CLONDALKIN
a group with focus

Clondalkin Industries B.V.

Quarterly Report

For the three months ended June 30, 2011





SECOND QUARTER 2011 RESULTS AT A GLANCE

- **Revenue for the quarter was €240.4 million (2010: €218.2 million)**
- **Profit from operations excluding acquisition-related costs for the quarter was €13.3 million (2010: €12.9 million)**
  - **Profit from operations of our flexible packaging businesses was €8.9 million (2010: €9.5 million)**
  - **Profit from operations of our specialist packaging businesses was €6.7 million (2010: €5.6 million)**
- **EBITDA for the quarter was €22.1 million (2010: €21.0 million)**
- **Net cash interest costs for the quarter were €7.4 million (2010: €7.8 million)**
- **Cash and cash equivalent balances at June 30, 2011 were €57.0 million (2010: €75.4 million)**

FINANCIAL SUMMARY

In thousands of euro	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Revenue	240,404	218,175	462,078	422,935
Gross profit	35,813	35,569	70,890	69,669
EBITDA	22,093	20,998	42,924	40,900
Profit from operations *	13,267	12,885	26,698	25,209
Capital expenditures	6,983	7,402	17,207	13,151
Gross profit (in %)	14.9%	16.3%	15.3%	16.5%
EBITDA margin (in %)	9.2%	9.6%	9.3%	9.7%

* excludes acquisition-related costs

Ratios (pro forma for the acquisition of the Printed Components businesses)	June 30, 2011	June 30, 2010
LTM EBITDA / Cash interest	2.9	2.5
Net Floating Rate Note Debt / LTM EBITDA	3.9	4.2
Net Floating Rate and Fixed Rate Note Debt / LTM EBITDA	5.8	6.3

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INTRODUCTION

Presentation of financial information

The historical consolidated financial information presented in this Quarterly Report is that of Clondalkin Industries B.V. ("CIBV") and its subsidiaries, including Clondalkin Acquisition B.V. ("CABV"). Separate consolidated financial statements are not prepared for CABV.

Clondalkin Group Holdings B.V. ("CGHBV") owns 100% of CIBV and has no other subsidiaries. CIBV owns 100% of CABV and has no other subsidiaries. CABV owns, through intermediate holding companies, all the subsidiaries in Clondalkin Group. Reflecting this ownership structure and the financing arrangements for CGHBV, CIBV and CABV, the consolidated financial statements of CABV, if they were prepared, would be substantially the same as the consolidated financial statements of CIBV, because both CABV and CIBV are holding and finance companies with no trading activities and because all of CIBV's subsidiaries, apart from CABV, are also subsidiaries of CABV.

In particular, the only difference between CABV's and CIBV's financial affairs relates to the €170.0 million Euro denominated fixed rate notes issued by CIBV in March 2004. The annual interest rate on these notes is fixed at 8% until their maturity in March 2014. CIBV advanced the proceeds of the fixed rate notes issuance to CABV by way of an intercompany loan bearing the same interest rate. In CIBV's consolidated financial statements, these fixed rate notes are reported as third party debt, whereas the debt would be reflected as intercompany debt in CABV's separate consolidated financial statements, if such consolidated financial statements were prepared. Apart from this difference in the classification of these fixed rate notes, we believe there would be no other differences between CABV's and CIBV's consolidated financial statements.

Therefore, we present the consolidated financial statements of CIBV in this Quarterly Report. These consolidated financial statements are, for the reasons explained above, substantially the same as would be presented by CABV, if CABV presented consolidated financial statements.

Quarterly Report

The accompanying condensed consolidated interim financial statements have been prepared to show the results of CIBV and its subsidiaries (collectively referred to as "the Group") for the three months and six months ended June 30, 2011 compared to the three months and six months ended June 30, 2010 and to show the financial condition of the Group as at June 30, 2011 compared to December 31, 2010.

These condensed consolidated interim financial statements are unaudited.

Forward-looking statements

CIBV and its affiliates and representatives may from time to time make written or verbal statements which, to the extent that they are not historical fact, constitute "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are many different factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

OPERATING AND FINANCIAL REVIEW FOR THE THREE MONTHS ENDED JUNE 30, 2010

Introduction

The following operating and financial review relates to our financial condition and results for the three months ended June 30, 2011 compared to the three months ended June 30, 2010.

For sales, management, control and reporting purposes, we divide our businesses into two segments; namely flexible packaging and specialist packaging. The flexible packaging businesses include our plastic and polymer based businesses and our foil and laminate and paper packaging businesses. The specialist packaging businesses include our folding cartons, labels, leaflets and inserts and printing businesses.

Acquisition

Effective April 3, 2011, the Group acquired the Printed Components businesses from Catalent Pharma Solutions, Inc.

The Printed Components businesses manufacture folding cartons, inserts, outserts and booklets and labels at its four well invested production plants in North America, Puerto Rico and Ireland mainly for the pharmaceutical and healthcare markets. These businesses complement our specialist packaging businesses in North America and Europe.

Revenue

Revenue increased by €22.2 million, or by 10.2%, from €218.2 million in the three months ended June 30, 2010 to €240.4 million in the three months ended June 30, 2011.

Flexible packaging

Flexible packaging revenue increased by €5.7 million, or by 3.7%, from €154.4 million in the three months ended June 30, 2010 to €160.1 million in the three months ended June 30, 2011. The increase comprises the following main items:

- Revenue in our plastic and polymer based businesses increased by €6.8 million, mainly due to higher selling prices reflecting higher raw material costs of €8.6 million, partially offset by modestly lower volumes which caused sales to decrease by €1.8 million; and
- Revenue in our foil and laminate and paper packaging businesses increased by €2.9 million, mainly due to higher raw material costs.
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused revenue to decrease by €4.1 million.

Specialist packaging

Specialist packaging revenue increased by €16.6 million, or by 26.0%, from €63.8 million in the three months ended June 30, 2010 to €80.3 million in the three months ended June 30, 2011. The increase comprises the following main items:

- Acquisition effects, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused revenue to increase by €17.1 million; and
- Excluding acquisition effects, revenue increased by €5.8 million mainly due to volume increases of approximately 6% which caused revenue to increase by €4.8 million, reflecting continuing advances in our North American pharmaceutical packaging businesses and in our European consumer branded products businesses, and €1.0 million of the revenue increase is due to higher selling prices reflecting higher raw material costs.
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused revenue to decrease by €6.3 million.

Cost of sales

Cost of sales increased by €22.0 million, or by 12.0%, from €182.6 million, representing 83.7% of revenue in the three months ended June 30, 2010 to €204.6 million, representing 85.1% of revenue in the three months ended June 30, 2011. The increase comprises the following main items:

- Acquisition effects, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused cost of sales to increase by €15.6 million;
- Flexible packaging businesses' cost of sales increased by €10.3 million mainly due to higher raw material input costs which caused cost of sales to increase by €11.6 million, and reduced activity caused flexible packaging cost of sales to reduce by approximately €1.3 million; and
- Specialist packaging businesses' cost of sales increased by €4.8 million mainly due to increased activity which caused cost of sales to increase by €3.6 million increase and higher raw material input costs caused cost of sales to increase by €1.2 million.
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused cost of sales to decrease by €8.8 million.

Distribution costs and administrative expenses

The following table provides an analysis of our distribution costs and administrative expenses for the three months ended June 30, 2011 compared to the three months ended June 30, 2010.

	For the three months ended			
	June 30, 2011		June 30, 2010	
	in thousands of euro	% of revenue	in thousands of euro	% of revenue
Distribution costs	(9,364)	(3.9)	(9,483)	(4.3)
Administrative expenses	(12,433)	(5.2)	(12,400)	(5.7)
Profit on disposal of property, plant and equipment	180	0.1	56	0.0
Distribution costs and administrative expenses	(21,617)	(9.0)	(21,827)	(10.0)

Distribution costs and administrative expenses of €21.6 million, equivalent to 9.0% of revenue, in the three months ended June 30, 2011, decreased by €0.2 million, compared to €21.8 million, equivalent to 10.0% of revenue, in the three months ended June 30, 2010. The decrease comprises the following main items:

- Acquisition effects, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused distribution costs and administrative expenses to increase by €1.2 million.
- Excluding acquisition effects, distribution costs and administrative expenses reduced by €0.2 million in the three months ended June 30, 2011 compared to corresponding prior year period;
- Profit on disposal of property, plant and equipment in the three months ended June 30, 2011 was €0.2 million compared to €0.1 million in the three months ended June 30, 2010; and
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused distribution costs and administrative expenses to decrease by €1.2 million.

Acquisition-related costs

We incurred due diligence and advisor costs and fees of €1.8 million in the three months ended June 30, 2011 related to the acquisition of the Printed Components businesses acquired effective April 3, 2011. These costs are expensed as incurred in accordance with IFRS 3 “Business Combinations”.

Restructuring costs

We incurred restructuring costs of €0.9 million in the three months ended June 30, 2011 which expense is in line with restructuring costs incurred in the three months ended June 30, 2010. These restructuring costs mainly relate to employment reductions.

Profit from operations and EBITDA

The net effect of the above revenue and cost developments caused profit from operations, excluding acquisition-related costs, to increase by €0.4 million or by 3.0% from €12.9 million in the three months ended June 30, 2010 to €13.3 million in the three months ended June 30, 2011.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) in the three months ended June 30, 2011 was €22.1 million, an increase of €1.1 million or 5.2%, compared to the three months ended June 30, 2010 EBITDA of €21.0 million.

Flexible packaging

Profit from operations reported by our flexible packaging businesses decreased by €0.6 million, or by 6.1%, from €9.5 million in the three months ended June 30, 2010 to €8.9 million in the three months ended June 30, 2011. The decrease comprises the following main items:

- Our plastic and polymer based businesses reported an increase in profit from operations of €0.2 million, reflecting the benefits of recent investments that expand our technology capability and capacity thereby improving the profitability mix of our product offerings. These businesses dealt successfully with higher raw material costs in the quarter against a backdrop of tentative demand conditions; and
- Our foil and laminate and paper packaging businesses reported a decrease in profit from operations of €0.7 million, reflecting weak demand conditions in the quarter.
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused our profit from operations to decrease by €0.1 million.

Specialist packaging

Profit from operations reported by our specialist packaging businesses increased by €1.1 million, or by 19.9%, from €5.6 million in the three months ended June 30, 2010 to €6.7 million in the three months ended June 30, 2011. The increase comprises the following main items:

- Our specialist packaging businesses reported increased profit from operations of €1.3 million. The advance is due mainly to volume gains in our North American pharmaceutical and healthcare packaging businesses; and
- Acquisition effects in the three months ended June 30, 2011, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused profit from operations to increase by €0.3 million. The EBITDA acquisition effect in the three months ended June 30, 2011 was €1.2 million.
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused our profit from operations to decrease by €0.6 million.

Net finance costs

In thousands of euro	For the three months ended June 30, 2011	2010
Interest on floating rate notes, net of interest income on cash deposits	(3,973)	(4,434)
Interest on fixed rate notes	(3,400)	(3,400)
Cash interest expense, net of interest income on cash deposits	(7,373)	(7,834)
Non cash interest expense on subordinated shareholders' loans	(4,993)	(4,700)
Net interest expense before finance amortisation charge	(12,366)	(12,534)
Finance amortisation charge	(705)	(705)
Net finance costs	(13,071)	(13,239)

Our gross borrowings at June 30, 2011, excluding shareholders' loans, were €573.8 million (2010: €592.2 million) comprising floating rate notes of €300.0 million and U.S.$150.0 million (€103.8 million at June 30, 2011 exchange rates) and the fixed rate notes of €170.0 million (2010: €170.0 million). The shareholders' loans at June 30, 2011 were €175.0 million (2010: €174.9 million).

Net borrowings at June 30, 2011, excluding shareholders' loans, were €516.8 million (2010: €516.9 million), being gross borrowings of €573.8 million (2010: €595.2 million) less cash and cash equivalent balances at June 30, 2011 of €57.0 million (2010: €75.4 million).

The interest rate on the floating rate notes of €403.8 million (2010: €422.2 million) is charged at 2% over the three month inter-bank offer rate and is payable quarterly in arrears in March, June, September and December. Reflecting our interest hedging arrangements, the average interest rate on these borrowings for the three months ending June 30, 2011 was approximately 4.0% compared to 4.3% for the corresponding prior year three months.

We have hedged 60% of our floating rate debt from June 2010 to June 2012 using interest rate swaps at effective annual interest rates of 4.5% for the Euro denominated debt and 4.8% for the U.S. dollar denominated debt. The average interest rate charge on the un-hedged floating rate note borrowings was 3.2% for the Euro denominated debt and 2.3% for the U.S. dollar denominated debt.

The €3.4 million fixed rate notes' interest expense for the three months ending June 30, 2011 is the same as the three months ended June 30, 2010 as the loan amount of €170.0 million and the fixed interest coupon of 8% are unchanged. Interest is payable semi annually in arrears on the fixed rate notes in March and September.

The interest expense on the shareholders' loans, which is non cash payable, was €5.0 million for the three months ended June 30, 2011. The shareholders' loan interest expense is rolled up every six months and these roll-up amounts qualify for interest. The interest on these roll-up effects since the loans were issued in March 2004 caused the interest charge to increase by €0.3 million in the three months ended June 30, 2011 compared to the three months ended June 30, 2010.

The finance fees' amortisation charge was €0.7 million in the three months ended June 30, 2011 is unchanged from the three months ended June 30, 2010.

Taxation

The corporation tax charge reported for the three months ended June 30, 2011 is based on anticipated effective tax rates for the year.

OPERATING AND FINANCIAL REVIEW FOR THE SIX MONTHS ENDED JUNE 30, 2011

Introduction

The following operating and financial review relates to our financial condition and results for the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

For sales, management, control and reporting purposes, we divide our businesses into two segments; namely flexible packaging and specialist packaging. The flexible packaging businesses include our plastic and polymer based businesses and our foil and laminate and paper packaging businesses. The specialist packaging businesses include our folding cartons, labels, leaflets and inserts and printing businesses.

Acquisition

Effective April 3, 2011, the Group completed the acquisition of the Printed Components businesses from Catalent Pharma Solutions, Inc.

The Printed Components businesses manufacture folding cartons, inserts, outserts and booklets and labels at its four well invested production plants in North America, Puerto Rico and Ireland mainly for the pharmaceutical and healthcare markets. These businesses complement the Group’s existing specialist packaging businesses in North America and Europe.

Revenue

Revenue increased by €39.1 million, or by 9.3%, from €422.9 million in the six months ended June 30, 2010 to €462.1 million in the six months ended June 30, 2011.

Flexible packaging

Flexible packaging revenue increased by €18.4 million, or by 6.2%, from €297.7 million in the six months ended June 30, 2010 to €316.1 million in the six months ended June 30, 2011. The increase comprises the following main items:

- Revenue in our plastic and polymer based businesses increased by €15.0 million, mainly due to higher selling prices reflecting higher raw material costs of €16.8 million, whilst modestly lower volumes caused sales to decrease by €1.8 million; and
- Revenue in our foil and laminate and paper packaging businesses increased by €6.4 million, mainly due to higher raw material costs which caused revenue to increase by €4.3 million and due to volume increases in the first quarter of the year which caused revenue to increase by €2.1 million, whereas volumes were flat in the second quarter of the year in weak demand conditions.
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused revenue to decrease by €3.1 million.

Specialist packaging

Specialist packaging revenue increased by €20.8 million, or by 16.6%, from €125.2 million in the six months ended June 30, 2010 to €146.0 million in the six months ended June 30, 2011. The increase comprises the following main items:

- Acquisition effects, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused revenue to increase by €17.1 million; and
- Excluding acquisition effects, revenue in our specialist packaging businesses increased by €10.3 million. The increase is mainly due to volume increases of approximately 7% which caused revenue to increase by €8.5 million, reflecting continuing advances in our North American pharmaceutical packaging businesses and in our European consumer branded products businesses, and €1.8 million of the revenue increase is due to higher selling prices reflecting higher raw material costs.

Revenue – *Specialist packaging* (continued)

- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused revenue to decrease by €6.6 million.

Cost of sales

Cost of sales increased by €37.9 million, or by 10.7%, from €353.3 million, representing 83.5% of revenue in the six months ended June 30, 2010 to €391.2 million, representing 84.7% of revenue in the six months ended June 30, 2011. The increase comprises the following main items:

- Flexible packaging businesses' cost of sales increased by €21.5 million mainly due to higher raw material input costs which caused cost of sales to increase by approximately €21.0 million;
- Acquisition effects, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused cost of sales to increase by €15.6 million; and
- Specialist packaging businesses' cost of sales increased by €9.0 million mainly due to increased activity which caused cost of sales to increase by €6.4 million, while higher raw material input costs caused cost of sales to increase by €2.6 million.
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused cost of sales to decrease by €8.2 million.

Distribution costs and administrative expenses

The following table provides an analysis of our distribution costs and administrative expenses for the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

	For the six months ended			
	June 30, 2011		June 30, 2010	
	in thousands of euro	% of revenue	in thousands of euro	% of revenue
Distribution costs	(18,301)	(4.0)	(18,494)	(4.4)
Administrative expenses	(24,966)	(5.4)	(24,717)	(5.8)
Profit on disposal of property, plant and equipment	445	0.1	134	0.0
Distribution costs and administrative expenses	(42,822)	(9.3)	(43,077)	(10.2)

Distribution costs and administrative expenses of €42.8 million, equivalent to 9.3% of revenue, in the six months ended June 30, 2011, decreased by €0.3 million, compared to €43.1 million, equivalent to 10.2% of revenue, in the six months ended June 30, 2010. The decrease comprises the following main items:

- Acquisition effects, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused distribution costs and administrative expenses to increase by €1.2 million.
- Excluding acquisition effects, distribution costs and administrative expenses decreased by €0.2m compared to the prior year comparable six months;
- Profit on disposal of property, plant and equipment in the six months ended June 30, 2011 was €0.4 million compared to €0.1 million in the six months ended June 30, 2010; and
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused distribution costs and administrative expenses to decrease by €1.1 million.

Acquisition-related costs

We incurred due diligence and advisor costs and fees of €1.8 million in the three months ended June 30, 2011 related to the acquisition of the Printed Components businesses acquired effective April 3, 2011. These costs are expensed as incurred in accordance with IFRS 3 “Business Combinations”.

Restructuring costs

We incurred restructuring costs of €1.4 million in the six months ended June 30, 2011 which expense is in line with restructuring costs incurred in the six months ended June 30, 2010. These restructuring costs mainly relate to employment reductions.

Profit from operations and EBITDA

The net effect of the above revenue and cost developments caused profit from operations, excluding acquisition-related, costs to increase by €1.5 million or by 5.9% from €25.2 million in the six months ended June 30, 2010 to €26.7 million in the six months ended June 30, 2011.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) in the six months ended June 30, 2011 was €42.9 million, an increase of €2.0 million or 4.9%, compared to the six months ended June 30, 2010 EBITDA of €40.9 million.

Flexible packaging

Profit from operations reported by our flexible packaging businesses decreased by €0.2 million, or by 0.9%, from €18.3 million in the six months ended June 30, 2010 to €18.1 million in the six months ended June 30, 2011. The decrease comprises the following main items:

- Our plastic and polymer based businesses reported an increase in profit from operations of €0.4 million as our revised sales prices mechanisms and other operating actions, including production and buying initiatives, and the benefits of recent investments that expand our technology capability and capacity thereby improving the profitability mix of our product offerings, offset higher raw material costs and tentative demand conditions;
- Our foil and laminate and paper packaging businesses reported a decrease in profit from operations of €0.5 million due to tentative demand conditions experienced in the second quarter of 2011.
- Foreign exchange translation rates used in the period ended June 30, 2011 had limited impact on the profit from operations compared to the six months ended June 30, 2010.

Specialist packaging

Profit from operations reported by our specialist packaging businesses increased by €1.8 million, or by 16.1%, from €10.9 million in the six months ended June 30, 2010 to €12.7 million in the six months ended June 30, 2011. The increase comprises the following main items:

- Our specialist packaging businesses reported increased profit from operations of €2.0 million. The advance is due mainly to volume gains in our North American pharmaceutical and healthcare packaging businesses; and
- Acquisition effects, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused our profit from operations to increase by €0.3 million reflecting the consolidation of these businesses for three months since the date of acquisition. The EBITDA acquisition effect in the three months ended June 30, 2011 was €1.2 million.
- Weaker foreign currency exchange translation rates due to the weaker U.S. dollar and sterling translation rates against the Euro caused our profit from operations to decrease by €0.6 million.

Net finance costs

In thousands of euro	For the six months ended June 30, 2011	2010
Interest on floating rate notes, net of interest income on cash deposits	(8,118)	(8,708)
Interest on fixed rate notes	(6,800)	(6,800)
Cash interest expense, net of interest income on cash deposits	(14,918)	(15,508)
Non cash interest expense on subordinated shareholders' loans	(9,886)	(9,352)
Net interest expense before finance amortisation charge	(24,804)	(24,860)
Finance amortisation charge	(1,410)	(1,410)
Net finance costs	(26,214)	(26,270)

In our commentary on interest costs, comparing the three months ended June 30, 2011 with the three months ended June 30, 2010, we have explained the significant terms and conditions, including interest rates, attaching to our financial arrangements and we refer you to that commentary. The main interest components are as follows:

- The floating rate notes' interest charge of €8.1 million reflects an average interest rate on these borrowings in the six months ended June 30, 2011 of 4.0% compared to an interest charge of €8.7 million for the corresponding prior year six months which reflected an average interest rate of 4.3%;
- The fixed rate notes interest of €6.8 million is unchanged between the six months ended June 30, 2011 and June 30, 2010 as the loan amount of €170.0 million and the interest coupon of 8% are fixed for the borrowing period to maturity in March 2014; and
- The interest charge on shareholders' loans, which is non cash payable, was €9.9 million for the six months ended June 30, 2011. The shareholders' loan interest charges are rolled up every six months and these roll-up amounts qualify for interest. The roll-up effects since the loans were issued in March 2004 caused non cash interest payable accrued on shareholders' loans to increase by €0.5 million in the six months ended June 30, 2011 compared to the interest charge of €9.4 million for the corresponding prior year six months.

Taxation

The corporation tax charge reported for the six months ended June 30, 2011 is based on anticipated effective tax rates for the year.

Liquidity and capital resources

Interest payments due under our floating rate note and fixed rate note borrowings represent significant liquidity requirements for the Group.

At June 30, 2011 interest rates and currency exchange rates, and reflecting the interest hedge arrangements we have entered into, as described above in our commentary on interest charges, we estimate our floating rate note annual interest charge for the year ended December 31, 2011 at approximately €16.5 million.

Our fixed rate note annual interest charge is €13.6 million.

The floating rate notes and the fixed rate notes are repayable in December 2013 and March 2014 respectively and before these dates at our option at par in respect of the floating rate notes and upon payment of a premium of 1.333% in respect of the fixed rate notes repaid prior to March 15, 2012 and at par thereafter.

As at June 30, 2011 our cash and cash equivalent balances were €57.0 million (2010: €75.4 million).

Our main source of liquidity is our operating cash flow. The net cash generated from operating activities before working capital changes was €40.2 million in the six months ended June 30, 2011 compared to €36.1 million in the six months ended June 30, 2010.

Our net investment in working capital increased by €33.8 million in the six months ended June 30, 2011 compared to €43.7 million in the six months ended June 30, 2010. The increase in working capital requirements in the first half of the year reflects normal seasonal patterns as our working capital requirements are higher at June compared to December.

The other main non debt related cash outflows in the six months ended June 30, 2011, were as follows:

- Our investments in existing businesses were €17.2 million in the six months ended June 30, 2011 compared to €13.2 million in the corresponding prior year six months;
- We acquired the Printed Components businesses for a debt and cash free consideration of €28.4 million on April 3, 2011; and
- We paid €3.3 million in taxes in the six months ended June 30, 2011 under preliminary assessment payment rules compared to €3.0 million paid in the corresponding prior year six months.

We realised gross proceeds on disposal of assets in the six months ended June 30, 2011 of €0.5 million, compared to €0.2 million in the six months ended June 30, 2010.

Principal risks and uncertainties

In the Clondalkin Industries B.V. Annual Report and Financial Statements for the year ended December 31, 2010, we described the principal risks and uncertainties that could have a material adverse effect on our financial position and results. In our view, the nature and potential impact of the principal risks and uncertainties are not materially different from those described in our Annual Report.

Additional risks not known to us, or currently believed not to be material, could later turn out to have a material impact on our businesses, objectives, revenue, income, assets, liquidity or capital resources.

Director's responsibility statement

We have prepared the condensed consolidated interim financial statements of Clondalkin Industries B.V. and the undertakings included in the consolidation taken as a whole in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In accordance with the requirements with respect to half year reporting as stipulated in section 5:25d (2c) of the Dutch Act on Financial Supervision ("the Act"), the Directors confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, and financial position at June 30, 2011 and of the result of our consolidated operations for the six months then ended; and
- the operating and financial review for the six months ended June 30, 2011 gives a fair review of the information required pursuant to section 5.25d(8) of the Act.

The undersigned has been authorised by the board of directors of Clondalkin Industries B.V. to sign this statement on behalf of the company.

For and on behalf of

Clondalkin Industries B.V.

By: /s/ Colman O'Neill

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Finance Director

September 12, 2011

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated income statement

In thousands of euro	Note	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Revenue	7	240,404	218,175	462,078	422,935
Cost of sales		(204,591)	(182,606)	(391,188)	(353,266)
Gross profit		35,813	35,569	70,890	69,669
Distribution costs		(9,364)	(9,483)	(18,301)	(18,494)
Administrative expenses		(12,433)	(12,400)	(24,966)	(24,717)
Profit on disposal of property, plant and equipment		180	56	445	134
Acquisition-related costs		(1,750)	-	(1,750)	-
Restructuring costs		(929)	(857)	(1,370)	(1,383)
Profit from operations		11,517	12,885	24,948	25,209
Net finance costs		(13,071)	(13,239)	(26,214)	(26,270)
Loss before income tax		(1,554)	(354)	(1,266)	(1,061)
Income tax credit		627	85	503	265
Loss for the period		(927)	(269)	(763)	(796)

Consolidated statement of comprehensive income

In thousands of euro	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Loss for the period	(927)	(269)	(763)	(796)
Other comprehensive income				
Foreign currency translation differences for foreign operations	(974)	17,227	(14,729)	26,544
Net change in fair value of cash flow hedges	429	(171)	2,559	(1,607)
Income tax on other comprehensive income	(141)	44	(640)	410
Other comprehensive income for the period	(686)	17,100	(12,810)	25,347
Total comprehensive income for the period	(1,613)	16,831	(13,573)	24,551

The notes on pages 18 to 21 are an integral part of these financial statements.

Consolidated balance sheet

In thousands of euro	Note	Jun 30, 2011	Dec 31, 2010
Assets			
Intangible assets		545,578	551,279
Property, plant and equipment		224,285	204,353
Deferred tax assets		21,207	21,974
Total non-current assets		791,070	777,606
Inventories		106,514	96,346
Trade and other receivables		134,320	105,679
Cash and cash equivalents		57,019	115,207
Total current assets		297,853	317,232
Total assets		1,088,923	1,094,838
Equity			
Share capital		7,123	7,123
Other reserves		(24,930)	(12,120)
Retained earnings		34,319	35,082
Total equity		16,512	30,085
Liabilities			
Loans and borrowings	9	566,631	573,695
Amounts due to Clondalkin Group Holdings B.V.	10	294,338	280,972
Derivatives		-	1,748
Employee benefits		12,922	13,554
Deferred tax liabilities		26,286	26,200
Other financial liabilities		2,652	-
Total non-current liablities		902,829	896,169
Derivatives		2,834	3,811
Trade and other payables		160,324	159,853
Other financial liabilities		6,424	4,920
Total current liablities		169,582	168,584
Total liabilities		1,072,411	1,064,753
Total equity and liabilities		1,088,923	1,094,838

The notes on pages 18 to 21 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the six months ended June 30, 2011
In thousands of euro

	Share capital	Other reserves	Retained earnings	Total equity
At January 1, 2011	7,123	(12,120)	35,082	30,085
Total comprehensive income for the period				
Loss for the period	-	-	(763)	(763)
Other comprehensive income for the period	-	(12,810)	-	(12,810)
Total comprehensive income for the period	-	(12,810)	(763)	(13,573)
At June 30, 2011	7,123	(24,930)	34,319	16,512

For the six months ended June 30, 2010
In thousands of euro

	Share capital	Other reserves	Retained earnings	Total equity
At January 1, 2010	7,123	(33,741)	46,928	20,310
Total comprehensive income for the period				
Loss for the period	-	-	(796)	(796)
Other comprehensive income for the period	-	25,347	-	25,347
Total comprehensive income for the period	-	25,347	(796)	24,551
At June 30, 2010	7,123	(8,394)	46,132	44,861

The notes on pages 18 to 21 are an integral part of these financial statements.

Consolidated statement of cash flows

In thousands of euro	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Cash flow from operating activities				
Loss for the period	(927)	(269)	(763)	(796)
Adjustments for:				
Net finance costs	13,071	13,239	26,214	26,270
Restructuring costs	929	857	1,370	1,383
Restructuring costs paid	(1,694)	(259)	(2,285)	(1,870)
Acquisition-related costs	1,750	-	1,750	-
Settlement of employee benefits	-	(2,841)	-	(2,841)
Profit on disposal of property, plant and equipment	(180)	(57)	(445)	(134)
Income tax charge (credit)	(627)	(85)	(503)	(265)
Depreciation	7,897	7,256	14,856	14,308
Operating cash flow before working capital changes	20,219	17,841	40,194	36,055
(Increase) / decrease in working capital	1,169	(8,485)	(33,849)	(43,652)
Operating cash flow after working capital changes	21,388	9,356	6,345	(7,597)
Income tax paid	(2,488)	(1,861)	(3,280)	(3,035)
Net cash from operating activities	18,900	7,495	3,065	(10,632)
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	(28,397)	-	(28,397)	-
Acquisition-related costs paid	(183)	-	(183)	-
Acquisition of property, plant and equipment	(6,983)	(7,402)	(17,207)	(13,151)
Proceeds from sale of purchase, plant and equipment	170	151	531	242
Net cash used in investing activities	(35,393)	(7,251)	(45,256)	(12,909)
Cash flow from financing activities				
Interest paid	(4,043)	(4,250)	(14,736)	(15,376)
Other	-	(100)	-	(339)
Net cash used in financing activities	(4,043)	(4,350)	(14,736)	(15,715)
Net decrease in cash and cash equivalents	(20,536)	(4,106)	(56,927)	(39,256)
Cash and cash equivalents at start period	77,583	77,720	115,207	111,989
Effect of exchange rate fluctuations on cash held	(28)	1,769	(1,261)	2,650
Cash and cash equivalents at June 30	57,019	75,383	57,019	75,383

The notes on pages 18 to 21 are an integral part of these financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Clondalkin Industries B.V. (the “Company”) is domiciled in The Netherlands. The company has its registered office at Gustav Mahlerplein 68, 1082 MA Amsterdam, The Netherlands.

The condensed consolidated interim financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group is an international producer of flexible and specialist packaging products, with operations in Europe and North America.

Clondalkin Group Holdings B.V. (“CGHBV”) is the parent of the Company, which is the parent of Clondalkin Acquisition B.V. (“CABV”). These three companies, all Dutch incorporated, were formed to facilitate CABV’s acquisition of all the shares in Clondalkin Group Holdings Limited which acquisition was completed effective February 28, 2004.

2. Statement of compliance

These condensed consolidated interim financial statements, which are unaudited, have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2010.

These condensed consolidated interim financial statements were approved by the Executive Directors on September 12, 2011.

3. Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2010.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2010.

5. Seasonality

The operations of the Group are impacted by modest seasonality effects from quarter to quarter.

6. Reconciliation of income to financial summary

In thousands of euro	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Profit from operations	11,517	12,885	24,948	25,209
Acquisition-related costs	1,750	-	1,750	-
Profit from operations excluding acquisition-related costs	13,267	12,885	26,698	25,209
Depreciation	7,897	7,256	14,856	14,308
Restructuring costs	929	857	1,370	1,383
EBITDA	22,093	20,998	42,924	40,900

7. Operating segments

In thousands of euro	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Revenue				
Flexible packaging	160,058	154,406	316,127	297,741
Specialist packaging	80,346	63,769	145,951	125,194
Revenue	240,404	218,175	462,078	422,935
Profit from operations				
Flexible packaging	8,912	9,490	18,129	18,301
Specialist packaging	6,657	5,551	12,669	10,908
Unallocated corporate expenses	(1,373)	(1,299)	(2,730)	(2,617)
	14,196	13,742	28,068	26,592
Restructuring costs	(929)	(857)	(1,370)	(1,383)
Acquisition-related costs	(1,750)	-	(1,750)	-
Profit from operations	11,517	12,885	24,948	25,209

8. Acquisition of subsidiary

On April 3, 2011, the Group acquired the Printed Components businesses from Catalent Pharma Solutions, Inc. (“CPS”) on a cash and debt free basis. Also, at closing the Group and CPS have entered into a five year agreement whereby the Group will supply packaging components to CPS.

The Printed Components businesses produce and supply folding cartons, inserts, outserts and booklets and labels at its four well invested production plants in North America, Puerto Rico and Ireland mainly for the pharmaceutical and healthcare markets.

In these interim financial statements, we have reflected the financial effects of this acquisition, including the fair value of assets and liabilities acquired and the contingent consideration that may be payable in the next three years on a provisional basis.

The consideration payable at closing was €28.4 million ($39.3 million). Deferred consideration up to €7.7 million ($11.0 million) may become payable over the next three years depending upon significant annual revenue increases with CPS in each of these years.

Deferred consideration of €3.9 million has been accrued in these financial statements in respect of these contingent payments and is reflected €1.3 million in other financial liabilities due within one year and €2.7 million in other financial liabilities due after more than one year.

The acquisition-related costs in respect of due diligence and advisor fees of €1.8 million of this acquisition have been expensed in the period in accordance with IFRS 3 "Business Combinations".

9. Loans and borrowings

In thousands of euro	Jun 30, 2011	Dec 31, 2010
Floating rate notes, due December 2013	403,785	412,259
Fixed rate notes, due March 2014	170,000	170,000
	573,785	582,259
Finance costs, net of amortisation	(7,154)	(8,564)
	566,631	573,695

Floating rate notes

On June 19, 2007, the Company's wholly owned subsidiary Clondalkin Acquisition B.V. ("CABV"), issued €300.0 million Euro denominated floating rate notes and $150.0 million U.S. dollar denominated floating rate notes (together "the floating rate notes") at 100% of par value. The floating rate notes bear interest at 2% above the three-month inter-bank rate, payable quarterly in arrears in March, June, September and December each year.

The floating rate notes are repayable on December 15, 2013 and before this date at the Company's option upon payment at par.

The floating rate notes are guaranteed on a senior basis by the Company, by its parent Clondalkin Group Holdings B.V. ("CGHBV") and by CABV, the issuer of the floating rate notes, and by most of CABV's subsidiaries ("the subsidiary Guarantors"). The subsidiary Guarantors account for more than 90% of each of the Group's tangible assets, revenue and EBITDA. The obligations of CABV and the subsidiary Guarantors under the Guarantees are secured by a combination of first priority fixed and floating charges and liens over substantially all of the assets of CABV and CABV's subsidiaries. Where such charges are not attached to assets, alternative security enforcements rights such as share pledges have been given. In addition, the Group has entered into various covenants which place restrictions on the incurrence of additional indebtedness and on the granting of liens and on dividend and other shareholder payments.

The proceeds of the floating rate notes were used to repay all of the existing bank borrowings of approximately €286.2 million incurred in connection with the acquisition of Clondalkin Group Holdings Limited effective February 28, 2004, with the balance after issuance expenses applied to finance the acquisitions completed in the year ending December 31, 2007.

Fixed rate notes

On March 11, 2004, the Company issued €170.0 million Euro denominated fixed rate notes. The annual interest rate on these notes is fixed at 8% until maturity, payable semi-annual in arrears in March and September each year.

The fixed rate notes are repayable on March 15, 2014 or before this date at our option upon payment of a premium of 1.333% in respect of payments prior to March 15, 2012 and at par thereafter.

The fixed rate notes are unsecured obligations of the Company, and CGHBV, its parent company, and most of its wholly owned subsidiaries, and these being the same subsidiaries that have guaranteed the floating rate notes, the fixed rate notes are guaranteed on a subordinated basis to the floating rate notes. The fixed rate notes guarantee is a general obligation that becomes due 179 days after a payment default or earlier in limited circumstances and is subordinated to the rights of the lenders of the revolving credit facility and floating rate note lenders. The guarantee ranks equally with or senior to any other current or future subordinated indebtedness of the guarantor companies. In addition, the Group has entered into various covenants which place restrictions on the incurrence of additional indebtedness and on the granting of liens and on dividend and other shareholder payments.

The proceeds of the fixed rate notes were used to part finance the acquisition of Clondalkin Group Holdings Limited effective February 28, 2004.

10. Amounts due to Clondalkin Group Holdings B.V.

To part finance the acquisition of Clondalkin Group Holdings Limited effective February 28, 2004, CGHBV, CIBV’s parent company, raised approximately €180.0 million of finance, comprising share capital of €21.1 million, shareholders’ loans of €149.3 million and options and other rights over shares and loan notes to the value of €9.6 million in CGHBV. CGHBV used the funds from these shareholder financing arrangements to advance an intercompany loan to the Company on approximately the same interest terms and conditions as borrowed from the CGHBV shareholders.

Interest accrues on the shareholders’ loans at the rate of 7.57% per year payable in June and December each year, but until maturity, the payable interest is capitalised except that 1.5% interest per annum may be payable in cash, subject to the terms of floating rate note borrowings, the revolving credit borrowing facilities and the fixed rate note borrowings.

The shareholders’ loans, which mature on March 31, 2015, are subordinated to the prior rights attaching to the floating rate notes, the revolving bank credit facility and the fixed rate notes. The shareholders’ loans do not qualify for repayment until the floating rate notes and the revolving credit facility loans are repaid and while the fixed rate notes are unpaid, certain significant restrictions on repayment are also applied.

OTHER INFORMATION

Legal proceedings

We are, from time to time, involved in contractual disputes, administrative and legal proceedings and investigations of various types arising in the normal course of business. While any litigation, proceeding or investigation has an element of uncertainty, we believe that the outcome of any proceeding, lawsuit or claim that is pending or threatened, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of businesses.

Changes in securities and use of proceeds

None.

Defaults upon senior securities

None.