CLONDALKIN
a group with focus

Clondalkin Industries B.V.

Quarterly Report

For the three months ended June 30, 2012

SECOND QUARTER 2012 RESULTS AT A GLANCE

- **Revenue for the quarter was €242.0 million (2011: €240.4 million)**
- **Profit from operations before non-operating income and expenses for the quarter was €13.4 million (2011: €14.2 million)**
  - **Profit from operations of our flexible packaging businesses was €8.0 million (2011: €8.9 million)**
  - **Profit from operations of our specialist packaging businesses was €6.9 million (2011: €6.7 million)**
- **EBITDA for the quarter was €21.8 million (2011: €22.1 million)**
- **Net cash interest costs for the quarter were €7.3 million (2011: €7.4 million)**
- **Cash and cash equivalent balances at June 30, 2012 were €84.4 million (2011: €57.0 million)**

FINANCIAL SUMMARY

In thousands of euro	For the three months ended June 30, 2012	2011	For the six months ended June 30, 2012	2011
Revenue	241,992	240,404	479,142	462,078
Gross profit	36,475	35,813	71,849	70,890
EBITDA	21,761	22,093	42,130	42,924
Profit from operations	14,627	11,517	26,415	24,948
Profit from operations before non-operating income and expenses	13,417	14,196	25,667	28,068
Capital expenditures	5,079	6,983	10,610	17,207
Gross profit (in %)	15.1%	14.9%	15.0%	15.3%
EBITDA margin (in %)	9.0%	9.2%	8.8%	9.3%

Ratios	June 30, 2012	June 30, 2011
LTM EBITDA / Cash interest	2.8	2.9
Net Floating Rate Note Debt / LTM EBITDA	3.9	3.9
Net Floating Rate and Fixed Rate Note Debt / LTM EBITDA	5.9	5.8

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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, 2012 compared to the three months and six months ended June 30, 2011 and to show the financial condition of the Group as at June 30, 2012 compared to December 31, 2011.

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, 2012

Introduction

The following operating and financial review relates to our financial condition and results for the three months ended June 30, 2012 compared to the three months ended June 30, 2011.

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, foil and laminate, and paper packaging businesses. The specialist packaging businesses include our folding cartons, labels, leaflets and inserts and printing businesses.

Revenue

Revenue increased by €1.6 million, or by 0.7%, from €240.4 million in the three months ended June 30, 2011 to €242.0 million in the three months ended June 30, 2012.

Flexible packaging

Flexible packaging revenue increased by €2.9 million, or by 1.8%, from €160.1 million in the three months ended June 30, 2011 to €162.9 million in the three months ended June 30, 2012. The increase comprises the following main items:

- Revenue in our plastic and polymer based businesses decreased by €0.3 million, as volume reductions compared to the prior year three months were mainly offset by new product sales development;
- Revenue in our foil and laminate and paper packaging businesses decreased by €2.9 million mainly due to volume declines in our European confectionery and convenience foods businesses and pricing challenges in our Swiss business prompted by the appreciation of the Swiss Franc against the Euro; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused revenue to increase by €6.0 million.

Specialist packaging

Specialist packaging revenue decreased by €1.3 million, or by 1.6%, from €80.3 million in the three months ended June 30, 2011 to €79.1 million in the three months ended June 30, 2012. The decrease comprises the following main items:

- Revenue decreased by €7.8 million mainly due to lower volumes in our North American pharmaceutical and healthcare packaging business; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused revenue to increase by €6.5 million.

Cost of sales

Cost of sales increased by €0.9 million, or by 0.5%, from €204.6 million, representing 85.1% of revenue in the three months ended June 30, 2011 to €205.5 million, representing 84.9% of revenue in the three months ended June 30, 2012. The increase comprises the following main items:

- Flexible packaging businesses' cost of sales decreased by €2.7 million mainly due to lower activity and due to cost reduction initiatives and production efficiency gains;
- Specialist packaging businesses' cost of sales decreased by €7.2 million mainly due to lower activity; and

- The stronger U.S. dollar and sterling translation rates against the Euro caused cost of sales to increase by €10.8 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, 2012 compared to the three months ended June 30, 2011.

	For the three months ended			
	June 30, 2012		June 30, 2011	
	in thousands of euro	% of revenue	in thousands of euro	% of revenue
Distribution costs	(9,815)	(4.1)	(9,364)	(3.9)
Administrative expenses	(13,561)	(5.6)	(12,433)	(5.2)
Profit on disposal of property, plant and equipment	318	0.1	180	0.1
	(23,058)	(9.5)	(21,617)	(9.0)

Distribution costs and administrative expenses of €23.1 million, equivalent to 9.5% of revenue, in the three months ended June 30, 2012, increased by €1.4 million, compared to €21.6 million, equivalent to 9.0% of revenue, in the three months ended June 30, 2011. The increase comprises the following main items:

- Distribution costs and administrative expenses increased by €0.2 million mainly reflecting additional initiatives and resources applied in sales and procurement activities;
- Profit on disposal of property, plant and equipment in the three months ended June 30, 2012 was €0.3 million compared to €0.2 million in the three months ended June 30, 2011; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused distribution costs and administrative expenses to increase by €1.3 million.

Non-operating income and expenses

Restructuring costs

We incurred restructuring costs of €0.2 million in the three months ended June 30, 2012 compared to €0.9 million incurred in the three months ended June 30, 2011. These restructuring costs mainly relate to employment reductions.

Deferred consideration credit

The deferred consideration credit of €1.4 million is in respect of contingent payment liabilities, pursuant to the acquisition of the Printed Components businesses acquired effective April 3, 2011, which are no longer due as the first year qualifying revenue targets were not achieved.

Profit from operations and EBITDA

The net effect of the above revenue and cost developments caused profit from operations before non-operating income and expenses to decrease by €0.8 million from €14.2 million in the three months ended June 30, 2011 to €13.4 million in the three months ended June 30, 2012.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in the three months ended June 30, 2012 was €21.8 million compared to the three months ended June 30, 2011 EBITDA of €22.1 million and compared to €20.4 million in the three months ended March 31, 2012.

Flexible packaging

Profit from operations reported by our flexible packaging businesses decreased by €0.9 million, or by 10.4%, from €8.9 million in the three months ended June 30, 2011 to €8.0 million in the three months ended June 30, 2012. The decrease comprises the following main items:

- Our North American and European plastic and polymer based businesses reported both profit from operations in line with the corresponding prior year three months;
- Our foil and laminate and paper packaging businesses reported a decrease in profit from operations of €1.3 million due to pricing challenges in our Swiss business prompted by the appreciation of the Swiss Franc against the Euro and due to volume declines in our European confectionary and convenience foods businesses; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused profit from operations to increase by €0.3 million.

Specialist packaging

Profit from operations reported by our specialist packaging businesses increased by €0.2 million, or by 3.5%, from €6.7 million in the three months ended June 30, 2011 to €6.9 million in the three months ended June 30, 2012. The increase comprises the following main items:

- Our specialist packaging businesses reported a decrease in profit from operations of €0.3 million mainly due to lower activity compared to the corresponding prior year three months; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused profit from operations to increase by €0.5 million.

Net finance costs

The following table provides an analysis of our net finance costs for the three months ended June 30, 2012 compared to the three months ended June 30, 2011.

	For the three months ended June 30,	
In thousands of euro	**2012**	**2011**
Interest on floating rate notes, net of interest income on cash deposits	(3,927)	(3,973)
Interest on fixed rate notes	(3,400)	(3,400)
Cash interest expense, net of interest income on cash deposits	(7,327)	(7,373)
Non cash interest expense on subordinated shareholders' loans	(5,520)	(4,993)
Net interest expense before finance amortisation charge	(12,847)	(12,366)
Finance amortisation charge	(742)	(705)
	(13,589)	(13,071)

Our gross borrowings at June 30, 2012, excluding shareholders' loans, were €589.1 million (June 30, 2011: €573.8 million) comprising floating rate notes of €300.0 million and U.S. $150.0 million (€119.1 million at June 30, 2012 exchange rates and €103.8 million at June 30, 2011 exchange rates) and the fixed rate notes of €170.0 million (June 30, 2011: €170.0 million). The shareholders' loans at June 30, 2012 were €174.6 million (June 30, 2011: €174.6 million).

Cash and cash equivalent balances at June 30, 2012 of €84.4 million increased by €27.4 million compared to June 30, 2011 balances of €57.0 million.

Net borrowings at June 30, 2012, excluding shareholders' loans, were €504.7 million (June 30, 2011: €516.8 million), being gross borrowings of €589.1 million (June 30, 2011: €573.8 million) less cash and cash equivalent balances at June 30, 2012 of €84.4 million (June 30, 2011: €57.0 million).

The interest rate on the floating rate notes of €419.1 million (2011: €403.8 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, 2012 was approximately 3.7% compared to 4.0% for the corresponding prior year three months.

We had hedged 60% of our floating rate debt until 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. These interest rate hedges have now expired. The average interest rate charge on the un-hedged floating rate note borrowings was 2.8% for the Euro denominated debt and 2.5% for the U.S. dollar denominated debt.

The €3.4 million fixed rate notes' interest expense for the three months ending June 30, 2012 is the same as the three months ended June 30, 2011 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 €5.5 million for the three months ended June 30, 2012. 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 €0.5 million in the three months ended June 30, 2012 compared to the three months ended June 30, 2011.

The finance fees' amortisation charge was €0.7 million in the three months ended June 30, 2012 is unchanged from the three months ended June 30, 2011.

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, 2012

Introduction

The following operating and financial review relates to our financial condition and results for the six months ended June 30, 2012 compared to the six months ended June 30, 2011.

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, foil and laminate, and paper packaging businesses. The specialist packaging businesses include our folding cartons, labels, leaflets and inserts and printing businesses.

Revenue

Revenue increased by €17.1 million, or by 3.7%, from €462.1 million in the six months ended June 30, 2011 to €479.1 million in the six months ended June 30, 2012.

Flexible packaging

Flexible packaging revenue increased by €5.5 million, or by 1.8%, from €316.1 million in the six months ended June 30, 2011 to €321.7 million in the six months ended June 30, 2012. The increase comprises the following main items:

- Revenue in our plastic and polymer based businesses decreased by €0.4 million, as volume reductions compared to the prior year six months were mainly offset by new product sales development;
- Revenue in our foil and laminate and paper packaging businesses decreased by €2.7 million mainly due to volume declines in our European confectionery and convenience foods businesses and pricing challenges in our Swiss business prompted by the appreciation of the Swiss Franc against the Euro; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused revenue to increase by €8.6 million.

Specialist packaging

Specialist packaging revenue increased by €11.5 million, or by 7.9%, from €146.0 million in the six months ended June 30, 2011 to €157.5 million in the six months ended June 30, 2012. 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 €16.8 million;
- Excluding acquisition effects, revenue decreased by €13.4 million mainly due to lower volumes in our North American pharmaceutical and healthcare packaging business; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused revenue to increase by €8.1 million.

Cost of sales

Cost of sales increased by €16.1 million, or by 4.1%, from €391.2 million, representing 84.7% of revenue in the six months ended June 30, 2011 to €407.3 million, representing 85.0% of revenue in the six months ended June 30, 2012. 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 €14.6 million;
- Flexible packaging businesses' cost of sales decreased by €1.2 million mainly due to lower activity and due to cost reduction initiatives and production efficiency gains;
- Specialist packaging businesses' cost of sales decreased by €11.6 million mainly due to lower activity; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused cost of sales to increase by €14.3 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, 2012 compared to the six months ended June 30, 2011.

	For the six months ended			
	June 30, 2012		June 30, 2011	
	in thousands of euro	% of revenue	in thousands of euro	% of revenue
Distribution costs	(19,249)	(4.0)	(18,301)	(4.0)
Administrative expenses	(27,337)	(5.7)	(24,966)	(5.4)
Profit on disposal of property, plant and equipment	404	0.1	445	0.1
	(46,182)	(9.6)	(42,822)	(9.3)

Distribution costs and administrative expenses of €46.2 million, equivalent to 9.6% of revenue, in the six months ended June 30, 2012, increased by €3.4 million, compared to €42.8 million, equivalent to 9.3% of revenue, 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 distribution costs and administrative expenses to increase by €1.4 million;
- Excluding acquisition effects, distribution costs and administrative expenses increased by €0.3 million mainly reflecting additional initiatives and resources applied in sales and procurement activities; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused distribution costs and administrative expenses to increase by €1.7 million.

Non-operating income and expenses

Restructuring costs

We incurred restructuring costs of €0.7 million in the six months ended June 30, 2012 compared to €1.4 million incurred in the six months ended June 30, 2011. These restructuring costs mainly relate to employment reductions.

Deferred consideration credit

The deferred consideration credit of €1.4 million is in respect of contingent payment liabilities, pursuant to the acquisition of the Printed Components businesses acquired effective April 3, 2011, which are no longer due as the first year qualifying revenue targets were not achieved.

Profit from operations and EBITDA

The net effect of the above revenue and cost developments caused profit from operations before non-operating income and expenses to decrease by €2.4 million from €28.1 million in the six months ended June 30, 2011 to €25.7 million in the six months ended June 30, 2012.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in the six months ended June 30, 2012 was €42.1 million compared to the six months ended June 30, 2011 EBITDA of €42.9 million.

Flexible packaging

Profit from operations reported by our flexible packaging businesses decreased by €2.4 million, or by 13.2%, from €18.1 million in the six months ended June 30, 2011 to €15.7 million in the six months ended June 30, 2012. The decrease comprises the following main items:

- Our plastic and polymer based businesses reported profit from operations in line with the corresponding prior year six months. Our North American businesses' profit from operations increased by €0.6 million mainly due to operating efficiency gains achieved and our European businesses' profit from operations decreased by €0.6 million due to weaker demand conditions;
- Our foil and laminate and paper packaging businesses reported a decrease in profit from operations of €2.8 million due to pricing challenges in our Swiss business prompted by the appreciation of the Swiss Franc against the Euro and due to volume declines in our European confectionary and convenience foods businesses; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused profit from operations to increase by €0.4 million.

Specialist packaging

Profit from operations reported by our specialist packaging businesses increased by €0.4 million, or by 2.8%, from €12.7 million in the six months ended June 30, 2011 to €13.0 million in the six months ended June 30, 2012. The increase comprises the following main items:

- Acquisition effects, related to the acquisition of the Printed Components businesses acquired effective April 3, 2011, caused our profit from operations to increase by €0.6 million reflecting the consolidation of these businesses for three months since the date of acquisition. The EBITDA acquisition effect in the six months ended June 30, 2011, reflecting one quarter EBITDA contribution, was €1.7 million;
- Our specialist packaging businesses reported a decrease in profit from operations of €0.9 million mainly due to lower activity compared to corresponding prior year six months; and
- The stronger U.S. dollar and sterling translation rates against the Euro caused profit from operations to increase by €0.6 million.

Net finance costs

The following table provides an analysis of our net finance costs for the six months ended June 30, 2012 compared to the six months ended June 30, 2011.

In thousands of euro	For the six months ended June 30, 2012	2011
Interest on floating rate notes, net of interest income on cash deposits	(8,180)	(8,118)
Interest on fixed rate notes	(6,800)	(6,800)
Cash interest expense, net of interest income on cash deposits	(14,980)	(14,918)
Non cash interest expense on subordinated shareholders' loans	(10,964)	(9,886)
Net interest expense before finance amortisation charge	(25,944)	(24,804)
Finance amortisation charge	(1,447)	(1,410)
	(27,391)	(26,214)

In our commentary on interest costs, comparing the three months ended June 30, 2012 with the three months ended June 30, 2011, 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 €8.2 million reflects an average interest rate on these borrowings in the six months ended June 30, 2011 of 3.9% compared to an interest charge of €8.1 million for the corresponding prior year six months which reflected an average interest rate of 4.0%;
- The fixed rate notes interest of €6.8 million is unchanged between the six months ended June 30, 2012 and June 30, 2011 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 €11.0 million for the six months ended June 30, 2012. 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 €1.1 million in the six months ended June 30, 2012 compared to the interest charge of €9.9 million for the corresponding prior year six months.

Taxation

The corporation tax charge reported for the six months ended June 30, 2012 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, 2012 interest rates and currency exchange rates, and reflecting interest charges incurred in the first six months of 2012, we estimate our floating rate note annual interest charge for the year ended December 31, 2012 at approximately €14.0 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.

As at June 30, 2012, our cash and cash equivalent balances were €84.4 million (June 30, 2011: €57.0 million).

Our main source of liquidity is our operating cash flow. The net cash generated from operating activities before working capital changes was €39.3 million in the six months ended June 30, 2011 compared to €40.2 million in the six months ended June 30, 2011.

Our net investment in working capital decreased by €11.5 million in the six months ended June 30, 2012 to €22.4 million compared to €33.8 million in the six months ended June 30, 2011. 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, 2012, were as follows:

- Our investments in existing businesses were €10.6 million in the six months ended June 30, 2012 compared to €17.2 million in the corresponding prior year six months; and
- We paid €0.7 million in taxes in the six months ended June 30, 2012 under preliminary assessment payment rules compared to €3.3 million paid in the corresponding prior year six months.

We realised gross proceeds on disposal of assets in the six months ended June 30, 2012 of €0.6 million, compared to €0.5 million in the six months ended June 30, 2011.

Principal risks and uncertainties

In the Clondalkin Industries B.V. Annual Report and Financial Statements for the year ended December 31, 2011, 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, 2012 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, 2012 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

Finance Director

September 11, 2012

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated income statement

In thousands of euro	For the three months ended June 30, 2012	2011	For the six months ended June 30, 2012	2011
Revenue	241,992	240,404	479,142	462,078
Cost of sales	(205,517)	(204,591)	(407,293)	(391,188)
Gross profit	36,475	35,813	71,849	70,890
Distribution costs	(9,815)	(9,364)	(19,249)	(18,301)
Administrative expenses	(13,561)	(12,433)	(27,337)	(24,966)
Profit on disposal of property, plant and equipment	318	180	404	445
Profit from operations before non-operating income and expenses	13,417	14,196	25,667	28,068
Restructuring costs	(207)	(929)	(669)	(1,370)
Acquisition-related costs	-	(1,750)	-	(1,750)
Deferred consideration credit	1,417	-	1,417	-
Profit from operations	14,627	11,517	26,415	24,948
Net finance costs	(13,589)	(13,071)	(27,391)	(26,214)
Profit (loss) before income tax	1,038	(1,554)	(976)	(1,266)
Income tax (charge) credit	(335)	627	(815)	503
Profit (loss) for the period	703	(927)	(1,791)	(763)

Consolidated statement of comprehensive income

In thousands of euro	For the three months ended June 30, 2012	2011	For the six months ended June 30, 2012	2011
Profit (loss) for the period	703	(927)	(1,791)	(763)
Other comprehensive income				
Foreign currency translation differences	9,954	(974)	6,861	(14,729)
Net change in fair value of cash flow hedges	914	429	1,670	2,559
Income tax on other comprehensive income	(255)	(141)	(444)	(640)
Other comprehensive income for the period	10,613	(686)	8,087	(12,810)
Total comprehensive income for the period	11,316	(1,613)	6,296	(13,573)

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, 2012	Dec 31, 2011
Assets			
Intangible assets		569,533	564,546
Property, plant and equipment		221,874	224,470
Deferred tax assets		25,129	24,769
Total non-current assets		816,536	813,785
Inventories		103,575	96,757
Trade and other receivables		132,082	121,039
Cash and cash equivalents		84,424	92,737
Total current assets		320,081	310,533
Total assets		1,136,617	1,124,318
Equity			
Share capital		7,123	7,123
Other reserves		7,803	(284)
Retained earnings		17,548	19,339
Total equity		32,474	26,178
Liabilities			
Loans and borrowings	8	584,280	580,185
Amounts due to Clondalkin Group Holdings B.V.	9	311,630	301,011
Retirement benefit obligations		15,850	15,680
Deferred tax liabilities		29,804	29,514
Other financial liabilities		1,331	2,638
Total non-current liablities		942,895	929,028
Derivatives		-	1,795
Trade and other payables		155,279	161,128
Other financial liabilities		5,969	6,189
Total current liablities		161,248	169,112
Total liabilities		1,104,143	1,098,140
Total equity and liabilities		1,136,617	1,124,318

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, 2012
In thousands of euro

	Share capital	Other reserves	Retained earnings	Total equity
At January 1, 2012	7,123	(284)	19,339	26,178
Total comprehensive income for the period				
Loss for the period	-	-	(1,791)	(1,791)
Other comprehensive income for the period	-	8,087	-	8,087
Total comprehensive income for the period	-	8,087	(1,791)	6,296
At June 30, 2012	7,123	7,803	17,548	32,474

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

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, 2012	2011	For the six months ended June 30, 2012	2011
Cash flow from operating activities				
Profit (loss) for the period	703	(927)	(1,791)	(763)
Adjustments for:				
Net finance costs	13,589	13,071	27,391	26,214
Restructuring costs	207	929	669	1,370
Restructuring costs paid	(69)	(1,694)	(1,107)	(2,285)
Post acquisition restructuring costs paid	(57)	-	(832)	-
Acquisition-related costs	-	1,750	-	1,750
Acquisition-related costs paid	-	-	(200)	-
Deferred consideration credit	(1,417)	-	(1,417)	-
Settlement of employee benefits	(333)	-	(333)	-
Profit on disposal of property, plant and equipment	(318)	(180)	(404)	(445)
Income tax charge (credit)	335	(627)	815	(503)
Depreciation	8,344	7,897	16,463	14,856
Operating cash flow before working capital changes	20,984	20,219	39,254	40,194
Decrease (increase) in working capital	1,296	1,169	(22,371)	(33,849)
Operating cash flow after working capital changes	22,280	21,388	16,883	6,345
Income tax paid	(611)	(2,488)	(700)	(3,280)
Net cash from operating activities	21,669	18,900	16,183	3,065
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	-	(28,397)	-	(28,397)
Acquisition of property, plant and equipment	(5,079)	(6,983)	(10,610)	(17,207)
Proceeds from sale of purchase, plant and equipment	495	170	561	531
Net cash used in investing activities	(4,584)	(35,210)	(10,049)	(45,073)
Cash flow from financing activities				
Interest paid	(4,153)	(4,043)	(15,169)	(14,736)
Other	(300)	-	(300)	-
Net cash used in financing activities	(4,453)	(4,043)	(15,469)	(14,736)
Net increase (decrease) in cash and cash equivalents	12,632	(20,353)	(9,335)	(56,744)
Cash and cash equivalents at start period	70,433	77,583	92,737	115,207
Effect of exchange rate fluctuations on cash held	1,369	(28)	1,032	(1,261)
Cash and cash equivalents at June 30	84,434	57,202	84,434	57,202

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, 2011.

These condensed consolidated interim financial statements were approved by the Executive Directors on September 11, 2012.

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, 2011.

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, 2011.

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, 2012	2011	For the six months ended June 30, 2012	2011
Profit from operations before non-operating income and expenses	13,417	14,196	25,667	28,068
Depreciation	8,344	7,897	16,463	14,856
EBITDA	21,761	22,093	42,130	42,924

7. Operating segments

In thousands of euro	For the three months ended June 30, 2012	2011	For the six months ended June 30, 2012	2011
Revenue				
Flexible packaging	162,936	160,058	321,662	316,127
Specialist packaging	79,056	80,346	157,480	145,951
Revenue	241,992	240,404	479,142	462,078
Profit from operations				
Flexible packaging	7,979	8,912	15,739	18,129
Specialist packaging	6,889	6,657	13,029	12,669
Unallocated corporate expenses	(1,451)	(1,373)	(3,101)	(2,730)
Profit from operations before non-operating income and expenses	13,417	14,196	25,667	28,068
Non-operating income and expenses	1,210	(2,679)	748	(3,120)
Profit from operations	14,627	11,517	26,415	24,948
EBITDA				
Flexible packaging	12,889	13,638	25,485	27,450
Specialist packaging	10,212	9,819	19,578	18,175
Unallocated corporate expenses	(1,340)	(1,364)	(2,933)	(2,701)
	21,761	22,093	42,130	42,924

8. Loans and borrowings

In thousands of euro	Jun 30, 2012	Dec 31, 2011
Floating rate notes, due December 2013	419,142	415,929
Fixed rate notes, due March 2014	170,000	170,000
	589,142	585,929
Finance costs, net of amortisation	(4,862)	(5,744)
	584,280	580,185

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 the Company's option upon payment at par.

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.

9. 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.

CGHBV used the funds from these shareholder financing arrangements to advance an intercompany loan to the Company, now €174.6 million, on approximately the same interest terms and conditions as borrowed from the CGHBV shareholders. Interest due as at June 30, 2012 amounts to €137.1 million.

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.