,013	$ 149,199	$ (35,857)	$ 113,342
Technologies, patents and licenses	37,211	(22,760)	14,451	37,209	(17,541)	19,668
Intangible Assets	**$ 186,434**	**$ (68,970)**	**$ 117,464**	**$ 186,408**	**$ (53,398)**	**$ 133,010**

Amortization expense for definite-lived assets for the years ended December 31, 2017 and 2016 was $15,816 and $17,729, respectively.

Estimated future amortization expense is as follows:

(in thousands of U.S. dollars)	
Year Ending December 31,	
2018	$ 14,925
2019	14,814
2020	12,032
2021	10,479
2022	9,053
Thereafter	56,161
Total	**$ 117,464**

7. Financing Arrangements

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

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Third party debt		
North American ABL Facility	$ 69,629	$ 28,948
European ABL Facility	—	—
Short-term note payable	20,000	15,000
Capital lease liabilities	13,463	17,970
Less: Unamortized deferred financing costs	(300)	(289)
Total third party debt, net of deferred financing costs	**102,792**	**61,629**
Less: Current portion of third party debt	(93,235)	(48,382)
Less: Current portion of deferred financing costs	300	289
Total long term third party debt, net of deferred financing costs	**$ 9,857**	**$ 13,536**

North American ABL Facility

On May 31, 2013, the Company entered 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 CHSA Term Loan.

The CHSA Term Loan is a credit agreement entered into by CHSA with Goldman Sachs Bank USA as administrative and collateral agent and certain financial institutions and other persons party thereto as lenders. The CHSA Term Loan matures on the earlier of (i) June 29, 2022 and (ii) 91 days prior to the maturity date of the CHSA Senior 7/78% Notes. The CHSA Senior 7 7/8% Notes were issued by CHSA under the indentures dated November 8, 2013, February 17, 2015, and June 16, 2015, and mature on November 1, 2019. The CHSA Senior 7 7/8% Notes are guaranteed on a senior unsecured basis by certain subsidiaries of CHSA, including certain subsidiaries of the Company.

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 on the Company's Combined Balance Sheets as of December 31, 2017 and 2016.

Interest accrues on amounts outstanding under the U.S. sub-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 December 31, 2017 and December 31, 2016, respectively.

The NA ABL Facility is collateralized 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 are not collateral for the obligations under the U.S. sub-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 December 31, 2017 and 2016, the Company was in compliance with these covenants.

As of December 31, 2017, $69,629 was outstanding and $20,006 was available for additional borrowings, net of outstanding letters of credit of $3,976 under the NA ABL Facility. As of December 31, 2016, $28,948 was outstanding and $45,967 was available for additional borrowings, net of outstanding letters of credit of $4,164 under the NA ABL Facility.

The Company recognized $720 in deferred financing costs related to the amendment of the NA ABL Facility in 2013, which are being amortized on a straight-line basis over the term of the NA ABL Facility through its maturity date of August 18, 2022.

European ABL Facility

On November 8, 2013, CHSA entered into an accounts receivable and inventory financing arrangement in the United Kingdom (the "UK"), whereby cash is made available to the UK subsidiaries of CHSA in consideration for inventory and certain trade receivables generated. Coveris Advanced Coatings (North Wales) Ltd, a subsidiary of the Company in the UK, is able to access the UK Facility to fund working capital requirements, however is limited to its borrowing base calculation. 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.

Under the UK Facility, certain wholly-owned subsidiaries of CHSA (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 of CHSA 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 Finance 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 CHSA 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 Finance 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 December 31, 2017 and 2016, the Company was in compliance with all covenants under this agreement.

The Company had $0 outstanding as of December 31, 2017 and 2016 on the EUR ABL Facility. As of December 31, 2017 and 2016, the lockbox related to the EUR ABL Facility included unremitted cash receipts to the Company which have been included in cash and cash equivalents on the Combined Balance Sheets.

$235,000 10% Notes

On May 31, 2013, CHC assumed the $235,000 10% Notes (the "CHC Notes") which were originally issued with an aggregate principal amount of $235,000 pursuant to the indenture dated May 31, 2011, between, among others, CHC and The Bank of New York Mellon Trust Company, N.A., as trustee.

The CHC Notes were senior unsecured obligations of CHC and ranked equally in right of payment with all existing and future senior indebtedness, ranked senior in right of payment to any future subordinated indebtedness, and were effectively subordinated to any secured indebtedness up to the value of the collateral securing such indebtedness. The CHC Notes were unconditionally guaranteed, jointly and severally, on a senior basis, by all subsidiaries incorporated in the United States as well as all other subsidiaries of CHC that also guarantee the Senior Notes, excluding the non-U.S. subsidiaries. The guarantees of the CHC 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 CHSA Term Loan, up to the value of the collateral securing such indebtedness. The guarantees of the CHC 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, or upon legal defeasance or satisfaction and discharge of the CHC Notes.

On August 18, 2016, CHC redeemed the CHC 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 a related party loan with Coveris Finance S.a.r.l., a subsidiary of CHSA. See Note 11, “Related Party Transactions,” for further details on our related party instruments. The early redemption penalty of $5,875 is presented within Financing expense on the Combined Statements of Operations.

Short Term Note Payable

The Company has entered into a series of promissory notes with Citibank, N.A. The notes mature approximately six months from the date of each extension and pay interest every three months. The carrying amounts of the individual tranches, maturity dates, and applicable interest rates are as follows:

	Extension Date	Maturity Date	Interest Metric	Effective Interest Rate	Outstanding as of December 31, 2017
Tranche 1[(1)]	7/18/2017	1/19/2018	LIBOR (3M) +2.5%	4.01%	$ 2,000
Tranche 2[(1)]	8/8/2017	2/16/2018	LIBOR (3M) +2.5%	3.97%	5,000
Tranche 3	10/10/2017	4/20/2018	LIBOR (3M) +2.5%	3.92%	5,000
Tranche 4	11/20/2017	5/25/2018	LIBOR (3M) +2.5%	3.98%	3,000
Tranche 5	11/30/2017	6/13/2018	LIBOR (3M) +2.5%	4.14%	5,000
Total short-term notes payable					**$ 20,000**

(1) This maturity has been extended subsequent to December 31, 2017. See Note 14, "Subsequent Events".

	Extension Date	Maturity Date	Interest Metric	Effective Interest Rate	Outstanding as of December 31, 2016
Tranche 1	7/29/2016	1/25/2017	LIBOR (6M) +2.5%	3.67%	$ 2,000
Tranche 2	10/27/2016	4/25/2017	LIBOR (3M) +2.5%	3.76%	5,000
Tranche 3	12/6/2016	6/2/2017	LIBOR (6M) +2.5%	3.86%	3,000
Tranche 4	12/21/2016	6/19/2017	LIBOR (6M) +2.5%	3.88%	5,000
Total short-term notes payable[(2)]					**$ 15,000**

(2) The $15,000 outstanding as of December 31, 2016 was extended during 2017 by the tranches detailed above.

Debt Maturities

The table below details the Company's maturities of debt principal for the next five years and thereafter:

Contractual obligations[1]	Total	2018	2019	2020	2021	2022	Thereafter
North American ABL facility	$ 69,629	$ 69,629	$ —	$ —	$ —	$ —	$ —
European ABL facility	—	—	—	—	—	—	—
Short term note payable	20,000	20,000	—	—	—	—	—
Capital leases	14,899	4,345	6,018	2,020	1,164	811	541
Total debt obligations	**$ 104,528**	**$ 93,974**	**$ 6,018**	**$ 2,020**	**$ 1,164**	**$ 811**	**$ 541**

(1) Future maturities disclosed in this table only include repayment of principal, except for capital leases, which include principal and interest payments.

8. Commitments and Contingencies

Operating Leases

The Company leases certain land, buildings, equipment, vehicles, warehouses, and office space under the terms of non-cancelable operating leases.

Future annual payments on the operating leases as of December 31, 2017 are as follows:

(in thousands of U.S. dollars)	
Year Ending December 31,	
2018	$ 6,127
2019	4,130
2020	2,544
2021	1,644
2022	928
Thereafter	1,412
Total	**$ 16,785**

Capital Leases

The Company leases certain buildings and equipment under the terms of non-cancelable capital leases.

Future annual payments on the capital leases as of December 31, 2017 are as follows:

(in thousands of U.S. dollars)	
Year Ending December 31,	
2018	$ 4,345
2019	6,018
2020	2,020
2021	1,164
2022	811
Thereafter	541
Interest portion	(1,436)
Total	**$ 13,463**

Capital Project Commitments Related to Property, Plant and Equipment

At December 31, 2017 the Company has various capital projects related to property, plant and equipment in progress with approximately $12,912 in future estimated costs to complete these projects.

Legal Proceedings

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 combined 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

The collective pension assets and obligations of the Retirement Plan of Coveris Flexibles US, LLC (the "US Retirement Plan") and the pension obligations of the Coveris Flexibles US, LLC Pension Restoration Plan for Salaried Employees (the "US Restoration Plan") (collectively referred to as the "US Plans"). The US Plans were frozen prior to January 1, 2014. Accordingly, the employees' final benefit calculation under the US Plans was the benefit earned under the US Plans as of the freezing date.

	US Plans	
(in thousands of U.S. dollars)	**2017**	**2016**
Change in benefit obligation		
Beginning benefit obligation	$ 89,083	$ 89,197
Obligations assumed through business combinations	—	—
Service cost	—	—
Interest cost	3,496	3,724
Employee contributions	—	—
Actuarial loss (gain)	1,186	(818)
Benefits paid	(2,922)	(3,020)
Foreign currency translation	—	—
Other	(854)	—
Ending benefit obligation	**$ 89,989**	**$ 89,083**
Change in plan assets		
Beginning fair value of plan assets	67,307	64,916
Assets acquired through business combinations	—	—
Actual return on plan assets	9,018	5,111
Employee contributions	—	—
Employer contributions	—	300
Benefits paid	(2,922)	(3,020)
Foreign currency translation	—	—
Other	—	—
Ending fair value of plan assets	**$ 73,403**	**$ 67,307**
Funded (unfunded) status	**$ (16,586)**	**$ (21,776)**

The changes in plan assets and benefit obligations recognized in Other comprehensive income (loss) for the years ended December 31, 2017 and 2016 are as follows:

Other changes in plan assets and benefit obligations recognized in OCI

	All Plans	
(in thousands of U.S. dollars)	2017	2016
Beginning AOCI related to pension and OPEB plans	**$ 8,381**	**$ 9,931**
Amortization of actuarial loss	—	(123)
Current year actuarial gain	(4,195)	(1,427)
Ending AOCI related to pension plans	**$ 4,186**	**$ 8,381**
Total recognized loss in OCI	**$ (4,195)**	**$ (1,550)**
Total recognized in net periodic benefit cost and OCI	**$ (5,293)**	**$ (2,204)**

The following table sets forth the weighted-average discount rate used to determine the benefit obligation, the weighted-average discount rate used to determine the benefit cost and the expected rate of return on plan assets for the pension plans at December 31, 2017 and 2016. The Company sets its discount rate annually in relationship to movements in published benchmark rates. Benefit accruals in the pension plans are either frozen or determined without regard to compensation, so no weighted-average discount rate of compensation increase assumption is used in the determination of benefit obligation.

	US Plans	
	2017	2016
Weighted-average discount rate used to determine the benefit obligation	3.8%	4.0%
Weighted-average discount rate used to determine the benefit cost	4.0%	4.3%
Expected rate of return on plan assets	7.0%	7.0%

The various components of Net periodic (benefit) cost for the years ended December 31, 2017 and 2016, are as follows:

	December 31, 2017	December 31, 2016
(in thousands of U.S. dollars)	US Plans	US Plans
Service cost	$ —	$ —
Interest cost	3,496	3,724
Expected return on plan assets	(4,594)	(4,502)
Amortization of net actuarial loss	—	124
Net periodic pension (benefit) cost	**$ (1,098)**	**$ (654)**

For all funded pension plans, the Company's overall investment strategy is to achieve a mix of investments for long-term growth and near-term benefit payments through diversification of asset types, fund strategies and fund managers. Investment risk is measured on an on-going basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. The pension plans invest primarily in equity index funds, government debt securities, and high quality corporate fixed income securities in their respective domestic markets. The equity index funds invested in by the plans seek to achieve a balance of return and capital stability through investing in equity securities which will provide returns comparable to the primary domestic equity index. Pension investments did not include any direct investments in the Company's stock or the Company's debt as of December 31, 2017 and 2016.

The weighted-average allocation of plan assets by asset category for the Retirement Plan at December 31, 2017 and 2016 are as follows:

	US Plans	
	2017	2016
Equity securities	52.6%	65.0%
Fixed income securities	44.0%	29.0%
Other	3.4%	6.0%

The following tables set forth, by category and within the fair value hierarchy, the estimated fair value of the Company's pension assets as of December 31, 2017 and 2016:

	December 31, 2017			
(in thousands of U.S. dollars)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category				
Cash and cash equivalents	$ 2,249	$ 1,613	$ 636	$ —
Mutual funds and equity	38,637	1,598	36,682	357
Fixed income securities	32,333	533	31,793	7
Other	184	9	175	—
Total pension assets	**$ 73,403**	**$ 3,753**	**$ 69,286**	**$ 364**

	December 31, 2016			
(in thousands of U.S. dollars)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category				
Cash and cash equivalents	$ —	$ —	$ —	$ —
Mutual funds and equity	43,744	43,744	—	—
Fixed income securities	23,563	23,563	—	—
Other	—	—	—	—
Total pension assets	**$ 67,307**	**$ 67,307**	**$ —**	**$ —**

The fair value of the Level 2 equity and fixed income securities are based on their respective net asset values held at year end, which are supported by the value of the underlying securities and by the unit prices of actual purchase and sales transactions occurring as of or close to the financial statement date.

The fair value of the Level 3 assets is based on the estimated fair value an annuity based on the defined benefit obligation using unobservable inputs and assumptions determined by the insurer, which include fair value of premiums paid, discounted annuity payments, estimated changes in annuity pricing and expected long-term rate of return on assets. To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The following table sets forth benefit payments expected to be paid by the Pension Plans for the period indicated:

(in thousands of U.S. dollars)	
2018	$ 4,376
2019	4,404
2020	4,494
2021	4,532
2022	4,655
In aggregate thereafter	$ 24,849

Defined Contribution Plan

The Company also has a savings plan that qualifies under Section 401(k) of the Code for all employees meeting the eligibility requirements of the plan. Through December 31, 2017, the plan had an employer-matching contribution of 50% of the first 6% of an employee's contribution, which is vested at time of participation. The plan also provides for contribution of up to 100% of eligible employee pretax salary, subject to the Code's annual deferral limit of $18,000 during 2017 and 2016. Employer contributions, net of forfeitures, totaled approximately $1,764 and $1,521 for the years ended December 31, 2017 and 2016, respectively.

10. Restructuring Costs

Whitby and Concord Facility Consolidation

In the third quarter of fiscal year 2016, the Company initiated a project to consolidate the operations of its two Canadian manufacturing facilities to take advantage of various synergies. The Concord facility's operations were consolidated into the Whitby facility and the Concord lease was terminated. The plan to close the Concord facility and consolidate the operations was announced in the third quarter of 2016 and was completed during the second quarter of fiscal year 2017. Included below is a summary of the expenses aggregated in Cost of sales within the Combined Statement of Operations for the year ended December 31, 2017 and 2016 and the balances recorded in Accrued Liabilities as of December 31, 2017 and 2016.

	December 31,	
(in thousands of U.S. dollars)	**2017**	**2016**
Restructuring activities		
Employee severance costs	$ —	$ 713
Whitby site preparation	783	581
Equipment relocation	942	—
Other associated costs	74	310
Total restructuring costs	**$ 1,799**	**$ 1,604**
Restructuring costs accrued as of December 31, 2016		**$ 1,023**
Accruals for restructuring activities		1,799
Cash payments		(2,695)
Restructuring costs accrued as of December 31, 2017		**$ 127**

The $127 accrued as of December 31, 2017, related to unpaid employee severance costs.

11. Related Party Transactions

The balances for these related party transactions as of December 31, 2017 and 2016, and for the years ended December 31, 2017 and 2016, were as follows:

	Receivable/(Payable)		Income/(Expense)	
(in thousands of U.S. dollars)	As of December 31,		Year ended December 31,	
Name of related party	**2017**	**2016**	**2017**	**2016**
Coveris Finance S.a.r.l. [(1)]	(849,449)	(827,684)	(52,823)	(40,556)
Coveris Holdings S.A. [(2)]	32,830	10,772	551	(372)
Other Coveris Holding Corp subsidiaries [(3)]	134,859	103,627	—	—
Other affiliates	$ (13,348)	$ (55)	$ —	$ —
Total, net	$ (695,108)	$ (713,340)	$ (52,272)	$ (40,928)

[(1)] On August 18, 2016, CHC entered into a related party loan with Coveris Finance S.a.r.l., a subsidiary of CHSA, in order to redeem the $235,000 10% Notes, and repay a portion of the NA ABL Facility. An additional $325,000 was issued in conjunction with the refinancing. The loan accrues interest at 6.5% and is included within Related party debt on the Company's Combined Balance Sheets.

(2) The Company maintains an operating loan with CHSA to transfer funds between the U.S. operations and its parent CHSA. The loan accrues interest at 6.5% and is included within Other related party receivables on the Company's Combined Balance Sheets.

(3) Transactions to fund other subsidiaries outside of the Company, but owned by CHC, are recorded within Other related party receivables and Other related party payables on the Company's Combined Balance Sheets.

The Company has a 50% equity method investment, with no management rights, in Chemplast del Sur of $684 and $673 at December 31, 2017 and 2016, respectively, which is included within Other noncurrent assets on the Company's Combined Balance Sheets. Chemplast del Sur is a joint venture with an agricultural products manufacturer in Ecuador for master batch sales. The Company recorded $11 and $24, of other income in the Combined Statements of Operations related to its investment in Chemplast del Sur during the years ended December 31, 2017 and 2016, respectively. In addition, the Company has recorded net sales to Chemplast del Sur in the amount of $4,088 and $3,902 for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Company carries trade receivables from Chemplast del Sur in the amount of $2,146 and $1,751, respectively, which are recorded in Trade receivables, less allowance for doubtful accounts on the Company's Combined Balance Sheets.

In addition, the Company has related party management fee income, which includes income from other CHC subsidiaries for costs incurred within the Company related to services provided to those subsidiaries. Related party management fee income for the years ended December 31, 2017 and 2016 was $932 and $1,171, respectively, which are included within Selling, general and administrative expenses in the Company's Combined Statements of Operations.

Additionally, the Company has recorded an allocation of expenses related to certain corporate functions of CHSA. The allocation of these corporate function expenses is based on direct usage when identifiable, or the Company’s percentage of net sales versus net sales for CHSA, when direct usage is not identifiable. The Company considers the expense allocation methodology and results to be reasonable and applied consistently for all periods presented, however these allocations may not be indicative of the actual expenses the Company would have incurred as a stand-alone entity or of the costs the Company will incur in the future. For the years ended December 31, 2017 and 2016, the Company has recorded $9,196 and $6,116, respectively, within Selling, general and administrative expenses on the Company's Combined Statement of Operations.

Cash Flows from (to) Affiliates

The Company had the following cash movement with its affiliates for the years ended December 31, 2017 and 2016.

	Year Ended December 31,	
(in thousands of U.S. dollars)	**2017**	**2016**
Change in related party operating accounts	$ 21,300	$ 4,371
Related party operating activities	**21,300**	**4,371**
Net loans to related parties		
Loans to Group HQ	(216,052)	(161,135)
Repayment of loans to Group HQ	173,615	114,483
Loans to NA Rigid	(473,359)	(205,840)
Repayment of loans to NA Rigid	484,102	199,728
Loans to CHSA	(47,793)	(26,050)
Repayment of loans to CHSA	26,796	—
Net loans to related parties	**(52,691)**	**(78,814)**
Financing provided by related parties		
Proceeds from CHSA	—	12,758
Repayments to CHSA	(234)	(888)
Proceeds from Finance S.a.r.l.	—	332,527
Proceeds from Coveris Flexibles Austria	12,536	—
Financing provided by related parties	**12,302**	**344,397**
Change in cash from related parties	**$ (19,089)**	**$ 269,954**

The combined financial statements do not include any royalty charges relating to the usage of CHSA's intellectual property by the Company.

12. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including but not limited to, (1) the requirement to pay a one-time transition tax on all undistributed earnings of foreign subsidiaries; (2) reducing the U.S. federal corporate income tax rate from 35 percent to 21 percent; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) creating the base erosion anti-abuse tax (BEAT), a new minimum tax; (5) creating a new limitation on deductible interest expense; and (6) changing rules related to use and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

The SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimated in the financial statements. If the Company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with our initial analysis of the impact of the Tax Act, we have recorded a net tax benefit of $7,840 for the period ended December 31, 2017 which consists of net expense of $14,228 of Transition Tax, offset by a net benefit of $8,475 related to federal tax rate change, and net benefit of $13,593 due to release of deferred tax liability on undistributed foreign earnings. For various reasons that are discussed more fully below, we have not completed our accounting for the income tax effects of certain elements of the Tax Act, however, we have recorded the following provisional adjustments in the period ended December 31, 2017.

Deemed Repatriation Transition Tax: The Deemed Repatriation Transition Tax (Transition Tax) is a tax on previously untaxed accumulated and current earnings and profits (E&P) of certain of our foreign subsidiaries. To determine the amount of the Transition Tax, we determined, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. withholding taxes on such earnings. We are able to make a reasonable estimate of the Transition Tax and recorded a provisional Transition Tax expense of $14,228.

Reduction of US federal corporate tax rate: The Tax Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. While we are able to make a reasonable estimate of the impact of the reduction in the corporate tax rate, it may be affected by other analyses related to the Tax Act, including but not limited to, our calculation of deemed repatriation of deferred foreign income and the state tax effect of adjustments made to federal temporary differences.

The reduction in the statutory US federal rate is expected to positively impact the Company's' future US after tax earnings. However, the ultimate impact is subject to the effect of other complex provisions in the Act, including the following:

Global intangible low taxed income (GILTI): The Tax Act creates a new requirement that certain income (i.e. GILTI) earned by controlled foreign corporations (CFC's) must be included currently in the gross income of the CFC's U.S. shareholder. GILTI is the excess of the shareholder's "net CFC tested income" over the net deemed tangible income return, which is defined as the excess of (1) 10 percent of the aggregate of the U.S. shareholder's pro rata share of the qualified business asset investment of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expense taken into account in determination of net CFC - tested income.

Because of the complexity of the new GILTI tax rules, we are continuing to evaluate this provision of the Tax Act and the application of ASC 740. Under U.S. GAAP, we are allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (2) factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). Our selection will depend on analyzing our global income to determine whether GILTI tax rules will apply, which will depend, in part, on analyzing our global income to determine whether we expect to have future U.S. inclusions in taxable income related to GILTI and, if so, what the impact is expected to be. Because whether we expect to have future U.S. inclusions in taxable income related to GILTI depends on not only our current structure and future results of global operations but also out intent and ability to modify our structure and/or our business, we are not yet able to reasonably estimate the effect of this provision of the Tax Act. Therefore, we have not made any adjustments related to potential GILTI tax in our financing statements and have not made a policy decision regarding whether to record deferred taxes on GILTI.

Base Erosion and Anti-Abuse Tax (BEAT): The Tax Act creates a new minimum BEAT liability for corporations that make base erosion payments if the corporation has sufficient gross receipts and derives a sufficient level of "base erosion tax benefits". Under the BEAT, a corporation must pay a base erosion minimum tax amount (BEMTA) in addition to its regular tax liability after credits. The BEMTA is generally equal to the excess of (1) a fixed percentage of a corporation's modified taxable income (taxable income determined without regard to any base erosion tax benefit related to any base erosion payment (i.e. royalties) over (2) its regular tax liability (reduced by certain credits). The fixed percentage is generally 5 percent for our year ended December 31, 2018 and 10 percent for subsequent years. If applicable, any BEAT will be accounted for as incurred under the period cost method. We are further assessing the provisions of BEAT and will evaluate the effects on the Company's financial statements as further information becomes available.

Foreign Derived Intangible Income (FDII): The Tax Act allows a domestic corporation an immediate deduction in U.S. taxable income for a portion of its FDII. The amount of the deduction will depend in part on U.S. taxable income. The FDII deduction will be available for our year ended December 31, 2018 and if applicable, will be accounted for under the period cost method. We are still assessing the benefits of the FDII deduction and will account for the effects on the Company's financial statements in future periods.

As of December 31, 2017, we have not made a change to our assertion that undistributed net earnings with respect to certain foreign subsidiaries are indefinitely reinvested outside the United States except for certain foreign subsidiaries in Guatemala and Panama. All undistributed net earnings have been taxed in the U.S. as a result of the Tax Act. We have recorded a deferred tax liability for the amount of tax that may be payable on the future distribution of foreign earnings that are not indefinitely reinvested of approximately $2,149 (relating to Guatemalan withholding tax). However, we are continuing to analyze the impact of the Tax Act on our assertion, and thus the recording of related deferred taxes are provisional as of December 31, 2017.

Income taxes vary from U.S. statutory rates principally due to the foreign subsidiary operations in jurisdictions with applicable rates different from the U.S. statutory rate and the impact of transition tax and change in related deferred tax liability for repatriated earnings.

Total deferred tax assets were $52,015 and $72,576 as of December 31, 2017 and 2016, respectively. Total deferred tax liabilities were $57,598 and $97,606 as of December 31, 2017 and 2016, respectively. Deferred tax assets and liabilities arise from the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, and resulted primarily from net operating loss carryovers and outside basis differences for foreign subsidiaries not indefinitely reinvested.

The Company had a total of approximately $9,427 and $7,455 of state net operating loss carryovers as of December 31, 2017 and 2016, respectively, which carry forward 20 years.

The reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	Year ended December 31,	
(in thousands of U.S. dollars)	**2017**	**2016**
Income before income taxes from continuing operations	$ 8,159	$ 9,595
Statutory rate	*35.00%*	*35.00%*
Income tax provision (benefit) at statutory rate	**2,856**	**3,358**
Other expenses not allowable for tax purposes	(775)	6,649
Transition tax	14,228	—
Change in valuation allowance	293	(3,007)
Foreign tax rate difference	(2,953)	(5,992)
APB 23	(13,492)	2,215
Rate change	(8,482)	17
Other, net	(22)	(1,862)
Income tax provision (benefit)	**$ (8,347)**	**$ 1,378**

The components of deferred income tax assets and liabilities are summarized as follows at December 31, 2017 and 2016:

	Year ended December 31,	
(in thousands of U.S. dollars)	**2017**	**2016**
Deferred income tax:		
Net operating loss carry forwards	$ 25,358	$ 34,038
Employee benefits	3,014	5,325
Fixed assets	408	270
Accruals	349	972
Post retirement and pension	3,477	8,254
Deferred financing costs	806	2,937
Accruals and other provisions	18,603	20,780
Total deferred income tax assets	**52,015**	**72,576**
Less: valuation allowance	(15,265)	(8,185)
Net deferred income tax assets	36,750	64,391
Deferred income tax:		
Net fixed asset basis difference	(27,496)	(38,095)
Intangible asset basis difference	(23,861)	(39,842)
Other	(6,241)	(19,669)
Deferred tax liabilities	(57,598)	(97,606)
Net deferred income tax liabilities	**$ (20,848)**	**$ (33,215)**

13. Fair Values of Debt Instruments

The following financial instruments are recorded at amounts that approximate fair value: (1) trade receivables, net, (2) certain other current assets, (3) accounts payable, (4) NA ABL Facility, (5) European ABL Facility, (6) certain other current liabilities. The carrying amounts reported on our Combined 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 9. Employee Benefit Plans* for additional disclosures regarding the fair value of pension assets.

14. Subsequent Events

The Company has evaluated subsequent events that have occurred after the balance sheet date but before the issuance of these combined 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, which were issued on March 14, 2018.

Effective January 4, 2018, Markus Petersen assumed the position as CHSA Chief Financial Officer. Petersen replaced Mike Alger, who has transitioned to the position as Chief Financial Officer for the Coveris Americas business unit and continues to support its sale process.

Effective January 8, 2018, Dimitri Panayotopoulos stepped down as CHSA's Interim Chief Executive Officer. Jakob A. Mosser assumed the position of CHSA Chief Executive Officer. Effective February 28, 2018, Mr. Panayotopoulos has resigned from the position as Chairman for CHSA.

On February 26, 2018, the Company renewed Tranche 2 of its Short Term Notes Payable with Citibank N.A. The Promissory Note extended the maturity date of the $5,000 tranche to August 29, 2018. The other terms and conditions of the original note are unchanged.

Effective February 28, 2018, Chemplast International Corporation, a subsidiary of the Company, acquired the remaining joint venture interest in Chemplast del Sur to further support the Olefinas business in Latin America. The deal was completed for cash of $1,540 and associated transaction fees of $175.

On March 2, 2018, the Company renewed Tranche 1 of its Short Term Notes Payable with Citibank N.A. The Promissory Note extended the maturity date of the $2,000 tranche to September 14, 2018. The other terms and conditions of the original note are unchanged.