

INTRODUCTORY NOTE

The attached “Operating and Financial Review and Prospects” for the three years ended December 31, 2010 and for the nine month periods ended September 30, 2011 and 2010 is contained in Amendment No. 1 to the Registration Statement on Form F-4 filed by Reynolds Group Holdings Limited and certain subsidiaries with the Securities and Exchange Commission (the “SEC”) on February 8, 2012 (the “Registration Statement”). The Registration Statement may be found on the SEC’s website which can be accessed at the following link: www.sec.gov. You may refer to the “Glossary of Selected Terms” in the Registration Statement for the defined terms used herein.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our historical financial statements covers certain periods before the consummation of the Graham Packaging Transaction on September 8, 2011 and does not reflect the results generated by Graham Company or the impact that the Graham Packaging Transaction may have on the RGHL Group for those periods. The following discussion should be read in conjunction with “Business — Description of Business” and our historical financial statements and the notes thereto, in each case included elsewhere in this prospectus. The following discussion and analysis also includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements with respect to us. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this prospectus. See “Special Note of Caution Regarding Forward-Looking Statements” and “Risk Factors.”

Overview

RGHL was incorporated in New Zealand under the Companies Act 1993 on May 30, 2006. We are a leading global manufacturer and supplier of consumer food and beverage packaging and storage products. We operate through six segments: SIG, Evergreen, Closures, Reynolds Consumer Products, Pactiv Foodservice and Graham Packaging. We acquired these businesses in a series of transactions.

Recent Acquisitions and Integration

Pactiv Acquisition

On November 16, 2010, we acquired Pactiv for a total enterprise value, including net debt, of \$5.8 billion. We funded the purchase consideration and the repayment of certain borrowings that were acquired through a combination of additional borrowings, an equity contribution from Mr. Graeme Hart, our strategic owner, and existing cash of the RGHL Group.

The Pactiv Acquisition brought together two strong consumer and foodservice packaging platforms, increased our product, geographic and customer diversification and created an extensive and diverse distribution network. We believe our products are complementary, providing us with opportunities to generate incremental revenue through cross-selling and category expansion. We are in the process of combining our Reynolds consumer products and Reynolds foodservice packaging businesses with our Hefty consumer products and Pactiv foodservice packaging businesses, respectively, to form integrated Reynolds Consumer Products and Pactiv Foodservice segments. We also expect to realize significant cost savings by consolidating facilities, eliminating duplicative operations, improving supply chain management and achieving other efficiencies. For example, from the date of the Pactiv Acquisition to the date of this prospectus, we have announced the closure of eight manufacturing sites in North America. Once we fully integrate the businesses acquired in the Pactiv Acquisition, we expect to generate annual operational synergies and cost savings of approximately \$225 million by the end of 2012. In order to achieve these synergies and cost savings, we expect to incur cash outlays of approximately \$125 million by the end of 2012, of which we have incurred \$100 million through September 30, 2011. Expenses incurred under our integration program generally include severance, exit, disposal and other costs associated with combining the consumer and foodservice packaging platforms. We believe that our efforts to achieve these objectives have yielded satisfactory results to date.

The valuation of the assets acquired and liabilities assumed in connection with the Pactiv Acquisition has been finalized. In accordance with IFRS 3 (Revised), “Business Combinations”, all adjustments resulting from the finalization of the purchase accounting have been recognized retrospectively as of the date of the acquisition. For details of changes to previously reported provisional values of certain assets acquired and liabilities assumed, refer to note 34 of the RGHL Group’s audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus.

The Dopaco Acquisition

On May 2, 2011, we acquired Dopaco from Cascades Inc. Dopaco is a manufacturer of paper cups and folding cartons for the quick-service restaurant and foodservice industries in the United States and Canada. The purchase consideration for the acquisition was \$395.2 million in cash. The consideration was funded from the existing cash of the RGHL Group. Dopaco's product lines complement and enhance our existing product lines, allowing us to offer a broader product range and develop additional customer relationships. Dopaco's business is being integrated into the Pactiv Foodservice segment. Once we fully integrate the businesses, we expect to generate annual operational synergies and cost savings of approximately \$30 million by the end of 2012. In order to achieve these synergies and cost savings, we expect to incur cash outlays of approximately \$40 million by the end of 2012, of which we have incurred \$5 million through September 30, 2011. Expenses incurred under our integration program generally include severance and other costs.

The Graham Packaging Acquisition

On September 8, 2011, we acquired Graham Company for a total enterprise value, including net debt, of \$4.5 billion. We financed the purchase of shares, the repayment of certain of Graham Packaging's indebtedness and associated transaction costs, with \$4.5 billion of new indebtedness. Graham Packaging is reported as a separate segment within the RGHL Group.

Graham Packaging is a leading global supplier of value-added rigid plastic containers for the hot food, specialty beverage and consumer products markets. The Graham Packaging Acquisition brings together two strong packaging platforms. We expect to realize significant cost savings by optimizing procurement of certain raw materials, consolidating facilities, eliminating duplicative operations and overhead, improving supply chain management and achieving other efficiencies. Once we fully integrate Graham Packaging, we expect to generate annual operational synergies and cost savings of approximately \$75 million by the end of 2013. In order to achieve these synergies and cost savings, we expect to incur cash outlays of approximately \$75 million by the end of 2013. Expenses incurred under our integration program generally will include severance, exit, disposal, and other costs.

Refer to note 18 of the RGHL Group's interim unaudited financial statements as of September 30, 2011 and for the nine month periods ended September 30, 2010 and 2011, included elsewhere in this prospectus for additional information related to the Graham Packaging Acquisition, the Dopaco Acquisition and the Pactiv Acquisition.

Our Segments

We currently report our financial results in six segments: SIG, Evergreen, Closures, Reynolds Consumer Products, Pactiv Foodservice and Graham Packaging. IFRS 8 "Operating Segments" requires operating segments to be identified as components of our combined operations for which discrete financial information is available and whose operating results are regularly reviewed by our Chief Operating Decision Maker, or "CODM," in order to allocate resources to the applicable components and to assess our performance. The RGHL Group CODM are the executive officers and directors of RGHL.

The CODM assesses the performance of the operating segments based on Adjusted EBITDA. Adjusted EBITDA is defined as net profit before income tax expense, net financial expenses, and depreciation and amortization, adjusted to exclude certain items of a significant or unusual nature, including but not limited to acquisition costs, non-cash pension income, restructuring costs, unrealized gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs and equity method profit not distributed in cash. Adjusted EBITDA is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

Our SIG segment is a leading manufacturer of aseptic carton packaging systems for both beverage and liquid food products, ranging from juices and milk to soups and sauces. Aseptic carton packaging, most prevalent in Europe and Asia, is designed to allow beverages or liquid food to be stored for extended periods of time without refrigeration.

Our Evergreen segment is a vertically integrated, leading manufacturer of fresh carton packaging for beverage products, primarily serving the juice and milk end-markets. Fresh carton packaging, most predominant in North America, is designed for beverages that require a cold-chain distribution system, and therefore have a more limited shelf life than beverages in aseptic carton packaging.

Our Closures segment is a leading manufacturer of plastic beverage caps and closures, primarily serving the carbonated soft drink, non-carbonated soft drink and bottled water segments of the global beverage market.

Our Reynolds Consumer Products segment (which has included our Hefty consumer products business since the consummation of the Pactiv Acquisition) is a leading U.S. manufacturer of branded and store branded consumer products such as foil, wraps, waste bags, food storage bags, and disposable tableware and cookware.

Our Pactiv Foodservice segment (which has included our Pactiv foodservice packaging business since the consummation of the Pactiv Acquisition and the Dopaco operations since the consummation of the Dopaco Acquisition) is a leading manufacturer of foodservice and food packaging products. Pactiv Foodservice offers a comprehensive range of products including tableware items, takeout service containers, clear rigid-display packaging, microwaveable containers, foam trays, dual-ovenable paperboard containers, cups, molded fiber egg cartons, meat and poultry trays, plastic film and aluminum containers. Pactiv Foodservice distributes its foodservice and food packaging products through foodservice distributors, food processors, supermarket distributors, supermarkets and restaurants.

Our Graham Packaging segment is a worldwide leader in the design, manufacture, and sale of value-added, custom blow molded plastic containers for branded consumer products.

Our SIG, Evergreen and Closures segments, as well as our Reynolds consumer products and Reynolds foodservice packaging businesses, have been under common ownership and control through entities ultimately 100% owned by Mr. Graeme Hart, our strategic owner, for over three years. These entities, however, were not owned, directly or indirectly, by a single company that consolidated their financial results or managed them on a combined basis prior to the consummation of the RGHL Transaction on November 5, 2009, the Evergreen Transaction on May 4, 2010 and the Reynolds Foodservice Acquisition on September 1, 2010.

Accounting Principles

Our financial statements are prepared in accordance with IFRS and “IFRIC Interpretations” as issued by the IASB.

Reporting Currency

IFRS does not require our financial statements to be presented in a particular currency. Our financial statements are presented in US dollars which is the reporting currency of the RGHL Group. In accordance with IAS 21, the figures are translated from the functional currency of a given entity into dollars using the following principles: (a) the assets and liabilities for each statement of financial position are translated at the closing exchange rate as of the reporting date, (b) income and expense items for each profit or loss item are translated at average exchange rates during the period, (c) items of other comprehensive income are translated at average exchange rates during the period and (d) share capital is translated at historical exchange rates.

Critical Accounting Policies

Our critical accounting policies are those that we believe are most important to the presentation of our financial position and results and that require the most difficult, subjective or complex judgments. In many cases, the accounting treatment of a particular transaction is specifically dictated by IFRS with no need for the application of judgment. For more information, see note 4 to the RGHL Group’s audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus. In certain circumstances, however, the preparation of our financial statements in conformity with IFRS requires us to use our judgment to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial

statements and the reported amounts of revenue and expenses during the reporting period. We believe the policies described below are our most critical accounting policies.

Accounting for Business Combinations

Acquisition of Businesses from Third Parties

We account for business combinations, where the business is acquired from an unrelated third party, under the purchase method of accounting, which requires the acquired assets, including separately identifiable intangible assets, and assumed liabilities to be recorded as of the acquisition date at their respective fair values. Any excess of the purchase price over the fair value of assets, including separately identifiable intangible assets and liabilities acquired, is allocated to goodwill. Goodwill is allocated to the appropriate segments which benefited from the business combination when the goodwill arose.

The allocation of the purchase price to the fair value of acquired assets and liabilities involves assessments of the expected future cash flows associated with individual assets and liabilities and appropriate discount rates as of the date of the acquisition. Where appropriate, we consult with external advisors to assist with the determination of fair value. For non-observable market values, fair value has been determined using accepted valuation principles (e.g., relief from royalty method). Subsequent changes in our assessments may trigger an impairment loss that would be recognized in the statement of comprehensive income.

Goodwill and acquired indefinite life intangible assets are not amortized. Other acquired intangible assets with finite lives are amortized on a straight line basis over the period of expected benefit. For more information, see note 3.9(g) to the RGHL Group's audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus.

The results of operations for businesses acquired are included in our financial statements from the date of acquisition.

On November 16, 2010, we acquired Pactiv Corporation for a total enterprise value, including net debt, of \$5.8 billion. The valuation of the assets acquired and liabilities assumed has been finalized. In accordance with IFRS 3(Revised), "Business Combinations", all adjustments resulting from the finalization of the purchase accounting have been recognized retrospectively as of the date of the acquisition. For details of changes to previously reported provisional values of certain assets acquired and liabilities assumed, refer to note 34 of the RGHL Group's audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus.

On September 8, 2011, we acquired Graham Packaging for a total enterprise value, including net debt, of \$4.5 billion. In respect of this acquisition, we believe that the key areas of subjectivity in allocating the purchase consideration involve determining the acquisition date fair value of identifiable intangible assets and property, plant and equipment.

Management has identified separately identifiable intangible assets in existence as of the date of acquisition. Using market participant assumptions and recognized valuation techniques, provisional values have been determined for these intangible assets. These valuation techniques require various assumptions including future levels of profitability, assumed royalty rates for relief from royalty valuations, and appropriate discount rates to present value the estimated cash flows. An assessment of useful lives is also required to determine future amortization expense.

The preliminary valuation of separately identifiable intangible assets is \$1,678.8 million. All of the assumptions and the resulting valuation are currently being evaluated by management. We estimate that the effect of a 10% increase, or decrease, in the preliminary valuation of identifiable intangible assets would increase, or decrease, the preliminary valuation by \$167.9 million to \$1,846.7 million or \$1,510.9 million, respectively. Any such increase or decrease would result in a corresponding change in the preliminary value of goodwill. We estimate that an increase or decrease of 10% in the preliminary fair values of all of the acquired identifiable intangible assets would result in a corresponding increase or decrease of \$8.4 million in annual amortization expense. A change in the preliminary useful lives of finite life intangible assets would change

amortization expense. We estimate that an increase, or decrease, of one year in the remaining estimated average useful lives of all finite life intangible assets would decrease by \$4.8 million, or increase by \$5.5 million, annual amortization expense, respectively.

The preliminary valuation of property, plant and equipment is \$1,438.0 million. All of the assumptions and the resulting valuation are currently being evaluated by management. We estimate that the effect of a 10% increase, or decrease, in the preliminary valuation of property, plant and equipment would increase, or decrease, the preliminary valuation by \$143.8 million to \$1,581.8 million or \$1,294.2 million, respectively. Any such increase or decrease would result in a corresponding change in the preliminary value of goodwill. We estimate that an increase or decrease of 10% in the preliminary fair values of all of the acquired property, plant and equipment would result in a corresponding increase or decrease of \$15.3 million in annual depreciation expense. A change in the preliminary useful lives of depreciable property, plant and equipment would change depreciation expense. An increase, or decrease, of one year in the remaining estimated average useful lives of all depreciable items of property, plant and equipment would decrease by \$21.6 million, or increase by \$36.4 million, annual depreciation expense, respectively.

Acquisition of Businesses from Entities under Common Control

IFRS is silent on the accounting required for business combinations involving entities that are under common control.

We have chosen to account for business combinations where the business is acquired from an entity that is under the common control of our ultimate shareholder using the carry-over or book value method. Under the carry-over or book value method, the business combination does not change the historical carrying value of the assets and liabilities of the business acquired. The excess of the purchase price over the carrying value of the share capital acquired is recognized directly in equity. No additional goodwill is recognized as a result of these transactions.

We account for business combinations under common control prospectively from the date Mr. Graeme Hart, our strategic owner, originally obtained control of each of the businesses presented.

Between January 31, 2007 and August 1, 2007, entities beneficially owned by Mr. Graeme Hart acquired the businesses that now constitute our Evergreen segment in a series of transactions for \$618.4 million. On May 4, 2010, we acquired the equity of the businesses that now constitute our Evergreen segment from these entities for a total purchase price of \$1,612.1 million (including certain post-closing adjustments). The purchase price was paid to entities controlled by Mr. Graeme Hart.

Through a series of acquisitions that occurred from February 29, 2008 to July 31, 2008, certain entities beneficially owned by Mr. Graeme Hart acquired from Alcoa Inc. the businesses that now constitute our Closures segment, our Reynolds consumer products business and our Reynolds foodservice packaging business for a total enterprise value of \$2,690.1 million (including certain post-closing adjustments).

On November 5, 2009, we acquired the equity of the businesses that now constitute our Closures segment for a total purchase price of \$707.8 million (including certain post-closing adjustments) and our Reynolds consumer products business for a total purchase price of \$984.5 million (including certain post-closing adjustments) from these entities. The purchase price was paid to entities controlled by Mr. Graeme Hart.

On September 1, 2010, we acquired the equity of the businesses that now constitute our Reynolds foodservice packaging business from these entities for a total purchase price of \$341.0 million (including certain post-closing adjustments). The purchase price was paid to entities controlled by Mr. Graeme Hart.

In each case, the difference between the consideration paid to initially acquire the business from a third-party and the consideration paid by the RGHL Group to acquire the same business from entities that are beneficially owned by Mr. Graeme Hart reflects changes in fair value. The changes in fair value relate to the realization of the cost savings initiatives and operational synergies combined with improvements in industry and general market conditions. Cash payments made by us to acquire these businesses either reduced our available cash or increased the principal amount of our outstanding indebtedness.

Employee Benefits

We make contributions to defined benefit pension plans, which define the level of pension benefit an employee will receive on retirement. We operate defined benefit plans in several countries including the United States. We also operate post-employment medical benefit plans in the United States. Amounts recognized under these plans are determined using actuarial methods that require us to make certain assumptions regarding variables such as discount rate, rate of compensation increase, return on assets and future healthcare costs. Where appropriate, we consult with third-party actuaries regarding these assumptions at least annually. Changes in these key assumptions, including the expected rate of return on plan assets and the discount rate, can have a significant impact on our defined benefit obligations, future funding requirements and post-employment benefit costs recognized. While we believe that our assumptions of future returns are reasonable and appropriate, significant differences in actual experience or inaccuracies in assumptions may materially affect our benefit plan obligations and future benefit plan expense. Holding all other assumptions constant, a one-half percentage point change in the rate of return assumption would impact our pre-tax pension income by approximately \$24 million annually. Similarly, holding all other assumptions constant, a one-half percentage point change in the discount rate would impact our pre-tax pension income by \$11 million annually. For more information, see note 27 of the RGHL Group's audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus.

Impairment of Goodwill, Intangible Assets, Property, Plant and Equipment and Investment Properties

We assess the carrying values of goodwill, identifiable intangible assets, property, plant and equipment and investment properties in accordance with the requirements of IFRS. Goodwill and intangibles with indefinite useful lives are assessed for impairment at least annually. Other non-current assets are tested when a trigger event may indicate the existence of impairment. If any such indication of impairment exists, the asset's recoverable amount is determined.

The recoverable amount of an asset is the greater of its fair value less costs to sell such an asset and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing the fair value less costs to sell, the forecasted future EBITDA to be generated by the asset or segment being assessed is multiplied by earnings multiples that reflect recent sales and purchase transactions in the same industry. We consult with external advisors to assist with the determination of these earnings multiples. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The carrying value of an asset or cash-generating unit in our statement of financial position cannot exceed its recoverable amount. For 2008, 2009 and 2010, the recoverability analysis for each of the cash-generating units was based on fair value less costs to sell.

In estimating future cash flows, we make estimates with respect to the useful lives of our assets. Changes in circumstances, including the relative cost efficiency of our production facilities, may cause us to change these estimates from time to time. In addition, because these are estimates, the actual useful life of an asset may be different from our estimate.

An impairment loss is recognized whenever the carrying amount of an asset, its cash-generating unit or its segment exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

As of September 30, 2011 and December 31, 2010 we had \$17,127.6 million and \$12,081.7 million, respectively, of goodwill, other intangible assets, property, plant and equipment and investment properties recorded on our statement of financial position. Any impairment in the value of goodwill, intangible assets, property, plant and equipment and investment properties would result in a reduction in the carrying value of such assets in the statement of financial position and an expense recognized in our statement of comprehensive income. We performed our last annual impairment test as of December 31, 2010, and determined that all cash generating units had estimated recoverable amounts that were substantially in excess of their carrying values. We did not identify any indicators of impairment as of September 30, 2011.

Income Taxes

We are subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. As a result, significant judgment is required in determining our worldwide provision and liability for income taxes. We recognize liabilities for tax issues based on estimates of whether additional taxes will be due and on our best interpretation of the relevant tax laws then in effect. In cases where the final outcome of these tax matters is different from the amounts that were initially recorded, the differences impact the current and deferred income tax provision for the period in which the determination is made.

We recognize deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. This is based on estimates of taxable income in each jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods and depending on the tax strategies that we may have been able to implement, changes to the recognition of deferred tax assets could be required, and thus could impact our financial position and results of operations.

Revenue Recognition

We recognize revenue from the sale of goods when the risks and rewards of ownership have transferred to customers which occurs either when products are shipped or when they are delivered and/or installed at a customer location. The recognition of revenue is dependent on the terms of the individual arrangements of a sale. In arriving at net sales, we estimate the amount of deductions from sales that are likely to be earned or taken by customers in conjunction with incentive programs or the amount of consumer incentives to be utilized. These incentives include volume rebates and early payment discounts for consumer programs. In addition, in certain of our businesses, we pay slotting fees and participate in customer pricing programs that provide price discounts to the ultimate end users of our products in the form of redeemable coupons. Estimates for each of these programs are based on historical and current market trends which are affected by the business seasonality and competitiveness of promotional programs being offered. Estimates are reviewed quarterly for possible revisions. The costs for all such programs are accounted for as a reduction in revenues. In the event that future sales deduction trends vary significantly from past or expected trends, reported sales may increase or decrease by a material amount.

Other

We have made certain other estimates that, while not involving the same degree of judgment as the estimates described above, are important to understanding our financial statements. These estimates are in the areas of measuring our obligations related to our legal and warranty accruals, restructuring accruals and self-insurance accruals.

Key Factors Influencing Our Financial Condition and Results of Operations

Acquisitions, Substantial Leverage and Other Transaction-Related Effects

The six segments in which we operate have all been acquired through a series of transactions.

Our results of operations, financial position and cash flows are significantly impacted by the effects of these acquisitions which were financed primarily through borrowings with related interest costs, including transaction-related debt commitment fees and recurring interest costs. In addition, from time to time, we refinance our borrowings which also can have a significant impact on the results of our operations.

As of September 30, 2011, we had total borrowings of \$17,772.8 million (\$11,842.6 million as of December 31, 2010). For more information regarding our external borrowings, refer to note 14 of the RGHL Group unaudited interim condensed financial statements as of September 30, 2011 and for the nine month periods ended September 30, 2010 and 2011, included elsewhere in this prospectus. Our future results of operations, including our net financial expenses, will be significantly affected by our substantial indebtedness.

The servicing of this indebtedness has had and will continue to have an impact on our cash flows and cash balance. For more information, refer to “— Liquidity and Capital Resources.”

Discontinued Operations

The disposal of the SIG Beverages business was completed on April 2, 2008. This disposal constituted a discontinued operation. Under IFRS 5, we are required to present and disclose information that enables users of our financial statements to evaluate the financial impact of discontinued operations and disposals of non-current assets. In general terms, a discontinued operation is a component that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line or geographical area of operations.

For the year ended December 31, 2008, the profit from discontinued operations, net of income tax, was \$44.0 million, which included a \$37.7 million gain, net of income tax, on the sale of SIG Beverages.

In accordance with IFRS 5, these operations are treated as discontinued operations for all periods presented.

Restructuring and Cost Saving Programs

We have completed a number of restructuring and cost saving programs over the past three years in order to reduce our operating costs. During the nine months ended September 30, 2011, we incurred restructuring charges of \$79.6 million and business integration and operational process engineering-related consultancy costs of \$58.7 million. These costs are largely related to workforce reductions, improving supply chain management, achieving other efficiencies and consolidation of facilities at our Reynolds Consumer Products and Pactiv Foodservice segments.

As discussed under “— Overview — Recent Acquisitions and Integration”, we expect to incur additional restructuring costs as well as integration costs through the end of 2013 that will largely relate to the continuing integration of our Reynolds consumer products and Reynolds foodservice packaging businesses with our Hefty consumer products and Pactiv foodservice packaging businesses as well as the integration of the Dopaco business into the Pactiv Foodservice segment and the integration of Graham Packaging into the RGHL Group. Outlays related to integration include both expenses and capital expenditures associated with combining the new acquisitions with the RGHL Group’s operations and generally include severance, exit, disposal and other costs associated with combining the businesses. We expect to realize cost savings and operational synergies by the end of 2013 by consolidating facilities, eliminating duplicative operations, improving supply chain management and achieving other efficiencies. For additional information related to the quantification of the synergies to be achieved and cash outlays, refer to “— Overview — Recent Acquisitions and Integration.”

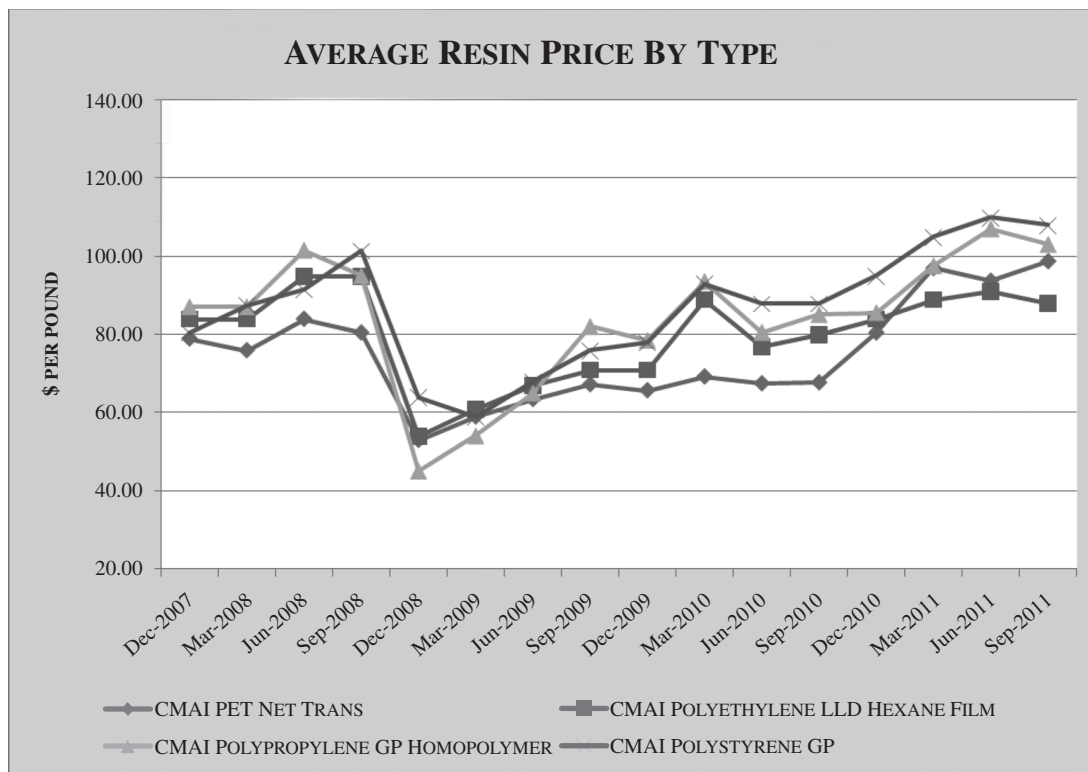
Raw Materials and Energy Prices

Our results of operations are impacted by changes in the costs of our raw materials. The primary raw materials used to manufacture our products are resins, aluminum, fiber (principally raw wood and wood chips) and paperboard (principally cartonboard and cupstock). We also use commodity chemicals, steel and energy, including fuel oil, electricity, natural gas and coal, to manufacture our products. The prices for raw materials, particularly resins and aluminum, have fluctuated significantly in recent years.

Principal raw materials by segment are as follows (in order of cost significance):

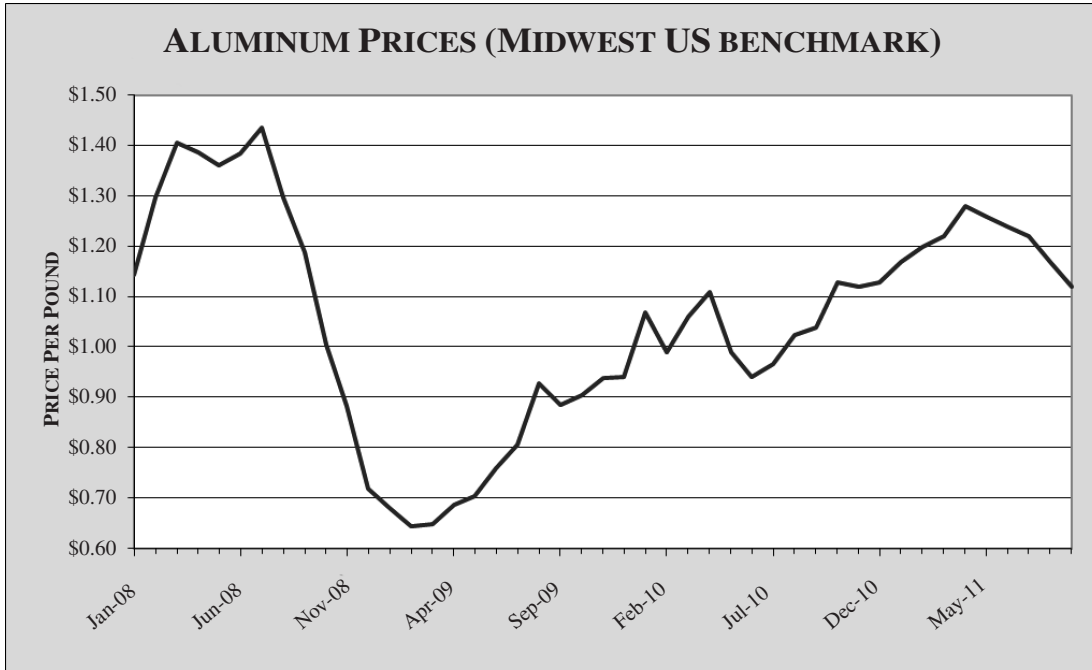
- SIG — cartonboard, resin, aluminum;
- Evergreen — fiber, resin;
- Closures — resin;
- Reynolds Consumer Products — resin, aluminum;
- Pactiv Foodservice — resin, aluminum, paperboard; and
- Graham Packaging — resin.

Historical index prices of resin, aluminum and paperboard from January 1, 2008 through September 30, 2011 are shown in the charts below. The following charts present index prices and do not represent the prices at which we purchased these raw materials.



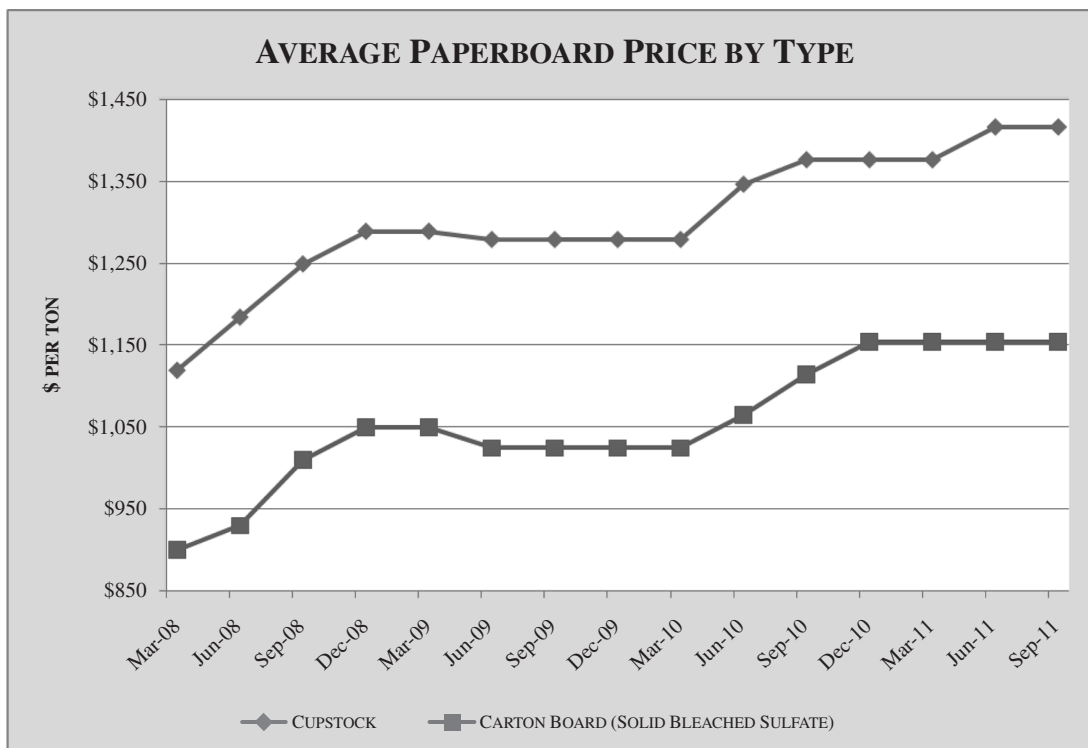
Source: Chemical Market Associates Inc.

Resin prices can fluctuate significantly with fluctuations in crude oil and natural gas prices, as well as changes in refining capacity and the demand for other petroleum-based products.



Source: Platts Metal Weekly

Aluminum prices have been historically volatile as aluminum is a cyclical commodity with prices subject to global market factors. These factors include speculative activities by market participants, production capacity, strength or weakness in key end markets such as housing and transportation, political and economic conditions and production costs in major production regions.



The prices of cupstock and cartonboard may fluctuate widely due to external conditions such as weather, product scarcity, currency and commodity market fluctuations and changes in governmental policies and regulations.

Purchases of most of our raw materials are based on negotiated rates with suppliers, which are tied to published indices. Typically, we do not enter into long-term purchase contracts that provide for fixed quantities or prices for our principal raw materials. However, our significant purchasing power enables us to optimize the prices we pay for our raw materials.

Changes in raw material prices impact our results of operations. Revenue is directly impacted by changes in raw material costs as a result of raw material cost pass-through mechanisms in many of the customer pricing agreements entered into by each of our segments other than SIG and branded products sold by our Reynolds Consumer Products segment. Generally, the contractual price adjustments do not occur simultaneously with commodity price fluctuations, but rather on a mutually agreed upon schedule. Due to differences in timing between purchases of raw materials and sales to customers, there is often a lead-lag effect, during which margins are negatively impacted in periods of rising raw material costs and positively impacted in periods of falling raw material costs. Historically, the average lag time in implementing raw material cost pass-through mechanisms (where contractually permitted) has been approximately three months.

The prices for some of our raw materials, particularly resins and aluminum, have fluctuated significantly in recent years. Prices for raw wood and wood chips fluctuate to a lesser extent than the prices of resins and aluminum. Raw wood and wood chips are typically purchased from sources close to our mills and, as a result, prices are established based on local conditions. Potential price fluctuations may occur due to poor weather conditions and local competitive conditions.

Volatility in resin, aluminum and paper prices has had an effect on our results of operations. Historically, raw material price increases have resulted in increases in cost of sales and any subsequent pass-through to customers has resulted in increases in revenue. Raw material cost decreases and any subsequent pass-through to customers have historically had an opposite effect on cost of sales and revenue.

Contracts for branded products sold by Reynolds Consumer Products do not contain raw material cost pass-through mechanisms. We use price increases, where possible, to mitigate the effects of raw material cost increases for customers that are not subject to raw material cost pass-through agreements.

Management expects continued volatility in raw material prices as a result of the continued uncertainty in the global economic environment, and such volatility may impact our results of operations. We continue to take steps to minimize the impact of the volatility of raw material prices through commodity hedging, fixed supplier pricing, reducing the lag time in contractual raw material cost pass-through mechanisms and entering into additional indexed customer contracts that include raw material cost pass-through provisions. While fluctuations in commodity costs can impact our working capital requirements, we do not expect commodity price volatility to significantly impact our financial condition given management's continuous efforts to minimize these impacts.

Our segments are also sensitive to energy-related cost movements, particularly those that affect transportation and utility costs. In particular, our Evergreen segment is susceptible to price fluctuations in natural gas, as it incurs significant natural gas costs to convert raw wood and wood chips to paper products and liquid packaging board. Historically, we have been able to mitigate the effect of higher energy-related costs with productivity improvements and other cost reductions.

Hedging Activities

Our business is exposed to commodity and other price risk principally from the purchase of resin, aluminum, natural gas, electricity and cartonboard. From time to time we enter into hedging agreements for some of our raw materials and energy sources to minimize the impact of price fluctuations. We use various strategies to manage cost exposures on certain raw material purchases with the objective of obtaining more predictable costs for these commodities. We generally enter into commodity financial instruments or derivatives to hedge commodity prices primarily related to aluminum, resin and natural gas, including resin futures, aluminum swaps and natural gas swaps.

Under our hedging policy, Reynolds Consumer Products may hedge a small portion of its aluminum and resin purchases for a short average term which we believe is appropriate for the business and is designed to reduce the impact of changing aluminum and resin prices on our results of operations. Pactiv Foodservice may selectively enter into aluminum hedges for short contract periods at the request of customers who want to mitigate the risk of changes in raw material costs in their purchase pricing. Aluminum hedging entered into by our Reynolds Consumer Products and Pactiv Foodservice segments had historically impacted our results of operations due to the volume of the derivative contracts entered into and the changes to the fair values of these contracts from period to period.

The realized gains or losses arising from derivative instruments are recognized in cost of sales while the unrealized gains or losses associated with derivative instruments are recognized in other income/expenses.

While we currently employ the hedging strategy discussed above, we may decide to increase or decrease our level of hedging depending on management's assessment of current market conditions.

Black Liquor Credit and Cellulosic Biofuel Producer Credits

Black Liquor Credit was an excise tax credit that benefited companies that used alternative fuel mixtures for energy production to operate their businesses in the United States. Black Liquor Credit, equal to \$0.50 per gallon of alternative fuel contained in the applicable mixture, was refundable to the taxpayer. In May 2009, Evergreen's application to register as an alternative fuel mixer at its Canton and Pine Bluff facilities was approved. For the year ended December 31, 2009, Evergreen filed claims for alternative fuel mixture credits covering eligible periods from January 2009 to December 2009, totaling \$235.0 million. As a result of these claims, for the year ended December 31, 2009, Evergreen recognized a reduction of \$214.1 million in its cost of sales, which equates to the claim value net of applicable expenses. The tax credit, as it related to alternative fuel mixtures, expired on December 31, 2009.

During 2010, the Internal Revenue Service issued an IRS General Counsel Memo which further clarified how to determine the volume of alternative fuel mixture used in the production process that qualified for the tax credit. Based on these clarifications and related studies commissioned by management, Evergreen determined that an additional claim was available related to the volume of Black Liquor during 2009. As a result of these claims, for the year ended December 31, 2010, Evergreen recognized a reduction of \$10.3 million in its cost of sales, which equates to the claim value net of applicable expenses.

On July 9, 2010, the IRS published Chief Counsel Advice Memorandum 2010-002, concluding that Black Liquor sold or used before January 1, 2010 qualifies for the Cellulosic Biofuel Producer Credits, or "CBPC." In October 2010, the IRS provided additional guidance on the qualification of CBPC. The CBPC is separate from the Black Liquor Credit recognized by Evergreen in 2009 and 2010. The CBPC allows for a tax credit equal to \$1.01 for each gallon of qualified biofuel produced and used by Evergreen and not claimed as a Black Liquor Credit. Based upon this guidance, it was determined that Evergreen qualified for the CBPC in regards to Black Liquor Credit produced in 2009 that was not included in the calculation of the original Black Liquor Credit. Evergreen recorded a \$29.3 million CBPC credit to income tax expense in 2010.

The benefits of the Black Liquor Credit were recognized in the results of operations for the years ended December 31, 2010 and December 31, 2009. The results for the nine month period ended September 30, 2011 are not impacted by the Black Liquor Credit and no impact is expected for future periods based on current US tax legislation.

Pricing and Product Mix

Our results of operations are impacted by changes in our pricing and product mix.

SIG

Carton sleeves comprise substantially all of SIG's sales. The sales mix of SIG's carton sleeve products has changed in recent years, and changes in product mix have had an impact on SIG's total revenue. Over the past few years, SIG increased sales volumes of smaller-size carton sleeves to its customers in the Asian markets and mid-size carton sleeves to its customers in the South American markets, where it has expanded its presence, while sales volumes of large-size and mid-size carton sleeves to its customers in established European markets have been stable.

Although the sales prices of SIG's carton sleeves differ depending upon the size of the sleeve, with smaller sleeve sizes having lower prices, standard gross profit margins are more or less consistent across all sleeve sizes.

SIG's overall operating margins for its aseptic packaging business have been under pressure due to increasing regional competition from the entry of new manufacturers in the aseptic packaging market and from the trend of substituting cartonboard packaging with PET packaging.

Further, as discussed under "— Key Factors Influencing Our Financial Condition and Results of Operations — Raw Materials and Energy Prices," SIG's contracts do not provide for price adjustment mechanisms to pass through changes in raw material prices to its customers. As a result, SIG's operating margins are negatively impacted during periods of raw material cost increases and positively impacted during periods of raw material cost decreases.

Evergreen

Evergreen's products include cartons, liquid packaging board and paper products, representing approximately 48%, 26% and 26%, respectively, of total Evergreen revenue for the year ended December 31, 2010.

Revenues and gross margins from Evergreen's carton and liquid packaging board are typically stable as the majority of customers have long term contracts, which help reduce sales volatility. Many carton and liquid packaging board sales contracts include raw material cost pass-through mechanisms that help reduce long term

sales volatility despite any short term impact on revenues and gross margins due to the lag time between the purchase of raw materials and the pass through of raw material price fluctuations to customers.

Paper products are generally not sold under contract agreements. Paper products' revenues and gross margins are subject to market conditions. As such, sales of paper products and the related gross margins can fluctuate from period to period.

Closures

Plastic closures comprise approximately 85% of Closures' revenue. Closures sells both short height one-piece and two-piece plastic closures. The short height closure is lighter in weight and liner-less, resulting in a lower cost structure when compared to the traditional standard height two-piece closure. Although prices are generally lower on the short height closures, the lighter weight and reduced material costs have resulted in higher operating margins for this product.

In an effort to increase customer conversion to short height closures and to gain market share, customer pricing was structured such that customers shared in a portion of the raw material cost savings. While Closures led the market on customer conversion to short height closures beginning in 2009, competitors quickly followed into this market. With increased competition, Closures has been facing downward pricing pressure as contracts are renewed.

Reynolds Consumer Products

Reynolds Consumer Products primarily produces waste and storage products, cooking products and tableware products, which would have represented approximately 37%, 30% and 29%, respectively, of Reynolds Consumer Products' pro forma revenue for the year ended December 31, 2010 as though Pactiv had been acquired on January 1, 2010. There is no significant difference in profit margins across the product lines sold by Reynolds Consumer Products. Some of Reynolds Consumer Products' customer contracts provide for raw material cost pass-through mechanisms on resin based products. These raw material cost pass-through mechanisms have partly compensated for the significant raw material price increases of the last two years. There is no pass-through mechanism for changes in the price of branded products produced by the Reynolds Consumer Products segment. However, Reynolds Consumer Products has used price increases from time to time to mitigate the effect of raw material cost increases on aluminum.

Pactiv Foodservice

Pactiv Foodservice produces, among other things, clear plastics, foam, tableware, specialty packaging, paper and aluminum products, which would have represented approximately 29%, 22%, 17%, 13%, 7% and 5%, respectively, of Pactiv Foodservice's pro forma revenue for the year ended December 31, 2010 as though Pactiv had been acquired on January 1, 2010. Pactiv Foodservice's domestic sales growth has been primarily driven by robust growth in strategic, value-added products and material types which has more than offset slight sales declines in mature product lines.

The majority of sales of Pactiv Foodservice's product lines are covered by agreements that include raw material cost pass-through mechanisms. The time periods for pricing adjustments vary with three months being the most common time period. Through these contracts and market-based price increases, Pactiv Foodservice has been able to offset most raw material cost increases.

Graham Packaging

Graham Packaging primarily produces packaging for food and beverages, households, automotive lubricants, and personal care/specialty, representing approximately 63%, 18%, 13% and 6%, respectively, of total annual revenue for the year ended December 31, 2010. The product category with the largest opportunity for growth is food and beverage, due to the industry's continued conversion to plastic packaging, including the demand for containers for juice and juice drinks, nutritional beverages, beer, yogurt drinks, liquor, teas, sports

drinks/isotonics, vitamin enhanced waters, snacks, sauces, jellies and jams. Much of the growth in this area in recent years has been in the sale of smaller sized containers.

The majority of sales of Graham Packaging's products are covered by agreements that include raw material cost pass-through mechanisms. The time periods for pricing adjustments vary with three months being the most common time period. Through these contracts and market-based price increases, Graham Packaging has been able to offset most raw material cost increases.

Effect of Currency Fluctuations

Our SIG, Closures, Pactiv Foodservice and Graham Packaging segments operate in a number of geographical areas and transact business in a range of currencies. As a result, these segments are affected more by currency fluctuations than our Evergreen and Reynolds Consumer Products segments, which predominantly operate in North America. In addition to the dollar, the currencies in which our transactions primarily are denominated are the euro, Swiss franc, Canadian dollar, Thai baht, Chinese yuan renminbi, Brazilian real, British pound, Japanese yen, Mexican peso, Polish zloty and New Zealand dollar. Exchange rate fluctuations can therefore either increase or decrease revenue and expense items when reported in dollars. For most financial periods, the impact on revenue due to fluctuations in exchange rates has been partially offset by the impact on expenses, as most of our business units incur revenue and expenses in their respective local currencies, creating a natural hedge to currency fluctuations.

Seasonality and Working Capital Fluctuations

Our business is impacted by seasonal fluctuations.

SIG

SIG's operations are moderately seasonal. SIG's customers are principally engaged in providing products such as beverages and food that are generally less sensitive to seasonal effects, although SIG experiences some seasonality as a result of increased consumption of juices and tea during the summer months in Europe. SIG therefore typically experiences a greater level of carton sleeve sales in the second and third quarters. Sales in the fourth quarter can increase due to additional purchases by customers prior to the end of the year to achieve annual volume rebates that SIG offers.

Evergreen

Evergreen's operations are moderately seasonal. Evergreen's customers are principally engaged in providing products that are generally less sensitive to seasonal effects, although Evergreen does experience some seasonality as a result of increased consumption of milk by school children during the North American academic year. Evergreen therefore typically experiences a greater level of carton product sales in the first and fourth quarters when North American schools are in session.

Closures

Closures' operations are moderately seasonal. Closures experiences some seasonality as a result of increased consumption of bottled beverages during the summer months. In order to avoid capacity shortfalls in the summer months, Closures' customers typically begin building inventories in advance of the summer season. Therefore, Closures typically experiences a greater level of closure sales in the second and third quarters in the Northern Hemisphere, which represented 82% of total revenue in 2010, and in the fourth and first quarters in the Southern Hemisphere, which represented 18% of total revenue in 2010.

Reynolds Consumer Products

Reynolds Consumer Products' operations are moderately seasonal based on the different product lines. Sales in cooking products are typically higher in the fourth quarter of the year, primarily due to the holiday use of Reynolds Wrap foil and cooking products, Reynolds Oven Bags and Reynolds Parchment Paper. Sales

in waste and storage products are typically higher in the second half of the year in North America, coinciding with the harvest season and outdoor fall cleanup.

Pactiv Foodservice

Pactiv Foodservice's operations are moderately seasonal, peaking during the summer and fall months in the Northern Hemisphere when the favorable weather, harvest, and upcoming holiday season lead to increased consumption. Pactiv Foodservice therefore typically experiences a greater level of sales in the second through fourth quarters.

Graham Packaging

Graham Packaging's operations historically have not been seasonal.

Results of Operations

The following discussion should be read in conjunction with our financial statements included elsewhere in this prospectus. Detailed comparisons of revenue and results are presented in the discussions of the operating segments, which follow the RGHL Group results discussion. Results for interim periods may not be indicative of the results for the full year.

Nine Month Period Ended September 30, 2011 Compared with the Nine Month Period Ended September 30, 2010

Reynolds Group Holdings Limited

	For the Nine Months Ended September 30,					
	2011(1)	% of Revenue	2010(2)	% of Revenue	Change	% Change
	<i>(in \$ million, except for %)</i>					
Revenue	8,279.4	100.0%	4,596.7	100.0%	3,682.7	80.1%
Cost of sales	<u>(6,825.1)</u>	(82.4)%	<u>(3,741.7)</u>	(81.4)%	(3,083.4)	82.4%
Gross profit	1,454.3	17.6%	855.0	18.6%	599.3	70.1%
Other income	67.8	0.8%	72.0	1.6%	(4.2)	(5.8)%
Selling, marketing and distribution expenses/General and administration expenses	(702.0)	(8.5)%	(423.4)	(9.2)%	(278.6)	65.8%
Other expenses	(224.3)	(2.7)%	(42.0)	(0.9)%	(182.3)	434.0%
Share of profit of associates and joint ventures, net of income tax	13.5	0.2%	13.2	0.3%	0.3	2.3%
Profit from operating activities	609.3	7.4%	474.8	10.3%	134.5	28.3%
Financial income	31.6	0.4%	16.5	0.4%	15.1	91.5%
Financial expenses	<u>(1,085.8)</u>	(13.1)%	<u>(456.2)</u>	(9.9)%	(629.6)	138.0%
Net financial expenses	(1,054.2)	(12.7)%	(439.7)	(9.6)%	(614.5)	139.8%
Profit (loss) before income tax	(444.9)	(5.4)%	35.1	0.8%	(480.0)	(1,367.5)%
Income tax benefit (expense)	<u>62.0</u>	0.7%	<u>(71.1)</u>	(1.5)%	133.1	NM
Loss after income tax	(382.9)	(4.6)%	(36.0)	(0.8)%	(346.9)	963.6%
Depreciation and amortization	647.8	7.8%	341.9	7.4%	305.9	89.5%
RGHL Group EBITDA(3)	1,257.1	15.2%	816.7	17.8%	440.4	53.9%
RGHL Group Adjusted EBITDA(3)	1,456.1	17.6%	818.6	17.8%	637.5	77.9%

(1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2011, the results of Graham Packaging from

September 8, 2011 to September 30, 2011 and the results of Dopaco from May 2, 2011 to September 30, 2011. Reynolds Consumer Products and Pactiv Foodservice include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the nine months ended September 30, 2011.

- (2) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2010. Reynolds Consumer Products and Pactiv Foodservice do not include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the nine months ended September 30, 2010 as those businesses were acquired on November 16, 2010. The results of Graham Packaging and Dopaco are not included as those businesses were acquired on September 8, 2011 and May 2, 2011, respectively.
- (3) RGHL Group EBITDA is defined as profit (loss) from continuing operations for the period plus income tax expenses, net financial expenses, depreciation of property, plant and equipment and investment properties and amortization of intangible assets. RGHL Group Adjusted EBITDA, a measure used by our management to measure operating performance, is defined as RGHL Group EBITDA, adjusted to exclude certain items of a significant or unusual nature, including but not limited to acquisition costs, non-cash pension income, restructuring costs, unrealized gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs and equity method profit not distributed in cash. EBITDA and Adjusted EBITDA are not presentations made in accordance with IFRS, are not measures of financial condition, liquidity or profitability and should not be considered as an alternative to profit from operations for the period determined in accordance with IFRS or operating cash flows determined in accordance with IFRS. The determination of Adjusted EBITDA contains a number of estimates and assumptions that may prove to be incorrect and differ materially from actual results. Refer to “Risk Factors.” Additionally, RGHL Group EBITDA and RGHL Group Adjusted EBITDA are not intended to be measures of free cash flow for management’s discretionary use, as they do not take into account certain items such as interest and principal payments on our indebtedness, working capital needs, tax payments, and capital expenditures. We believe that the inclusion of EBITDA and Adjusted EBITDA in this prospectus is appropriate to provide additional information to investors about our operating performance and to provide a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. We additionally believe that issuers of high yield debt securities also present EBITDA and Adjusted EBITDA because investors, analysts and rating agencies consider these measures useful. Because not all companies calculate EBITDA and Adjusted EBITDA identically, this presentation of EBITDA and Adjusted EBITDA may not be comparable to the similarly titled measures of other companies.

As more fully described under “— Overview — Recent Acquisitions and Integration,” we acquired Graham Packaging on September 8, 2011. The results of operations of Graham Packaging have been included in the RGHL Group’s results of operations as a separate segment since the consummation of the Graham Packaging Acquisition. For the nine months ended September 30, 2011, Graham Packaging’s revenues, loss from operating activities, EBITDA and Adjusted EBITDA included as a separate segment in the RGHL Group’s results were \$256.1 million, \$23.9 million, \$1.7 million and \$41.3 million, respectively.

We acquired Pactiv on November 16, 2010. The operating results of Pactiv’s consumer products and foodservice packaging businesses have been combined with the operating results of our Reynolds Consumer Products and Pactiv Foodservice segments, respectively, since the consummation of the Pactiv Acquisition. As the products and systems of these businesses are now integrated within each related segment, we are unable to quantify the results of the acquired businesses on a standalone basis for the nine months ended September 30, 2011. However, we have in a number of instances provided Pactiv’s results for the nine months ended September 30, 2010 to illustrate the magnitude of the impact that the Pactiv Acquisition may have had on our results of operations for the nine months ended September 30, 2011. For the nine months ended September 30, 2010, Pactiv’s revenue, profit from operating activities, EBITDA and Adjusted EBITDA were \$2,716.1 million, \$365.7 million, \$510.8 million and \$489.0 million, respectively. These amounts include IFRS adjustments to Pactiv’s historical results that were previously reported under U.S. GAAP. In addition, the operating results of Dopaco have been combined with the operating results of our Pactiv Foodservice segment

since May 2, 2011, the date of the Dopaco Acquisition. For the period from May 2, 2011 to September 30, 2011, Dopaco's revenues, profit from operating activities, EBITDA and Adjusted EBITDA included in the results of the Pactiv Foodservice segment were \$205.7 million, \$7.3 million, \$11.7 million and \$28.1 million, respectively. For further details on the above acquisitions, refer to note 18 of the RGHL Group's unaudited interim condensed financial statements as of September 30, 2011 and for the nine month periods ended September 30, 2010 and 2011, included elsewhere in this prospectus.

Revenue. Revenue increased by \$3,682.7 million, or 80.1%, to \$8,279.4 million for the nine months ended September 30, 2011 compared to \$4,596.7 million for the nine months ended September 30, 2010. The increase was largely attributable to incremental revenue generated from the operations of Pactiv, Dopaco and Graham Packaging, as well as higher revenue across all the segments. For a detailed explanation of the variations in revenue for each of our segments, see the individual segment discussions below.

Cost of Sales. Cost of sales increased by \$3,083.4 million, or 82.4%, to \$6,825.1 million for the nine months ended September 30, 2011 compared to \$3,741.7 million for the nine months ended September 30, 2010. The increase in cost of sales was largely attributable to incremental cost of sales generated from the operations of Pactiv, Dopaco and Graham Packaging. In addition, cost of sales increased due to the purchase price accounting adjustments of \$32.0 million for inventories acquired, attributable to the operations of Dopaco and Graham Packaging. Increases in the cost of sales within the SIG, Closures and Reynolds Consumer Products segments were primarily driven by higher raw material costs that were not passed through to customers. These increases were partially offset by a decrease at Evergreen due to lower sales volume and a decrease at Pactiv Foodservice due to benefits from synergies and improved operational performance. For a detailed explanation of the variations in cost of sales for each of our segments, see the individual segment discussions below.

Gross Profit. Gross profit increased by \$599.3 million, or 70.1% to \$1,454.3 million for the nine months ended September 30, 2011 compared to \$855.0 million for the nine months ended September 30, 2010. However, gross profit margin decreased to 17.6% for the nine months ended September 30, 2011 compared to 18.6% for the for the nine months ended September 30, 2010. The increase in gross profit was largely attributable to incremental gross profit generated by the acquired operations of Pactiv, Dopaco and Graham Packaging, partially offset by the purchase price accounting adjustments. The decrease in gross profit margin was mainly attributable to the SIG, Closures and Reynolds Consumer Products segments, offset by increases in gross profit margin in the Evergreen and Pactiv Foodservice segments. For a detailed explanation of the variations in gross profit and gross profit margin for each of our segments, see the individual segment discussions below.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$278.6 million, or 65.8%, to \$702.0 million for the nine months ended September 30, 2011 compared to \$423.4 million for the nine months ended September 30, 2010. The increase in expenses was primarily attributable to the operations of Pactiv, Dopaco and Graham Packaging, partially offset by an increase in pension income of \$30.8 million and a \$17.6 million gain recorded in September 2011 from the modification of retiree medical plan benefits. For a detailed explanation of the variations in selling, marketing and distribution expenses and general and administration expenses for each of our segments, see the individual segment discussions below.

Net Other Income and Other Expense. Net other income decreased by \$186.5 million to net other expense of \$156.5 million for the nine months ended September 30, 2011 compared to net other income of \$30.0 million for the nine months ended September 30, 2010. This decline in net other income was primarily attributable to a \$74.3 million increase in business restructuring costs related to severance, a \$51.6 million increase in business acquisition and integration costs, a \$25.1 million increase in consultancy costs on operational process engineering projects and an increase of \$24.6 million of unrealized losses on open hedge positions for the nine months ended September 30, 2011 compared to unrealized gains for the nine months ended September 30, 2010. For a detailed explanation of the variations in other income and other expenses for each of our segments, see the individual segment discussions below.

Net Financial Expenses. Net financial expenses increased by \$614.5 million, or 139.8%, to \$1,054.2 million for the nine months ended September 30, 2011 compared to \$439.7 million for the nine months ended September 30, 2010. The increase was largely related to an increase in interest expense of \$453.7 million due to increases in the principal amount of the RGHL Group's fixed and floating rate borrowings of \$9,390.0 million and \$2,569.7 million, respectively, as of September 30, 2011 compared to September 30, 2010. Interest rate changes on the floating rate borrowings had no significant impact on net financial expenses for the nine month period ended September 30, 2011. Our total borrowings (net of original issue discount, unamortized debt issuance costs and embedded derivatives) as of September 30, 2011 were \$17,772.8 million compared to \$11,842.6 million as of December 30, 2010 and \$5,918.9 million as of September 30, 2010. The increase in net financial expenses for the period also included an \$85.6 million increase in the unrealized net loss from the change in fair values of derivatives, an increase of \$116.0 million in the amortization of debt issuance costs and a \$35.8 million write-off of original issuance costs related to the Original Senior Secured Credit Facilities that were extinguished. These were partially offset by a \$74.5 million increase in foreign exchange gain resulting from borrowings denominated in currencies other than the functional currency of the borrowers or issuers. We are primarily exposed to foreign exchange risk that impacts the reported financial income or financial expenses of the RGHL Group as a result of the remeasurement at each balance sheet date of indebtedness that is denominated in currencies other than the functional currencies of the respective issuers or borrowers.

As of September 30, 2011, the RGHL Group had dollar denominated external borrowings of \$1,582.7 million held by entities whose functional currency was the euro (\$1,582.7 million as of December 31, 2010 and \$857.7 million as of September 30, 2010). As a result of the changes in the prevailing foreign exchange rates, the RGHL Group recognized a foreign exchange gain in connection with such borrowings during the nine months ended September 30, 2010 and recognized a foreign exchange loss during the nine months ended September 30, 2011. For more information regarding the RGHL Group's financial expenses and borrowings, refer to notes 9 and 14, respectively, of the RGHL Group's unaudited interim condensed financial statements as of September 30, 2011 and for the nine month periods ended September 30, 2010 and 2011, included elsewhere in this prospectus. For more information regarding the sensitivity of the foreign exchange gains and losses on the borrowings, refer to "— Qualitative and Quantitative Disclosure about Market Risk — Foreign Currency Exchange Rate Risk."

Income Tax Expense. Income tax expense decreased by \$133.1 million to an income tax benefit of \$62.0 million on a loss before income tax of \$444.9 million for the nine months ended September 30, 2011 compared to an income tax expense of \$71.1 million on a profit before income tax of \$35.1 million for the nine months ended September 30, 2010. The tax benefit rate of 13.9% for the nine month period ended September 30, 2011, was primarily due to an increase in the amount of losses in certain jurisdictions for which no tax benefit was recognized in the period due to the inability of certain subsidiaries to claim deductions for certain expense items, such as interest and other associated financing costs and non-deductible acquisition costs, due to local jurisdiction limitations in which the RGHL Group operates. For a reconciliation of the effective tax rate, refer to note 10 of the RGHL Group's unaudited interim condensed financial statements as of September 30, 2011 and for the nine month periods ended September 30, 2010 and 2011, included elsewhere in this prospectus.

Depreciation and Amortization. Depreciation of property, plant and equipment and investment properties and amortization of intangible assets increased by \$305.9 million, or 89.5%, to \$647.8 million for the nine months ended September 30, 2011 compared to \$341.9 million for the nine months ended September 30, 2010, primarily due to additional depreciation and amortization expense from the Pactiv Acquisition, the Dopaco Acquisition and the Graham Packaging Acquisition.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 were \$609.3 million, \$1,257.1 million and \$1,456.1 million, respectively, compared to \$474.8 million, \$816.7 million and \$818.6 million, respectively, for the nine months ended September 30, 2010.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 and September 30, 2010 for the RGHL Group is as follows:

	For the Nine Months Ended September 30,	
	2011(1)	2010(2)
	(In \$ million)	
Profit from operating activities	609.3	474.8
Depreciation and amortization	<u>647.8</u>	<u>341.9</u>
EBITDA	1,257.1	816.7
Included in the RGHL Group EBITDA:		
Adjustment related to settlement of a lease obligation	—	(1.6)
Asset impairment charges	10.5	5.7
Black Liquor Credit	—	(0.3)
Business acquisition and integration costs	56.0	4.4
Business interruption costs	1.9	2.1
Change of control payments	12.2	—
CSI Americas gain on acquisition	—	(9.8)
Equity method profit not distributed in cash	(8.3)	(10.3)
Gain from modification of retiree medical plan benefits	(17.6)	—
Gain on sale of businesses	(5.2)	(11.4)
Gain on sale of investment properties	—	(1.7)
Impact of purchase price accounting on inventories and leases	30.8	—
Non-cash inventory charge	3.6	—
Non-cash pension income	(30.8)	—
Operational process engineering-related consultancy costs	34.1	9.0
Related party management fees	—	0.8
Restructuring costs	79.6	5.3
SEC registration costs	1.6	—
Unrealized loss on derivatives	25.0	0.4
VAT and customs duties on historical imports	<u>5.6</u>	<u>9.3</u>
RGHL Group Adjusted EBITDA	<u>1,456.1</u>	<u>818.6</u>
Segment detail of Adjusted EBITDA:		
SIG	335.9	364.6
Evergreen	162.2	140.2
Closures	150.2	134.8
Reynolds Consumer Products	382.2	160.6
Pactiv Foodservice	405.1	23.1
Graham Packaging	41.3	—
Corporate/unallocated	<u>(20.8)</u>	<u>(4.7)</u>
RGHL Group Adjusted EBITDA	<u>1,456.1</u>	<u>818.6</u>

(1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2011, the results of Graham Packaging from September 8, 2011 to September 30, 2011 and the results of Dopaco from May 2, 2011 to September 30, 2011. Reynolds Consumer Products and Pactiv Foodservice include the results of operations of the Hefty

consumer products and Pactiv foodservice packaging businesses, respectively, for the nine months ended September 30, 2011.

- (2) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2010. Reynolds Consumer Products and Pactiv Foodservice do not include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the nine months ended September 30, 2010 as those businesses were acquired on November 16, 2010. The results of Graham Packaging and Dopaco are not included as these businesses were acquired on September 8, 2011 and May 2, 2011, respectively.

SIG Segment

	<u>For the Nine Months Ended September 30,</u>					
	<u>2011</u>	<u>% of Segment Revenue</u>	<u>2010</u>	<u>% of Segment Revenue</u>	<u>Change</u>	<u>% Change</u>
	<u>(In \$ million, except for %)</u>					
Segment revenue	1,498.3	100.0%	1,326.0	100.0%	172.3	13.0%
Cost of sales	(1,189.5)	(79.4)%	(986.4)	(74.4)%	(203.1)	20.6%
Gross profit	308.8	20.6%	339.6	25.6%	(30.8)	(9.1)%
Selling, marketing and distribution expenses/General and administration expenses	(192.7)	(12.9)%	(175.4)	(13.2)%	(17.3)	9.9%
Net other income (expenses)	8.6	0.6%	3.5	0.3%	5.1	145.7%
Profit from operating activities	136.9	9.1%	179.3	13.5%	(42.4)	(23.6)%
SIG segment EBITDA	330.1	22.0%	356.1	26.9%	(26.0)	(7.3)%
SIG segment Adjusted EBITDA	335.9	22.4%	364.6	27.5%	(28.7)	(7.9)%

Revenue. Revenue increased by \$172.3 million, or 13.0%, to \$1,498.3 million for the nine months ended September 30, 2011 compared to \$1,326.0 million for the nine months ended September 30, 2010. As discussed in more detail below, the increase in revenue was attributable to a \$118.8 million increase from higher sales volumes outside of Europe, incremental revenue of \$25.7 million generated from the operations of the Whakatane paper mill, which was acquired in May 2010, and a favorable foreign currency impact of \$89 million largely due to the strengthening of the euro against the dollar. These increases were partially offset by \$60.8 million of lower average prices due to increasing regional competition with the entry of new manufacturers in the aseptic packaging market and due to the lower pricing for the growing smaller sleeve formats, particularly in China.

Revenue in Europe increased by \$41.7 million, or 5.3%, to \$835.6 million for the nine months ended September 30, 2011 compared to \$793.9 million for the nine months ended September 30, 2010 driven by a favorable foreign currency impact of \$53 million due to the strengthening of the euro against the dollar. Excluding this foreign currency impact, revenue declined by \$10.9 million, mainly in the Eastern European market due to the transfer of SIG's business in Turkey to our joint venture in the Middle East.

Revenue in the rest of the world increased by \$130.6 million, or 24.5%, to \$662.7 million for the nine months ended September 30, 2011 compared to \$532.1 million for the nine months ended September 30, 2010. Revenue increased by \$68.9 million primarily related to higher volumes due to market growth in China and gains in market share in Brazil, South Asia, North America and the Middle East. As a result of increased demand for aseptic packaging products, we expanded our plant in China and constructed a new plant in Brazil. Despite volume growth, revenue was negatively impacted by lower pricing in Asia, mainly China, due to increased regional competition with the entry of new manufacturers in the aseptic packaging market and due to the lower pricing for the smaller sleeve formats. In addition, revenue increased by \$36 million due to favorable foreign currency impacts, largely due to the strengthening of the Chinese yuan renminbi, Brazilian real, Thai baht and New Zealand dollar against the dollar, and by \$25.7 million of incremental revenue generated from the operations of the Whakatane paper mill.

Cost of Sales. Cost of sales increased by \$203.1 million, or 20.6%, to \$1,189.5 million for the nine months ended September 30, 2011 compared to \$986.4 million for the nine months ended September 30, 2010. The increase in cost of sales was mainly attributable to a \$62.3 million increase related to higher sales volume and a \$75.7 million increase in raw material costs, primarily resin and aluminum. For the nine month periods ended September 30, 2011 and 2010, raw material costs accounted for 66% and 63% of SIG's cost of sales, respectively. Unfavorable foreign currency impacts due to the strengthening of the euro against the dollar also increased cost of sales by \$66 million.

Gross Profit. Gross profit decreased by \$30.8 million, or 9.1%, to \$308.8 million for the nine months ended September 30, 2011 compared to \$339.6 million for the nine months ended September 30, 2010 and gross profit margin decreased to 20.6% for the nine months ended September 30, 2011 compared to 25.6% for the nine months ended September 30, 2010. The decrease in gross profit and gross profit margin is primarily due to the increase in raw material costs, mainly resin and aluminum, which SIG has not been able to pass through to its customers. The increase in raw material costs accounted for approximately 5.3 percentage points of the gross profit margin decline.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$17.3 million, or 9.9%, to \$192.7 million for the nine months ended September 30, 2011 compared to \$175.4 million for the nine months ended September 30, 2010, primarily due to a total \$13 million impact of unfavorable foreign currency exchange rates, of which \$10 million related to the strengthening of the euro against the dollar. The remaining increase is mainly a result of market expansion in China and Brazil.

Other. Net other income increased by \$5.1 million to \$8.6 million for the nine months ended September 30, 2011 compared to \$3.5 million for the nine months ended September 30, 2010. The increase is mainly due to a decline in restructuring expenses related to redundancy and related consulting costs.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 were \$136.9 million, \$330.1 million and \$335.9 million, respectively, compared to \$179.3 million, \$356.1 million and \$364.6 million, respectively, for the nine months ended September 30, 2010.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 and September 30, 2010 for our SIG segment is as follows:

	For the Nine Months Ended September 30,	
	2011	2010
	(In \$ million)	
Profit from operating activities	136.9	179.3
Depreciation and amortization	193.2	176.8
EBITDA	330.1	356.1
Included in SIG segment EBITDA:		
Asset impairment charges	4.4	—
Business interruption costs	2.3	—
Equity method profit not distributed in cash	(7.0)	(8.7)
Gain on sale of investment property	—	(1.7)
Restructuring costs	0.7	9.0
Unrealized (gain) loss on derivatives	(0.2)	0.6
VAT and customs duties on historical imports	5.6	9.3
SIG segment Adjusted EBITDA	335.9	364.6

Evergreen Segment

	For the Nine Months Ended September 30,					
	2011	% of Segment Revenue	2010	% of Segment Revenue	Change	% Change
	(In \$ million, except for %)					
Segment revenue	1,197.1	100.0%	1,173.7	100.0%	23.4	2.0%
Cost of sales	(1,036.3)	(86.6)%	(1,038.3)	(88.5)%	2.5	(0.2)%
Gross profit	160.8	13.4%	134.9	11.5%	25.9	19.2%
Selling, marketing and distribution expenses/General and administration expenses	(71.2)	(5.9)%	(62.1)	(5.3)%	(9.1)	14.7%
Net other income (expenses)	28.0	2.3%	17.2	1.5%	10.8	62.8%
Profit from operating activities	119.0	9.9%	91.6	7.8%	27.4	29.9%
Evergreen segment EBITDA	163.3	13.6%	137.5	11.7%	25.8	18.8%
Evergreen segment Adjusted EBITDA	162.2	13.5%	140.2	11.9%	22.0	15.7%

Revenue. Revenue increased by \$23.4 million, or 2.0%, to \$1,197.1 million for the nine months ended September 30, 2011 compared to \$1,173.7 million for nine months ended September 30, 2010. This increase was largely attributable to a \$15.4 million increase in external sales of liquid packaging board and an increase of \$26.0 million in sales of cartons, partially offset by an \$18.0 million decrease in sales of paper products. The increase in sales of liquid packaging board is due to higher sales prices of \$17.8 million as a result of the pass through of raw material price fluctuations to customers, partially offset by an impact of \$2.4 million attributable to lower sales volumes. The increase in sales of cartons is due to \$16.7 million in higher prices as a result of the pass through of raw material cost increases to customers and \$9.3 million in higher volume due to overall higher demand. The decline in sales of paper products is comprised of a decrease of \$34.5 million due to lower sales volumes attributable to lower demand in the market, which was offset by an increase of \$16.5 million as pricing improved in the current period.

Cost of Sales. Cost of sales decreased by \$2.5 million, or 0.2%, to \$1,036.3 million for the nine months ended September 30, 2011 compared to \$1,038.8 million for the nine months ended September 30, 2010. This decrease in cost of sales was mainly due to a \$48.5 million decrease related to lower sales volume in liquid packaging board and paper products, partially offset by a \$46 million increase in raw material costs, primarily resin, and other input costs, primarily specialty chemicals. For the nine month periods ended September 30, 2011 and 2010, raw material costs accounted for 44% and 41% of Evergreen's cost of sales, respectively.

Gross Profit. Gross profit increased by \$25.9 million, or 19.2%, to \$160.8 million for the nine months ended September 30, 2011 compared to \$134.9 million for the nine months ended September 30, 2010 and gross profit margin increased to 13.4% for the nine months ended September 30, 2011 compared to 11.5% for the nine months ended September 30, 2010. The increase in gross profit and gross profit margin was largely due to higher sales prices, partially offset by higher costs for raw materials and other input costs as a result of the lag time between the purchase of raw materials by Evergreen and the pass through of raw material price fluctuations to customers.

Evergreen's gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including wood fiber, resin and commodity chemicals, and energy, including fuel oil, electricity, natural gas and coal. Evergreen purchases most of its raw materials and other input costs on the spot market and generally cannot immediately pass through price increases or declines to its customers because the contractual price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. Due to the differences in timing between Evergreen's purchases of raw materials from its suppliers and sales to its customers, there is often a lead-lag impact, with margins being negatively impacted in periods of rising raw material prices and positively impacted in periods of falling raw material prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$9.1 million, or 14.7%, to \$71.2 million for the nine months ended September 30, 2011 compared to \$62.1 million for the nine months ended September 30, 2010, primarily due to \$5.4 million of higher compensation costs and increased spending of \$4.1 million on marketing and new product development.

Other. Other income increased by \$10.8 million, or 62.8%, to \$28.0 million for the nine months ended September 30, 2011 compared to \$17.2 million for the nine months ended September 30, 2010, primarily due to increases in scrap sales of \$4.0 million and landfill tipping fees of \$4.5 million earned in 2011.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 were \$119.0 million, \$163.3 million and \$162.2 million, respectively, compared to \$91.6 million, \$137.5 million and \$140.2 million, respectively, for the nine months ended September 30, 2010.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 and September 30, 2010 for our Evergreen segment is as follows:

	For the Nine Months Ended September 30,	
	2011	2010
	(In \$ million)	
Profit from operating activities	119.0	91.6
Depreciation and amortization	<u>44.3</u>	<u>45.9</u>
EBITDA	163.3	137.5
Included in Evergreen segment EBITDA:		
Black Liquor Credit	—	(0.3)
Business acquisition and integration costs	—	1.4
Equity method profit not distributed in cash	(1.4)	(1.6)
Gain on sale of businesses	—	(2.1)
Operational process engineering-related consultancy costs	—	2.6
Related party management fees	—	0.8
Restructuring recoveries	(0.1)	—
Unrealized loss on derivatives	<u>0.4</u>	<u>1.9</u>
Evergreen segment Adjusted EBITDA	<u>162.2</u>	<u>140.2</u>

Closures Segment

	For the Nine Months Ended September 30,					
	2011	% of Segment Revenue	2010	% of Segment Revenue	Change	% Change
	(In \$ million, except for %)					
Segment revenue	1,025.6	100.0%	888.4	100.0%	137.2	15.4%
Cost of sales	(864.5)	(84.3)%	(743.2)	(83.7)%	(121.3)	16.3%
Gross profit	161.1	15.7%	145.2	16.3%	15.9	11.0%
Selling, marketing and distribution expenses/General and administration expenses	(70.6)	(6.9)%	(70.6)	(7.9)%	—	—
Net other income (expenses)	1.9	0.2%	5.9	0.7%	(4.0)	(67.8)%
Profit from operating activities	92.3	9.0%	80.5	9.1%	11.8	14.7%
Closures segment EBITDA	150.7	14.7%	139.4	15.7%	11.3	8.1%
Closures segment Adjusted EBITDA	150.2	14.6%	134.8	15.2%	15.4	11.4%

Revenue. Revenue increased by \$137.2 million, or 15.4%, to \$1,025.6 million for the nine months ended September 30, 2011 compared to \$888.4 million for the nine months ended September 30, 2010. As discussed in more detail below, \$73.4 million of this increase in revenue was due to increased sales volumes, primarily attributable to market growth in China, market penetration in Japan following the recovery from the natural disaster in March 2011 and incremental revenue in North America related to CSI Americas which we acquired in February 2010. Favorable foreign currency exchange rates also increased revenue by \$47 million, primarily due to the strengthening of the Japanese yen, Mexican peso, euro and Brazilian real against the dollar.

Closures' revenue is also impacted by changes in product mix and pricing related to the pass-through of resin price increases to customers. Within its beverage caps and closures market, Closures sells both a short height closure and a traditional two-piece closure. Prices are generally lower on the short height closure compared to the traditional two-piece closure, therefore product mix in the period directly impacts revenue. In addition, contractual price adjustments with customers do not occur simultaneously with actual resin purchase price fluctuations, but rather on a monthly, quarterly, semi-annual or other basis. Therefore, due to the differences in timing between Closures' purchase of resin from its suppliers and sales of closures to its customers, pricing related to the pass-through of resin price fluctuations to customers also directly impacts revenue. The net increase in revenue as a result of changes in product mix and pricing related to the pass-through of resin price increases to customers was \$16.6 million.

Revenue from North America increased by \$73.7 million, or 20.6%, to \$431.4 million for the nine months ended September 30, 2011 compared to \$357.7 million for the nine months ended September 30, 2010. Higher sales volumes, primarily due to growth in market share, contributed \$49.2 million to the increase in revenue. The growth in market share was primarily due to the CSI Americas acquisition in February 2010 and additional market share gained from existing competitors. Favorable foreign currency exchange rates also increased revenue by \$8 million, primarily due to the strengthening of the Mexican peso against the dollar. The net increase in revenue as a result of changes in product mix and pricing related to the pass-through of resin price increases to customers was \$16.8 million.

Revenue from the rest of the world increased by \$63.5 million, or 12.0%, to \$594.2 million for the nine months ended September 30, 2011 compared to \$530.7 million for the nine months ended September 30, 2010. Higher sales volumes, primarily due to growth in market share in China and market penetration in Japan following the recovery from the natural disaster in March 2011, contributed \$20.3 million to the increase in revenue. Favorable foreign currency exchange rates also contributed \$39 million to the increase in revenue, which was primarily due to the strengthening of the Japanese yen, euro and Brazilian real against the dollar. The net increase in revenue as a result of changes in product mix, and pricing related to the pass-through of resin price increases to customers, was \$3.7 million.

Cost of Sales. Cost of sales increased by \$121.3 million, or 16.3%, to \$864.5 million for the nine months ended September 30, 2011 compared to \$743.2 million for the nine months ended September 30, 2010. Increased sales volumes, as discussed above, increased cost of sales by \$58.0 million. In addition, unfavorable foreign currency exchange rates, primarily due to the strengthening of the Japanese yen, Mexican peso, euro, and Brazilian real against the dollar, increased cost of sales by \$41 million. The net increase in cost of sales as a result of changes in product mix and raw material costs was \$24.4 million. Raw materials costs, primarily resin, increased by \$96.1 million for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. For the nine month periods ended September 30, 2011 and 2010, raw material costs accounted for 63% and 60% of Closures' cost of sales, respectively.

Gross Profit. Gross profit increased by \$15.9 million, or 11.0%, to \$161.1 million for the nine months ended September 30, 2011 compared to \$145.2 million for the nine months ended September 30, 2010 and gross profit margin decreased to 15.7% for the nine months ended September 30, 2011 compared to 16.3% for the nine months ended September 30, 2010.

Higher sales volumes, primarily due to growth in market share, increased gross profit by \$15.4 million. In addition, favorable foreign currency exchange rates also increased gross profit by \$6 million primarily due to the strengthening of the Japanese yen, Mexican peso, euro and Brazilian real against the dollar. These increases were partially offset by the impact of increased raw material costs and the lag in the pass-through of resin price increases to customers as discussed above.

Gross profit margin decreased primarily due to the increase in raw material costs and the lag in the pass-through of resin price increases to customers as discussed above.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses remained relatively flat at \$70.6 million for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

Other. Other income decreased by \$4.0 million, or 67.8%, to \$1.9 million for the nine months ended September 30, 2011 compared to \$5.9 million for the nine months ended September 30, 2010. For the nine months ended September 30, 2011, other income included a gain of \$5.2 million on the sale of one of Closures' European businesses and \$3.3 million of restructuring costs, primarily related to the restructuring of Closures' business in Germany and the consolidation of one plant in North America. The results of operations for the nine months ended September 30, 2010 included a gain on acquisition of \$9.8 million from the purchase of CSI Americas in February 2010 and \$1.4 million of restructuring costs. These items have been included in the segment's Adjusted EBITDA calculation.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 were \$92.3 million, \$150.7 million and \$150.2 million, respectively, compared to \$80.5 million, \$139.4 million and \$134.8 million, respectively, for the nine months ended September 30, 2010.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 and September 30, 2010 for our Closures segment is as follows:

	<u>For the Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
	(In \$ million)	
Profit from operating activities	92.3	80.5
Depreciation and amortization	58.4	58.9
EBITDA	150.7	139.4
Included in Closures segment EBITDA:		
Business acquisition and integration costs	—	1.0
Business interruption costs	0.4	2.1
CSI Americas gain on acquisition	—	(9.8)
Equity method losses not distributed in cash	0.1	—
Gain on sale of businesses	(5.2)	—
Restructuring costs	3.3	1.4
Unrealized loss on derivatives	0.9	0.7
Closures segment Adjusted EBITDA	<u>150.2</u>	<u>134.8</u>

Reynolds Consumer Products Segment

	<u>For the Nine Months Ended September 30,</u>					
	<u>2011</u>	<u>% of Segment Revenue</u>	<u>2010</u>	<u>% of Segment Revenue</u>	<u>Change</u>	<u>% Change</u>
	(In \$ million, except for %)					
Segment revenue	1,851.2	100.0%	840.2	100.0%	1,011.0	120.3%
Cost of sales	(1,424.6)	(77.0)%	(641.2)	(76.3)%	(783.4)	122.2%
Gross profit	426.6	23.0%	199.0	23.7%	227.6	114.4%
Selling, marketing and distribution expenses/General and administration expenses	(164.1)	(8.9)%	(76.2)	(9.1)%	(87.9)	115.4%
Net other income (expenses)	(49.5)	(2.7)%	0.9	0.1%	(50.4)	NM
Profit from operating activities	213.0	11.5%	123.7	14.7%	89.3	72.2%
Reynolds Consumer Products segment EBITDA	325.0	17.6%	161.1	19.2%	163.9	101.7%
Reynolds Consumer Products segment Adjusted EBITDA	382.2	20.6%	160.6	19.1%	221.6	138.0%

We acquired Pactiv on November 16, 2010. The operating results of the Hefty consumer products business have been combined with the operating results of the Reynolds consumer products business since the consummation of the Pactiv Acquisition. As the products and systems of these businesses are now integrated within the Reynolds Consumer Products segment, we are unable to quantify the results of the Hefty consumer products business on a standalone basis for the nine months ended September 30, 2011. However, we have in a number of instances provided the results of Pactiv's Hefty consumer products business for the nine months ended September 30, 2010 to illustrate the magnitude of the impact that the Pactiv Acquisition may have had on the results of operations for the nine months ended September 30, 2011. For the nine months ended September 30, 2010, revenue, costs of sales, selling, marketing and distribution expenses/general and administration expenses, profit from operating activities, EBITDA and Adjusted EBITDA for the Hefty consumer products business were \$985.3 million, \$695.4 million, \$112.5 million, \$177.4 million,

\$225.1 million and \$225.1 million, respectively. These amounts include IFRS adjustments to Pactiv's historical results that were previously reported under U.S. GAAP.

Revenue. Revenue increased by \$1,011.0 million, or 120.3%, to \$1,851.2 million for the nine months ended September 30, 2011 compared to \$840.2 million for the nine months ended September 30, 2010. This increase was largely attributable to the revenue from waste and storage and tableware products generated from the operations of the Hefty consumer products business that was acquired as part of the Pactiv Acquisition in November 2010.

If the results of the Hefty consumer products business had been included in the results of the Reynolds Consumer Products segment for the nine months ended September 30, 2010, we estimate that revenue would have increased by \$25.7 million, or 1.4%, to \$1,851.2 million for the nine months ended September 30, 2011. The increase in revenue would have been attributable to price increases across all product groups due to rising raw material costs that would have been partially offset by volume declines in our tableware and cooking product lines due to lower market demand.

Cost of Sales. Cost of sales increased by \$783.4 million, or 122.2%, to \$1,424.6 million for the nine months ended September 30, 2011 compared to \$641.2 million for the nine months ended September 30, 2010. The increase in cost of sales is primarily attributable to the cost of sales of \$695.4 million incurred by the Hefty consumer products business which was acquired as part of the Pactiv Acquisition, including increased depreciation expense of \$51.0 million.

If the results of the Hefty consumer business had been included in the results of the Reynolds Consumer Products segment for the nine months ended September 30, 2010, we estimate that cost of sales would have increased by \$88.0 million to \$1,424.6 million for the nine months ended September 30, 2011. This increase would have been largely attributable to increased raw material costs of approximately \$115.8 million, primarily related to resin and aluminum. The increase in raw material costs would have been partially offset by approximately a \$25 million benefit from synergies resulting from the Pactiv Acquisition.

Reynolds Consumer Products experienced increases in raw material costs. For the nine month periods ended September 30, 2011 and 2010, raw material costs accounted for 62% and 55% of Reynolds Consumer Products' cost of sales, respectively.

Gross Profit. Gross profit increased by \$227.6 million, or 114.4%, to \$426.6 million for the nine months ended September 30, 2011 compared to \$199.0 million for the nine months ended September 30, 2010 and gross profit margin decreased to 23.0% for the nine months ended September 30, 2011 compared to 23.7% for the nine months ended September 30, 2010. For the nine month period ended September 30, 2010, the gross profit of the Hefty consumer products business was \$289.9 million.

If the results of the Hefty consumer products business had been included in the results of the Reynolds Consumer Products segment for the nine months ended September 30, 2010, we estimate that gross profit would have decreased by \$62.3 million to \$426.6 million and gross profit margin would have decreased to 23.0% compared to 26.8% for the nine months ended September 30, 2010. The decrease in the gross profit margin would have been primarily due to the increase in raw material costs, mainly resin and aluminum, that Reynolds Consumer Products has not been able to fully pass through to its customers, which accounted for approximately 5.7 percentage points of the gross profit margin decline in the nine month period ended September 30, 2011 compared to the nine month period ended September 30, 2010. The decrease in gross profit margin as a result of the increase in raw material costs would have been partially offset by benefits from synergies resulting from the Pactiv Acquisition.

Reynolds Consumer Products' gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including resin and aluminum. Reynolds Consumer Products generally cannot immediately pass through price increases or declines to its customers because the contractual price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. For most resin based products, there is a lag time between the purchase of raw materials by Reynolds Consumer Products and the pass through of raw material price fluctuations to customers. For aluminum based products, contracts with customers do not contain contractual price protection for raw material cost fluctuations. Due to the differences in timing between Reynolds Consumer Products'

purchases of resin from its suppliers and sales to its customers, there is often a lead-lag impact, during which margins are negatively impacted in periods of rising resin prices and positively impacted in periods of falling resin prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$87.9 million, or 115.4%, to \$164.1 million for the nine months ended September 30, 2011 compared to \$76.2 million for the nine months ended September 30, 2010. This increase was primarily due to expenses attributable to the Hefty consumer products business.

If the results of the Hefty consumer products business had been included in the results of the Reynolds Consumer Products segment for the nine months ended September 30, 2010, we estimate that selling, marketing and distribution expenses and general and administration expenses would have decreased by \$24.6 million to \$164.1 million for the nine months ended September 30, 2011. The decrease in selling, marketing and distribution expenses and general and administration expenses would have been attributable to an \$8.2 million decrease in advertising spending, with the remaining decrease being primarily attributable to benefits from the synergies realized as part of the integration of the Hefty consumer products business into the Reynolds Consumer Products segment.

Other. Other expenses increased by \$50.4 million compared to the nine months ended September 30, 2010. The increase is mainly attributable to an increase of \$24.0 million of net unrealized losses on open hedge positions, an increase of \$13.8 million in restructuring costs related to severance, an increase of \$12.8 million in operational process engineering-related consultancy costs and a \$2.7 million increase in business acquisition and integration costs. These items have been included in the segment's Adjusted EBITDA calculation. As discussed in more detail in “— Key Factors Influencing our Financial Condition and Results of Operations”, we expect to incur additional costs of this type throughout the rest of the year.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 were \$213.0 million, \$325.0 million and \$382.2 million, respectively, compared to \$123.7 million, \$161.1 million and \$160.6 million, respectively, for the nine months ended September 30, 2010. If the results of the Hefty consumer products business had been included in the results of the Reynolds Consumer Products segment for the nine months ended September 30, 2010, we estimate that Adjusted EBITDA for the nine months ended September 30, 2010 would have been \$385.7 million.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 and September 30, 2010 for our Reynolds Consumer Products segment is as follows

	<u>For the Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
	(In \$ million)	
Profit from operating activities	213.0	123.7
Depreciation and amortization	<u>112.0</u>	<u>37.4</u>
EBITDA	325.0	161.1
Included in Reynolds Consumer Products segment EBITDA:		
Adjustment related to settlement of a lease obligation	—	(1.6)
Business acquisition and integration costs	2.7	—
Business interruption recoveries	(0.8)	—
Gain on sale of businesses	—	(0.2)
Non-cash inventory charge	1.2	—
Non-cash pension expense	2.2	—
Operational process engineering-related consultancy costs	19.2	6.4
Restructuring costs (recoveries)	10.9	(2.9)
Unrealized loss (gain) on derivatives	<u>21.8</u>	<u>(2.2)</u>
Reynolds Consumer Products segment Adjusted EBITDA	<u>382.2</u>	<u>160.6</u>

Pactiv Foodservice Segment

	<u>For the Nine Months Ended September 30,</u>					
	<u>2011</u>	<u>% of Segment Revenue</u>	<u>2010</u>	<u>% of Segment Revenue</u>	<u>Change</u>	<u>% Change</u>
	(In \$ million, except for %)					
Segment revenue	2,558.8	100.0%	460.3	100.0%	2,098.5	455.9%
Cost of sales	(2,163.2)	(84.5)%	(424.0)	(92.1)%	(1,739.2)	410.2%
Gross profit	395.6	15.5%	36.3	7.9%	359.3	989.8%
Selling, marketing and distribution expenses/General and administration expenses	(214.1)	(8.4)%	(35.8)	(7.8)%	(178.3)	498.0%
Net other income (expenses)	(93.8)	(3.7)%	5.9	1.3%	(99.7)	NM
Profit from operating activities	87.7	3.4%	6.4	1.4%	81.3	1,270.3%
Pactiv Foodservice segment EBITDA	302.0	11.8%	29.3	6.4%	272.7	930.7%
Pactiv Foodservice segment Adjusted EBITDA	405.1	15.8%	23.1	5.0%	382.0	1,653.7%

We acquired Pactiv on November 16, 2010. The operating results of the Pactiv foodservice packaging business have been combined with the operating results of the Reynolds foodservice packaging business since the consummation of the Pactiv Acquisition. As the products and systems of these businesses are now integrated within the Pactiv Foodservice segment, we are unable to quantify the results of the Pactiv foodservice packaging business on a standalone basis for the nine months ended September 30, 2011. However, we have in a number of instances provided the results of the Pactiv foodservice packaging business for the nine months ended September 30, 2010 to illustrate the magnitude of the impact that the Pactiv Acquisition may have had on the results of operations for the nine months ended September 30, 2011. For the nine months ended September 30, 2010, revenue, costs of sales, selling, marketing and distribution expenses/general and administration expenses, profit from operating activities, EBITDA and Adjusted EBITDA for the

Pactiv foodservice packaging business were \$1,730.8 million, \$1,392.7 million, \$166.2 million, \$172.6 million, \$264.7 million and \$270.6 million, respectively. These amounts include IFRS adjustments to Pactiv's historical results that were previously reported under U.S. GAAP.

We acquired Dopaco on May 2, 2011. The operating results of Dopaco have been included in the Pactiv Foodservice segment since the date of the Dopaco Acquisition. For the period from May 2, 2011 to September 30, 2011, Dopaco's revenue, cost of sales, selling, marketing and distribution expenses/general and administration expenses, EBITDA and Adjusted EBITDA were \$205.7 million, \$185.9 million, \$2.3 million, \$11.7 million and \$28.1 million, respectively.

Revenue. Revenue increased by \$2,098.5 million, or 455.9%, to \$2,558.8 million for the nine months ended September 30, 2011 compared to \$460.3 million for the nine months ended September 30, 2010. This increase was largely attributable to the revenue from foam, tableware, and specialty products generated from the operations of the Pactiv foodservice packaging business that was acquired as part of the Pactiv Acquisition in November 2010. Prior to this acquisition, none of these products were offered by the Reynolds foodservice packaging business. Clear plastics, paper and aluminum product offerings were also significantly expanded as a result of the Pactiv Acquisition.

If the results of the Pactiv foodservice packaging business had been included in the results of the Pactiv Foodservice segment for the nine months ended September 30, 2010, we estimate that revenue would have increased by \$367.7 million, or 16.8%, to \$2,558.8 million for the nine months ended September 30, 2011. This revenue increase would have been attributable to incremental revenue of \$205.7 million generated from the operations of Dopaco, incremental revenue of \$33.9 million related to the integration of a clear plastic business acquired by Pactiv in April 2010, and a \$178.8 million impact from improved pricing primarily due to the flow-through of resin purchase price increases. These increases were partially offset by declines of \$25.5 million due to lower volumes primarily as a result of exiting nonstrategic product lines and \$27.7 million due to the transfer of certain operations to our Reynolds Consumer Products segment on January 1, 2011.

Cost of Sales. Cost of sales increased by \$1,739.2 million, or 410.2%, to \$2,163.2 million for the nine months ended September 30, 2011 compared to \$424.0 million for the nine months ended September 30, 2010. The increase is primarily attributable to the cost of sales incurred by the Pactiv foodservice packaging business which was acquired as part of the Pactiv Acquisition, including increased depreciation expense of \$132.7 million as a result of property, plant and equipment acquired at fair value.

Pactiv Foodservice experienced increases in the purchase price of raw materials, primarily resin, aluminum and paper, for the nine month period ended September 30, 2011 compared to the nine month period ended September 30, 2010. However, raw material costs accounted for 63% and 67% of Pactiv Foodservice's cost of sales, respectively, for the same periods. This decrease in raw material costs as a percent of total cost of sales is primarily attributable to increased depreciation and amortization expense as a result of increases in the fair values of property, plant and equipment that were acquired as part of the Pactiv Acquisition and the Dopaco Acquisition. Raw material costs for the nine month period ended September 30, 2011 increased by \$1,076.7 million compared to the nine month period ended September 30, 2010, primarily due to the incremental volume attributable to the Pactiv foodservice packaging business and the Dopaco business that were acquired as part of the Pactiv Acquisition and the Dopaco Acquisition, respectively. The remaining increase in cost of sales was related to other manufacturing costs attributable to the operations of the Pactiv foodservice packaging business, partially offset by \$16.1 million in benefits from synergies generated from the Pactiv Acquisition.

If the results of the Pactiv foodservice packaging business had been included in the results of the Pactiv Foodservice segment for the nine months ended September 30, 2010, we estimate that cost of sales would have increased by \$346.5 million, or 19.1%, to \$2,163.2 million for the nine months ended September 30, 2011 compared to \$1,816.7 million for the nine months ended September 30, 2010. This cost of sales increase would have been attributable to incremental cost of sales of \$185.9 million incurred by Dopaco, incremental cost of sales of \$30.1 million related to the integration of a clear plastic business acquired by Pactiv in April

2010 and the remaining increase would have been primarily attributable to the impact of higher raw material costs.

Gross Profit. Gross profit increased by \$359.3 million, or 989.8%, to \$395.6 million for the nine months ended September 30, 2011 compared to \$36.3 million for the nine months ended September 30, 2010 and gross profit margin increased to 15.5% for the nine months ended September 30, 2011 compared to 7.9% for the nine months ended September 30, 2010, which reflects the impact of the Pactiv foodservice packaging business acquired in the Pactiv Acquisition. For the nine months ended September 30, 2010, the gross profit of the Pactiv foodservice packaging business was \$338.1 million.

If the Pactiv foodservice packaging business had been included in the results of the Pactiv Foodservice segment for the nine months ended September 30, 2010, we estimate the gross profit margin would have decreased to 15.5% compared to 17.1% for the nine months ended September 30, 2010 primarily due to the increase in raw material costs as discussed above, partially offset by synergies and improved operational performance.

Pactiv Foodservice's gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including resin, aluminum and paper. Pactiv Foodservice generally cannot immediately pass through price increases or declines to its customers because the price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. Due to the differences in timing between Pactiv Foodservice's purchases of raw materials from its suppliers and sales to its customers, there is often a lead-lag impact, during which margins are negatively impacted in periods of rising raw material prices and positively impacted in periods of falling raw material prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$178.3 million, or 498.0%, to \$214.1 million for the nine months ended September 30, 2011 compared to \$35.8 million for the nine months ended September 30, 2010, primarily due to expenses attributable to the Pactiv foodservice packaging business.

If the Pactiv foodservice packaging business had been included in the results of the Pactiv Foodservice segment for the nine months ended September 30, 2010, we estimate that selling, marketing and distribution expenses and general and administration expenses would have increased by \$12.1 million to \$214.1 million for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The increase in selling, marketing and distribution expenses and general and administration expenses is largely attributable to \$53.0 million in intangible asset amortization expense incurred during the nine months ended September 30, 2011, resulting from the Pactiv Acquisition and incremental expenses of \$2.3 million incurred by Dopaco, partially offset by approximately \$41.0 million of benefits from synergies generated from the Pactiv Acquisition and the Dopaco Acquisition.

Other. Net other expenses increased by \$99.7 million compared to the nine months ended September 30, 2010. The increase is mainly attributable to an increase of \$48.4 million in restructuring costs related to severance, \$27.1 million in business acquisition and integration costs, an \$11.9 million charge related to operational process engineering-related consultancy costs, a \$9.1 million decrease in gain on sale of businesses and an increase of \$2.7 million of unrealized losses on open hedge positions. These items have been included in the segment's Adjusted EBITDA calculation. As discussed in more detail in "— Key Factors Influencing our Financial Condition and Results of Operations", we expect to incur additional restructuring costs throughout the rest of the year.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 were \$87.7 million, \$302.0 million and \$405.1 million, respectively, compared to \$6.4 million, \$29.3 million and \$23.1 million, respectively, for the nine months ended September 30, 2010.

If the Pactiv foodservice packaging business had been included in the results of the Pactiv Foodservice segment for the nine months ended September 30, 2010, we estimate that Adjusted EBITDA for the nine months ended September 30, 2010 would have been \$293.7 million.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the nine months ended September 30, 2011 and September 30, 2010 for our Pactiv Foodservice segment is as follows:

	<u>For the Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
	(In \$ million)	
Profit from operating activities	87.7	6.4
Depreciation and amortization	214.3	22.9
EBITDA	302.0	29.3
Included in Pactiv Foodservice segment EBITDA:		
Asset impairment charges	6.1	5.7
Business acquisition and integration costs	27.1	—
Gain on sale of businesses	—	(9.1)
Impact of purchase price accounting on inventories and leases	4.4	—
Non-cash inventory charge	2.4	—
Non-cash pension expense	2.9	—
Operational process engineering-related consultancy costs	11.9	—
Restructuring costs (recoveries)	46.2	(2.2)
Unrealized loss (gain) on derivatives	2.1	(0.6)
Pactiv Foodservice segment Adjusted EBITDA	<u>405.1</u>	<u>23.1</u>

Graham Packaging segment

(In \$ million, except for %)	<u>For the period from September 8, 2011 to September 30, 2011</u>	<u>% of segment revenue</u>
Segment revenue	256.1	100.0%
Cost of sales	(252.1)	(98.4)%
Gross profit	4.0	1.6%
Selling, marketing and distribution expenses/General and administration expenses	(24.8)	(9.7)%
Net other expense	(3.1)	(1.2)%
Profit from operating activities	(23.9)	(9.3)%
Graham Packaging segment EBITDA	1.7	0.7%
Graham Packaging segment Adjusted EBITDA	41.3	16.1%

We acquired Graham Packaging on September 8, 2011. The results of operations of Graham Packaging from September 8, 2011 to September 30, 2011, have been included in the RGHL Group's results of operations for the three month period ended September 30, 2011, as a separate reporting segment.

Revenue. Revenue for the period from September 8, 2011 to September 30, 2011 was \$256.1 million. Revenue arose mainly from the manufacture and sale of value-added, custom blow molded plastic containers for branded consumer products, such as hot-fill juices, sports drinks/isotonics, yogurt drinks, liquid fabric care, dish detergents, hair care, skin care and certain other products measured by volume.

Cost of Sales. Cost of sales for the period from September 8, 2011 to September 30, 2011 was \$252.1 million. Cost of sales was negatively impacted by purchase price accounting adjustments of \$26.4 million for inventories acquired as part of the Graham Packaging Acquisition. Graham Packaging has experienced increases in raw material costs primarily related to resin. For the period from September 8, 2011 to September 30, 2011, raw material costs accounted for 53% of Graham Packaging's cost of sales.

Gross Profit. Gross profit for the period from September 8, 2011 to September 30, 2011 was \$4.0 million and gross profit margin was 1.6%. Gross profit margin was negatively impacted by purchase price accounting adjustments on inventories as discussed above. Excluding the impact of the purchase accounting adjustment on inventories, the gross profit margin would have been 12.8%.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses for the period from September 8, 2011 to September 30, 2011 were \$24.8 million. Included in selling, marketing and distribution expenses was a \$12.2 million change in control payment related to the Graham Packaging Acquisition.

Loss from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, loss from operating activities, EBITDA and Adjusted EBITDA for the period September 8, 2011 to September 30, 2011 were \$23.9 million, \$1.7 million and \$41.3 million, respectively.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of loss from operating activities to EBITDA and Adjusted EBITDA from September 8, 2011 to September 30, 2011 of our Graham Packaging segment is as follows:

	<u>For the Period from September 8, 2011 to September 30, 2011</u> (In \$ million)
Loss from operating activities	(23.9)
Depreciation and amortization	<u>25.6</u>
EBITDA	1.7
Included in Graham Packaging segment EBITDA:	
Business acquisition and integration costs	1.0
Change of control payments	12.2
Impact of purchase price accounting on inventory and leases	<u>26.4</u>
Graham Packaging segment Adjusted EBITDA	<u>41.3</u>

Year Ended December 31, 2010 Compared with the Year Ended December 31, 2009

Reynolds Group Holdings Limited

	For the Year Ended December 31,					
	2010(1)	% of Revenue	2009(2)	% of Revenue	Change	% Change
	(In \$ million, except for %)					
Revenue	6,774.0	100.0%	5,910.0	100.0%	864.0	14.6%
Cost of sales	(5,523.8)	(81.5)%	(4,691.3)	(79.4)%	(832.5)	17.7%
Gross profit	1,250.2	18.5%	1,218.7	20.6%	31.5	2.6%
Other income	102.1	1.5%	201.0	3.4%	(98.9)	(49.2)%
Selling, marketing and distribution expenses/General and administration expenses	(623.1)	(9.2)%	(577.5)	(9.8)%	(45.6)	7.9%
Other expenses	(80.0)	(1.2)%	(95.9)	(1.6)%	15.9	(16.6)%
Share of profit of associates and joint ventures, net of income tax	18.1	0.3%	11.4	0.2%	6.7	58.8%
Profit from operating activities	667.3	9.9%	757.7	12.8%	(90.4)	(11.9)%
Financial income	65.6	1.0%	20.9	0.4%	44.7	213.9%
Financial expenses	(751.7)	(11.1)%	(513.2)	(8.7)%	(238.5)	46.5%
Net financial expenses	(686.1)	(10.1)%	(492.3)	(8.3)%	(193.8)	39.4%
Profit (loss) before income tax	(18.8)	(0.3)%	265.4	4.5%	(284.2)	NM
Income tax expense	(77.7)	(1.1)%	(148.7)	(2.5)%	71.0	(47.7)%
Profit (loss) for the period	(96.5)	(1.4)%	116.7	2.0%	(213.2)	NM
Depreciation of property, plant and equipment and investment properties and amortization of intangible assets	503.8	7.4%	501.7	8.5%	2.1	0.4%
RGHL Group EBITDA	1,171.1	17.3%	1,259.4	21.3%	(88.3)	(7.0)%
RGHL Group Adjusted EBITDA	1,250.6	18.5%	1,130.3	19.1%	120.3	10.6%

(1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2010. Reynolds Consumer Products and Pactiv Foodservice include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the period from November 16, 2010 to December 31, 2010.

(2) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2009.

As more fully described under the heading “— Overview — Recent Acquisitions and Integration,” we acquired Pactiv on November 16, 2010. The operating results of Pactiv have been included in our results and in the results of the Reynolds Consumer Products and Pactiv Foodservice segments since the consummation of the Pactiv Acquisition. For the period from November 16, 2010 to December 31, 2010, Pactiv’s revenue, cost of sales, selling, marketing and distribution/general and administration expenses, loss from operating activities, EBITDA and Adjusted EBITDA were \$480.8 million, \$443.9 million, \$48.1 million, \$30.8 million, \$10.1 million and \$88.5 million, respectively. For further details on the Pactiv Acquisition, refer to note 34 of the RGHL Group’s audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus.

Revenue. Revenue increased by \$864.0 million, or 14.6%, to \$6,774.0 million for the year ended December 31, 2010 compared to \$5,910.0 million for the year ended December 31, 2009. This increase was largely attributable to \$480.8 million of incremental revenue generated from the operations of Pactiv, \$81.6 million of incremental revenue generated from the Whakatane paper mill and \$51.7 million of incremental revenue generated from CSI Americas, each of which was acquired in 2010.

All of our segments, other than Pactiv Foodservice, experienced increases in sales volume during 2010. Pactiv Foodservice experienced lower sales volume in 2010 due to its planned exits from nonstrategic and lower margin products. Price increases also contributed to our increased revenue in 2010 and were primarily driven by the flow-through of higher resin prices to customers in our Closures and Pactiv Foodservice segments.

Revenue increases were partially offset by a net unfavorable impact from foreign currency fluctuations of \$47 million primarily due to the weakening of the euro against the dollar, which had a \$72 million unfavorable impact in the SIG segment and a \$25 million favorable impact due to the strengthening of other currencies against the dollar in the Closures segment. For a detailed explanation of the variations in revenue for each of our segments, see the individual segment discussions below.

Cost of Sales. Cost of sales for the year ended December 31, 2010 increased by \$832.5 million, or 17.7%, to \$5,523.8 million for the year ended December 31, 2010 compared to \$4,691.3 million for the year ended December 31, 2009. The increase in cost of sales is largely attributable to an additional \$444.1 million in cost of sales associated with the operations of Pactiv including \$64.1 million related to the impact of purchase price accounting on inventories, and the impact of the expiration of the Black Liquor Credit within the Evergreen segment. For the year ended December 31, 2009, cost of sales included a benefit of \$214.1 million while the year ended December 31, 2010 included a benefit of \$10.3 million relating to Black Liquor Credit within the Evergreen segment. Cost of sales also increased primarily due to higher sales volume across all segments other than Pactiv Foodservice. These increases were partially offset by \$95.3 million of expenses in 2009 within the Reynolds Consumer Products and Pactiv Foodservice segments resulting from the settlement of unfavorable historical aluminum hedge positions under the segments' historical hedging policy, which was terminated in the three months ended December 31, 2009.

In addition, cost of sales was impacted by favorable foreign currency fluctuations of \$43 million primarily due to the weakening of the euro against the dollar, which had a \$64 million favorable impact at the SIG segment and a \$21 million unfavorable impact at the Closures segment.

For a detailed explanation of the variations in cost of sales for each of our segments, see the individual segment discussions below.

Gross Profit. Gross profit increased by \$31.5 million, or 2.6%, to \$1,250.2 million for the year ended December 31, 2010 compared to \$1,218.7 million for the year ended December 31, 2009. However, gross profit margin decreased to 18.5% for the year ended December 31, 2010 compared to 20.6% for the year ended December 31, 2009 due to the impact of the Black Liquor Credit, the unfavorable historical aluminum hedge positions and a purchase price accounting adjustment on inventory as discussed above.

Excluding these non-recurring credits and losses recorded in cost of sales, gross profit margin would have increased to 19.3% for the year ended December 31, 2010 compared to 18.6% for the year ended December 31, 2009. The improvement would have been primarily driven by our SIG, Evergreen, Reynolds Consumer Products and Pactiv Foodservice segments. For further information on the variations in gross profit for each of our segments, see the individual segment discussions below.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$45.6 million, or 7.9%, to \$623.1 million for the year ended December 31, 2010 compared to \$577.5 million for the year ended December 31, 2009. This increase was primarily due to \$48.3 million in expenses attributable to Pactiv.

For a detailed explanation of the variations in selling, marketing and distribution expenses and general and administration expenses for each of our segments, see the individual segment discussions below.

Net Other Income and Other Expenses. Net other income decreased by \$83.0 million, or 78.9%, to \$22.1 million for the year ended December 31, 2010 compared to \$105.1 million for the year ended December 31, 2009. This decline in net other income was primarily attributable to a \$125.2 million decrease in unrealized gains on derivatives used to hedge exposure to commodity prices partially offset by a \$49.2 million decrease in business restructuring expenses during 2010. Refer to note 9 and note 11 of the

RGHL Group's audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus.

Other. The increase of \$6.7 million in the share of profits of associates and joint ventures for the year ended December 31, 2010 was primarily due to continued improvement in the results of operations of the Obeikan joint venture operations within our SIG segment.

Net Financial Expenses. Net financial expenses increased by \$193.8 million, or 39.4%, to \$686.1 million for the year ended December 31, 2010 compared to \$492.3 million for the year ended December 31, 2009. The increase was largely related to an increase of \$191.4 million in interest expense due to increases in the principal amount of the RGHL Group's fixed and floating rate borrowings of \$4,895.8 million and \$2,115.8 million, respectively, resulting from the issuance or acquisition of additional indebtedness. Interest rate changes on the floating rate borrowings had no significant impact on net financial expenses for the year ended December 31, 2010. Net financial expenses for the year ended December 31, 2010 also included \$109.3 million of debt financing related costs that were partially offset by a \$41.5 million change in the fair value of derivative financial instruments. Our borrowings (net of original issue discount, unamortized debt issue costs and embedded derivatives) as of December 31, 2010 were \$11,842.6 million compared to \$4,954.1 million as of December 31, 2009. In November 2009 and May 2010, we completed the financings associated with the RGHL Acquisition and the Evergreen Acquisition, respectively. In November 2010, we incurred additional borrowings of \$5,020.0 million, the proceeds of which were used to finance the Pactiv Acquisition and repay existing indebtedness. Following the Pactiv Acquisition, \$1,482.3 million of Pactiv's indebtedness remained outstanding. The timing of these financings has resulted in our historical interest expense not being representative of our interest expense in future periods. Refer to "— Key Factors Influencing Our Financial Condition and Results of Operations — Acquisitions, Substantial Leverage and Other Transaction-Related Effects." For more information regarding the RGHL Group's financial expenses and borrowings, refer to notes 13 and 26, respectively, of the RGHL Group's audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus.

Income Tax Expense. For the year ended December 31, 2010, the income tax expense of \$77.7 million on a loss before income tax of \$18.8 million was largely due to the inability of certain subsidiaries to claim deductions for certain expense items, such as interest and other associated financing costs, due to local jurisdictional limitations. For a reconciliation of pre-tax profit (loss) to tax expense, refer to note 14 of the RGHL Group's audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2010 were \$667.3 million, \$1,171.1 million and \$1,250.6 million, respectively, compared to \$757.7 million, \$1,259.4 million and \$1,130.3 million, respectively, for the year ended December 31, 2009.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2010 and December 31, 2009 for the RGHL Group is as follows:

	For the Year Ended December 31,	
	2010(1)	2009(2)
	(In \$ million)	
Profit from operating activities	667.3	757.7
Depreciation and amortization	503.8	501.7
EBITDA(3)	1,171.1	1,259.4
<i>Included in the RGHL Group EBITDA:</i>		
Adjustment related to settlement of a lease obligation	(1.6)	—
Asset impairment charges	28.7	12.9
Black Liquor Credit	(10.3)	(214.1)
Business acquisition costs	12.0	1.2

	For the Year Ended December 31,	
	2010(1)	2009(2)
	(In \$ million)	
Business closing costs (reversal)	(0.3)	—
Business interruption costs	1.8	—
CSI Americas gain on acquisition	(9.8)	—
Elimination of the effect of historical hedging policy of the Reynolds consumer products business	—	95.3
Equity method joint venture profit not distributed in cash	(14.2)	(10.0)
Gains on sale of businesses and investment properties	(16.1)	—
Impact of purchase price accounting on inventories	64.1	—
Impact of purchase price accounting on leases	(0.3)	—
Inventory write-off arising on restructure	—	5.3
Korean insurance claim	—	(2.0)
Loss on sale of Baco assets	—	1.2
Manufacturing plant flood impact	—	5.2
Operational process engineering-related consultancy costs	8.2	13.2
Pension income	(5.2)	—
Plant realignment costs	—	2.1
Related party management fees	0.8	2.5
Reserve reversal for facility	—	—
Restructuring costs	8.7	57.9
Termination of supply agreements	7.0	—
Transition costs	—	23.6
Unrealized gains on derivatives	(3.8)	(129.0)
VAT and customs duties on historical imports	9.8	3.5
Write down of assets held for sale	—	0.7
Write-off of receivables related to sale of Venezuelan operations	—	1.4
RGHL Group Adjusted EBITDA(3)	<u>1,250.6</u>	<u>1,130.3</u>
Segment detail of Adjusted EBITDA:		
SIG	512.9	474.8
Evergreen	196.3	166.6
Closures	170.1	148.1
Reynolds Consumer Products	298.7	280.4
Pactiv Foodservice	80.9	60.4
Corporate/Unallocated	(8.3)	—
RGHL Group Adjusted EBITDA(3)	<u>1,250.6</u>	<u>1,130.3</u>

- (1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2010. Reynolds Consumer Products and Pactiv Foodservice include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the period from November 16, 2010 to December 31, 2010.
- (2) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2009.
- (3) RGHL Group EBITDA is defined as profit (loss) from continuing operations for the period plus income tax expenses, net financial expenses, depreciation of property, plant and equipment and investment properties and amortization of intangible assets. RGHL Group Adjusted EBITDA, a measure used by our management to measure operating performance, is defined as RGHL Group EBITDA, adjusted to exclude certain items of a significant or unusual nature, including but not limited to acquisition costs, non-cash pension income, restructuring costs, unrealized gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs and equity method profit not distributed in cash. EBITDA and Adjusted EBITDA are not presentations made in accordance with IFRS, are not measures of financial condition, liquidity or profitability and should not be considered as an alternative to

profit (loss) from continuing operations for the period determined in accordance with IFRS or operating cash flows determined in accordance with IFRS. The determination of Adjusted EBITDA contains a number of estimates and assumptions that may prove to be incorrect and differ materially from actual results. Refer to “Risk Factors.” Additionally, RGHL Group EBITDA and RGHL Group Adjusted EBITDA are not intended to be measures of free cash flow for management’s discretionary use, as they do not take into account certain items such as interest and principal payments on our indebtedness, depreciation and amortization expense, working capital needs, tax payments, and capital expenditures. We believe that the inclusion of EBITDA and Adjusted EBITDA in this prospectus is appropriate to provide additional information to investors about our operating performance and to provide a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. We additionally believe that issuers of high yield debt securities also present EBITDA, Adjusted EBITDA and other pro forma measures of Adjusted EBITDA because investors, analysts and rating agencies consider these measures useful. Because not all companies calculate EBITDA and Adjusted EBITDA identically, this presentation of EBITDA and Adjusted EBITDA may not be comparable to the similarly titled measures of other companies.

SIG Segment

	For the Year Ended December 31,					
	2010	% of Segment Revenue	2009	% of Segment Revenue	Change	% Change
	(In \$ million, except for %)					
Segment revenue	1,845.8	100.0%	1,668.1	100.0%	177.7	10.7%
Cost of sales	(1,381.5)	(74.8)%	(1,258.2)	(75.4)%	(123.3)	9.8%
Gross profit	464.3	25.2%	409.9	24.6%	54.4	13.3%
Selling, marketing and distribution expenses/General and administration expenses	(234.4)	(12.7)%	(224.2)	(13.4)%	(10.2)	4.5%
Net other income (expense)	21.5	1.2%	(5.1)	(0.3)%	26.6	NM
Profit from operating activities	267.4	14.5%	189.7	11.4%	77.7	41.0%
SIG segment EBITDA	510.3	27.6%	439.9	26.4%	70.4	16.0%
SIG segment Adjusted EBITDA	512.9	27.8%	474.8	28.5%	38.1	8.0%

Revenue. Revenue increased by \$177.7 million, or 10.7%, to \$1,845.8 million for the year ended December 31, 2010 compared to \$1,668.1 million for the year ended December 31, 2009. As discussed in more detail below, \$170.9 million of this increase in revenue was attributable to an increase in volume, primarily due to the recovery of consumer confidence in milk products in China following the melamine contamination of dairy products that occurred in 2008, new customers in Southern Europe, South America and the Middle East and growth with existing customers in Eastern Europe. In addition, the increase in revenue is partially attributable to \$81.6 million of incremental revenue generated from the operations of the Whakatane paper mill which was acquired in May 2010. The increases in revenue were offset by an unfavorable foreign currency impact of \$72 million largely attributable to the weakening of the euro against the dollar and a \$2.8 million unfavorable impact due to lower prices as a result of market competition.

Revenue in Europe decreased by \$28.4 million, or 2.5%, to \$1,088.8 million for the year ended December 31, 2010 compared to \$1,117.2 million for the year ended December 31, 2009. Revenue for the year ended December 31, 2010 included an unfavorable foreign currency impact of \$49 million largely attributable to the weakening of the euro against the dollar. Excluding this foreign currency impact, revenue increased by \$20.6 million primarily as a result of revenue growth of \$33.1 million in the Southern and Eastern European markets during the year ended December 31, 2010 largely due to an increase in sales volume in the liquid dairy, food packaging and juice markets due to higher demand partially offset by a \$12.8 million revenue decrease in the Western European market largely due to lower volumes from a market shift to the use of lower cost PET instead of carton board in the juice market.

Revenue in the rest of the world increased by \$206.1 million, or 37.4%, to \$757.0 million for the year ended December 31, 2010 compared to \$550.9 million for the year ended December 31, 2009. The increase in revenue is partially attributable to \$81.6 million of incremental revenue generated from the operations of the Whakatane paper mill which was acquired in May 2010. Additionally, revenue increased by \$147.5 million mainly due to an increase in sales volume in China resulting from the recovery of consumer confidence in milk products following the melamine contamination of dairy products that occurred in 2008, South America primarily due to new customers and the Middle East primarily due to a significant increase in volume and the number of filler machines deployed to meet the needs of new customers. Revenue for the year ended December 31, 2010 included an unfavorable foreign currency impact of \$23 million largely attributable to the strengthening of the Thai baht and Brazilian real against the dollar.

Cost of Sales. Cost of sales increased by \$123.3 million, or 9.8%, to \$1,381.5 million for the year ended December 31, 2010 compared to \$1,258.2 million for the year ended December 31, 2009. Cost of sales increased by \$186.5 million due to the impact of volume increases primarily attributable to the operations of the Whakatane paper mill as discussed above. The increase in costs of sales was partially offset by a \$64 million favorable foreign currency impact largely attributable to the weakening of the euro against the dollar. Raw materials costs, primarily resin and aluminum, increased by \$117.3 million during the year ended December 31, 2010. For the years ended December 31, 2010 and 2009, raw material costs accounted for 63% and 60% of SIG's cost of sales, respectively.

Gross Profit. Gross profit increased by \$54.4 million or 13.3% to \$464.3 million for the year ended December 31, 2010 compared to \$409.9 million for the year ended December 31, 2009. Gross profit margin for the year ended December 31, 2010 increased to 25.2% compared to 24.6% for the year ended December 31, 2009. These increases in gross profit and gross profit margin for the year ended December 31, 2010 were largely due to volume growth and improvement of the profit margin in China, due to relatively lower manufacturing costs as a result of a plant expansion in China. These were partially offset by increases in raw material costs that were not passed through to customers. Gross profit for the year ended December 31, 2010 reflected an unfavorable foreign currency impact of \$8 million compared to the year ended December 31, 2009, largely attributable to the weakening of the euro against the dollar.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$10.2 million, or 4.5%, to \$234.4 million for the year ended December 31, 2010 compared to \$224.2 million for the year ended December 31, 2009 primarily due to \$9.0 million in additional expenses related to SIG's developing business in the growing China and South American markets.

Other. Other expenses reflect a \$26.1 million decline in restructuring expenses related to redundancy and related consulting costs.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2010 were \$267.4 million, \$510.3 million and \$512.9 million, respectively, compared to \$189.7 million, \$439.9 million and \$474.8 million, respectively, for the year ended December 31, 2009.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2010 and December 31, 2009 for the SIG segment is as follows:

	<u>For the Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
	(In \$ million)	
Profit from operating activities	267.4	189.7
Depreciation and amortization	<u>242.9</u>	<u>250.2</u>
EBITDA	510.3	439.9
Included in SIG segment EBITDA:		
Asset impairment charges (reversals)	(0.8)	5.9
Equity method joint venture profit not distributed in cash	(12.1)	(7.7)
(Gain) on sale of investment properties and businesses	(5.5)	—
Restructuring costs	11.4	37.5
Unrealized gains on derivatives	(0.2)	(4.3)
VAT and customs duties on historical imports	<u>9.8</u>	<u>3.5</u>
SIG segment Adjusted EBITDA	<u>512.9</u>	<u>474.8</u>

Evergreen Segment

	<u>For the Year Ended December 31,</u>					
	<u>2010</u>	<u>% of Segment Revenue</u>	<u>2009</u>	<u>% of Segment Revenue</u>	<u>Change</u>	<u>% Change</u>
	(In \$ million, except for %)					
Segment revenue	1,582.7	100.0%	1,429.0	100.0%	153.7	10.8%
Cost of sales	<u>(1,373.8)</u>	(86.8)%	<u>(1,053.0)</u>	(73.7)%	(320.8)	30.5%
Gross profit	208.9	13.2%	376.0	26.3%	(167.1)	(44.4)%
Selling, marketing and distribution expenses/ General and administration expenses	(93.2)	(5.9)%	(83.1)	(5.8)%	(10.1)	12.2%
Net other income (expense)	26.6	1.7%	(1.9)	(0.1)%	28.5	NM
Profit from operating activities	144.4	9.1%	293.2	20.5%	(148.8)	(50.8)%
Evergreen segment EBITDA	206.2	13.0%	356.9	25.0%	(150.7)	(42.2)%
Evergreen segment Adjusted EBITDA	196.3	12.4%	166.6	11.7%	29.7	17.8%

Revenue. Revenue increased by \$153.7 million, or 10.8%, to \$1,582.7 million for the year ended December 31, 2010 compared to \$1,429.0 million for the year ended December 31, 2009. This increase was largely attributable to a \$79.9 million increase in external sales of liquid packaging board and an increase of \$75.2 million in sales of paper products, partially offset by a \$1.4 million decrease in sales of cartons. The increase in sales of liquid packaging board is due to higher sales volume of \$61.6 million, resulting from higher consumer demand due to the recovery from the economic slowdown experienced in the year ended December 31, 2009, and \$18.3 million of higher sales prices as a result of the pass through of raw material price fluctuations to customers. The increase in sales of paper products is due to higher volume of \$55.7 million and higher sales prices of \$19.5 million as demand for envelopes and other commercial paper products recovered from the economic slowdown experienced in the year ended December 31, 2009. The decline in sales of cartons is due to a decrease in volume of \$17.8 million due to lower customer demand, partially offset by higher prices of \$16.4 million as a result of the pass through of raw material price fluctuations to customers.

Cost of Sales. Cost of sales increased by \$320.8 million, or 30.5%, to \$1,373.8 million for the year ended December 31, 2010 compared to \$1,053.0 million for the year ended December 31, 2009. The increase in cost of sales is mainly attributable to the recognition of \$10.3 million of Black Liquor Credit for the year ended December 31, 2010 compared to \$214.1 million of Black Liquor Credit for the year ended December 31, 2009. For further information on Black Liquor Credit see “— Key Factors Influencing Our Financial Condition and Results of Operations — Raw Materials and Energy Prices.”

Excluding the impact of Black Liquor Credit, cost of sales would have increased by \$117.0 million, or 9.2%, to \$1,384.1 million for the year ended December 31, 2010 compared to \$1,267.1 million for the year ended December 31, 2009. The increase in cost of sales would have been attributable to a \$136.1 million increase related to higher sales volume, primarily of liquid packaging board and paper products, partially offset by a \$19.1 million benefit from cost savings initiatives. Excluding the impact of Black Liquor Credit, raw material costs for the years ended December 31, 2010 and 2009 accounted for 41% and 42% of Evergreen’s cost of sales, respectively.

Gross Profit. Gross profit decreased by \$167.1 million, or 44.4%, to \$208.9 million for the year ended December 31, 2010 compared to \$376.0 million for the year ended December 31, 2009. Gross profit margin for the year ended December 31, 2010 decreased to 13.2% of the segment’s revenue compared to 26.3% for the year ended December 31, 2009. This decrease was due to a decline in the impact of Black Liquor Credit on cost of sales as discussed above.

Excluding the impact of Black Liquor Credit, gross profit would have been 12.5% of the segment’s revenue for the year ended December 31, 2010 compared to 11.3% for the year ended December 31, 2009. This improvement in gross profit margin was largely driven by higher sales volume, partially offset by an increase in raw material costs and other input costs as a result of the lag time between the purchase of raw materials by Evergreen and the pass through of raw material price fluctuations to customers.

Evergreen’s gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including fiber, resin and commodity chemicals, and energy, including fuel oil, electricity, natural gas and coal. Evergreen purchases most of its raw materials on the spot market and generally cannot immediately pass through price increases or declines to its customers because the contractual price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. Due to the differences in timing between Evergreen’s purchases of raw materials from its suppliers and sales to its customers, there is often a lead-lag impact, with margins being negatively impacted in periods of rising raw material prices and positively impacted in periods of falling raw material prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$10.1 million, or 12.2%, to \$93.2 million for the year ended December 31, 2010 compared to \$83.1 million for the year ended December 31, 2009, largely due to increased compensation expense.

Other. Net other expenses decreased by \$28.5 million to net other income of \$26.6 million for the year ended December 31, 2010 compared to net other expense of \$1.9 million for the year ended December 31, 2009 due to an \$11.4 million decline in operational process engineering-related consultancy costs, an increase in scrap sales of \$6.8 million, a \$2.1 million gain on sale of businesses, a \$6.1 million decline in asset impairment charges and a \$2.9 million decrease in restructuring charges incurred in 2009 due to exit costs and the disposal of certain manufacturing facilities.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2010 were \$144.4 million, \$206.2 million and \$196.3 million, respectively, compared to \$293.2 million, \$356.9 million and \$166.6 million, respectively, for the year ended December 31, 2009.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2010 and December 31, 2009 for the Evergreen segment is as follows:

	<u>For the Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
	(In \$ million)	
Profit from operating activities	144.4	293.2
Depreciation and amortization	61.8	63.7
EBITDA	206.2	356.9
Included in Evergreen segment EBITDA:		
Asset impairment charges	—	6.1
Black Liquor Credit	(10.3)	(214.1)
Business acquisition costs	1.5	1.2
Business closing costs (reversal)	(0.3)	—
Equity method profit not distributed in cash	(2.1)	(2.2)
Gains on sale of businesses	(2.1)	—
Korean insurance claim	—	(2.0)
Operational process engineering-related consultancy costs	1.8	13.2
Related party management fees	0.8	2.5
Restructuring costs	—	2.9
Unrealized losses on derivatives	0.8	—
Write down of assets held for sale	—	0.7
Write-off of receivables related to sale of Venezuela operations	—	1.4
Evergreen segment Adjusted EBITDA	<u>196.3</u>	<u>166.6</u>

Closures Segment

	<u>For the Year Ended December 31,</u>					
	<u>2010</u>	<u>% of Segment Revenue</u>	<u>2009(1)</u>	<u>% of Segment Revenue</u>	<u>Change</u>	<u>% Change</u>
	(In \$ million, except for %)					
Segment revenue	1,174.4	100.0%	979.7	100.0%	194.7	19.9%
Cost of sales	(989.6)	(84.3)%	(818.3)	(83.5)%	(171.3)	20.9%
Gross profit	184.8	15.7%	161.4	16.5%	23.4	14.5%
Selling, marketing and distribution expenses/General and administration expenses	(95.8)	(8.2)%	(87.3)	(8.9)%	(8.5)	9.7%
Net other income (expenses)	6.9	0.6%	8.1	0.8%	(1.2)	(14.8)%
Profit from operating activities	95.9	8.2%	82.2	8.4%	13.7	16.7%
Closures segment EBITDA	175.3	14.9%	154.9	15.8%	20.4	13.2%
Closures segment Adjusted EBITDA	170.1	14.5%	148.1	15.1%	22.0	14.9%

Revenue. Revenue increased by \$194.7 million, or 19.9%, to \$1,174.4 million for the year ended December 31, 2010 compared to \$979.7 million for the year ended December 31, 2009. As discussed in more detail below, \$73.3 million of this increase in revenue was due to increased sales volumes, largely attributable to market growth in Europe and Asia. In addition, the increase in revenue is also attributable to \$51.6 million of incremental revenue generated from the operations of CSI Americas which was acquired in February 2010.

Favorable foreign currency fluctuations had a favorable impact of \$25 million primarily due to the strengthening of the Japanese yen, the Mexican peso and the Brazilian real against the dollar.

Closures' revenue is also impacted by changes in product mix and pricing related to the pass through of resin price increases to customers. Within its beverage caps and closures market, Closures sells both a short height closure and a traditional two-piece closure. Prices are generally lower on the short height closure compared to the traditional two-piece closure, therefore, product mix in the period directly impacts revenue. In addition, contractual price adjustments with customers do not occur simultaneously with actual resin purchase price fluctuations, but rather on a monthly, quarterly, semi-annual or other basis. Therefore, due to the differences in timing between Closures' purchase of resin from its suppliers and sales of closures to its customers, pricing related to the pass-through of resin price fluctuations to customers also directly impacts revenue. The net increase in revenue as a result of product mix and pricing related to the pass-through of resin price increases to customers was \$44.4 million.

Revenue from North America increased by \$103.0 million, or 28.6%, to \$463.7 million for the year ended December 31, 2010 compared to \$360.7 million for the year ended December 31, 2009. This increase was primarily attributable to \$51.7 million of incremental revenue generated from the operations of CSI Americas. In addition, higher sales volume, primarily due to increased market share in North America, increased revenue by \$5.5 million. Foreign currency fluctuations had a favorable impact of \$9 million, primarily due to the strengthening of the Mexican peso against the dollar. The net increase in revenue as a result of changes in product mix and pricing related to the pass-through of resin price increases to customers was \$36.3 million.

Revenue in the rest of the world markets increased by \$91.7 million, or 14.8%, to \$710.7 million for the year ended December 31, 2010 compared to \$619.0 million for the year ended December 31, 2009. Increased volume, largely attributable to growth in Europe and Asia, contributed \$67.8 million to the increase in revenue. These increases were primarily attributable to increased market penetration, introduction of new products, including short height closures, and increased market share in Europe and Asia. Favorable foreign currency exchange rates primarily due to the strengthening of the Japanese yen and Brazilian real against the dollar increased revenue in the rest of the world by \$16 million. The net increase in revenue as a result of changes in product mix and pricing related to the pass-through of resin price increases to customers was \$8.1 million.

Cost of Sales. Cost of sales increased by \$171.3 million, or 20.9%, to \$989.6 million for the year ended December 31, 2010 compared to \$818.3 million for the year ended December 31, 2009. The increase in cost of sales was primarily attributable to a \$57.3 million increase due to higher sales volumes, as discussed above, as well as \$49.1 million of incremental costs associated with the operations of CSI Americas. In addition, unfavorable foreign currency fluctuations increased cost of sales by \$21 million, primarily due to the strengthening of the Japanese yen, the Mexican peso and the Brazilian real against the dollar. The net increase in cost of sales as a result of changes in product mix and increases in raw material costs was \$41.8 million.

Raw materials costs, primarily with respect to resin, increased by \$130.4 million for the year ended December 31, 2010 compared to the year ended December 31, 2009. For the years ended December 31, 2010 and 2009, raw material costs accounted for 59% and 55% of Closures' cost of sales, respectively.

Gross Profit. Gross profit increased by \$23.4 million, or 14.5%, to \$184.8 million for the year ended December 31, 2010 compared to \$161.4 million for the year ended December 31, 2009, with the gross profit margin for the year ended December 31, 2010 decreasing to 15.7% of the segment's revenue compared to 16.5% for the year ended December 31, 2009.

Gross profit increased by \$16.0 million as a result of sales volume growth and \$2.6 million as a result of incremental gross profit generated from the operations of CSI Americas which was acquired in February 2010. Favorable foreign currency fluctuations increased gross profit by \$4 million, primarily due to the strengthening of the Japanese yen, Mexican peso and Brazilian real against the dollar. These increases were partially offset by the net impact of increased raw material costs, changes in product mix and pricing related to the pass-through of resin price increases to customers as discussed above. The gross profit margin decrease

for the year ended December 31, 2010 compared to the year ended December 31, 2009 is primarily due to the increase in raw material costs and the lag in the pass-through of resin price increases to customers.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$8.5 million, or 9.7%, to \$95.8 million for the year ended December 31, 2010 compared to \$87.3 million for the year ended December 31, 2009. This increase was largely due to \$3.2 million of higher amortization expense primarily as a result of the implementation of software during the second half of 2009, as well as \$3.6 million of higher advertising and other marketing expenses primarily associated with market expansion.

Other. Other income included a gain of \$9.8 million on the purchase of CSI Americas in February 2010 and \$2.6 million of restructuring costs. The results of operations for the year ended December 31, 2009 included \$9.8 million of unrealized gains on derivative instruments and \$3.0 million of restructuring costs. These items have been included in the segment's Adjusted EBITDA calculation.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2010 were \$95.9 million, \$175.3 million and \$170.1 million, respectively, compared to \$82.2 million, \$154.9 million and \$148.1 million, respectively, for the year ended December 31, 2009.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2010 and December 31, 2009 for the Closures segment is as follows:

	For the Year Ended December 31,	
	2010	2009
	(In \$ million)	
Profit from operating activities	95.9	82.2
Depreciation and amortization	<u>79.4</u>	<u>72.7</u>
EBITDA	175.3	154.9
Included in Closures segment EBITDA:		
Business acquisition costs	1.0	—
Business interruption costs	2.1	—
CSI Americas gain on acquisition	(9.8)	—
Restructuring costs	2.6	3.0
Unrealized gains on derivatives	<u>(1.1)</u>	<u>(9.8)</u>
Closures segment Adjusted EBITDA	<u>170.1</u>	<u>148.1</u>

Reynolds Consumer Products Segment

	For the Year Ended December 31,					Change	% Change
	2010(1)	% of Revenue	2009(2)	% of Segment Revenue			
	(In \$ million, except for %)						
Segment revenue	1,377.9	100.0%	1,189.9	100.0%	188.0	15.8%	
Cost of sales	(1,050.3)	(76.2)%	(967.7)	(81.3)%	(82.6)	8.5%	
Gross profit	327.6	23.8%	222.2	18.7%	105.4	47.4%	
Selling, marketing and distribution expenses/General and administration expenses	(117.5)	(8.5)%	(126.4)	(10.6)%	8.9	(7.0)%	
Net other income	3.5	0.3%	95.1	8.0%	(91.6)	(96.3)%	
Profit from operating activities	213.6	15.6%	190.9	16.0%	22.7	11.9%	
Reynolds Consumer Products segment EBITDA	275.7	20.0%	254.3	21.4%	21.4	8.4%	
Reynolds Consumer Products segment Adjusted EBITDA	298.7	21.7%	280.4	23.6%	18.3	6.5%	

- (1) Represents the results of operations for Reynolds Consumer Products for the full year ended December 31, 2010 which includes the results of operations of the Hefty consumer products business for the period from November 16, 2010 to December 31, 2010.
- (2) Represents the results of operations for Reynolds Consumer Products for the full year ended December 31, 2009, which consists of the results of operations for the Reynolds consumer products business and does not include the results of operations for the Hefty consumer products business acquired in November 2010 as part of the Pactiv Acquisition.

We acquired Pactiv on November 16, 2010. The operating results of the Hefty consumer products business have been included within the Reynolds Consumer Products segment since the consummation of the Pactiv Acquisition. For the period from November 16, 2010 to December 31, 2010, the Hefty consumer products business' revenue, cost of sales, selling, marketing and distribution expenses/general and administration expenses, profit from operating activities, EBITDA and Adjusted EBITDA included in the Reynolds Consumer Products segment were \$177.2 million, \$155.8 million, \$17.3 million, \$4.1 million, \$16.9 million and \$42.2 million, respectively.

Revenue. Revenue increased by \$188.0 million, or 15.8%, to \$1,377.9 million for the year ended December 31, 2010 compared to \$1,189.9 million for the year ended December 31, 2009. This increase was largely attributable to \$177.2 million of incremental revenue from waste and storage and tableware products generated from the operations of the Hefty consumer products business which was acquired as part of the Pactiv Acquisition in November 2010. The remaining \$10.8 million increase in revenue was mainly due to an increase in selling prices resulting from the flow-through of resin price increases to customers and increases in sales volume, partially offset by a decrease in revenue resulting from the planned exit from certain low margin or unprofitable product lines in the second half of 2009.

Cost of Sales. Cost of sales increased by \$82.6 million, or 8.5%, to \$1,050.3 million for the year ended December 31, 2010 compared to \$967.7 million for the year ended December 31, 2009. The increase in cost of sales was due to incremental cost of sales of \$155.8 million incurred by the Hefty consumer products business, which included purchase price accounting adjustments of \$25.3 million for inventories acquired as part of the Pactiv Acquisition. The increase was partially offset by realized hedging losses recognized for the year ended December 31, 2009, partially offset by increased raw material costs for the year ended December 31, 2010. Cost of sales for the year ended December 31, 2009 was negatively impacted by realized losses of \$90.8 million related to the settlement of unfavorable aluminum hedge positions under the segment's historical hedging policy, which has since been terminated. As a result of this hedging policy and the steep decline in the price of aluminum during the second half of 2008 and into early 2009, Reynolds Consumer

Products realized \$90.8 million of hedging losses, which is reflected in cost of sales for the year ended December 31, 2009.

Excluding the impact of the realized losses related to the unfavorable aluminum hedge positions in 2009 and the increased cost of sales incurred by the Hefty consumer products business which was acquired in November 2010, cost of sales would have increased by \$17.6 million from \$876.9 million for the year ended December 31, 2009 to \$894.5 million for the year ended December 31, 2010. This increase would have been primarily due to increased raw material costs, which increased by approximately \$22.0 million and represented 58% of cost of sales for the year ended December 31, 2009 compared to 59% of cost of sales for the year ended December 31, 2010.

Gross Profit. Gross profit increased by \$105.4 million, or 47.4%, to \$327.6 million for the year ended December 31, 2010 compared to \$222.2 million for the year ended December 31, 2009, with the gross profit margin for the year ended December 31, 2010 increasing to 23.8% of the segment's revenue compared to 18.7% for the year ended December 31, 2009. The increase in gross profit reflects the incremental gross profit of \$21.4 million generated from the operations of the Hefty consumer products business which was acquired as part of the Pactiv Acquisition in November 2010. The \$21.4 million in incremental gross profit attributable to the Hefty consumer products business takes into effect the negative impact of purchase price accounting adjustments as discussed above. Gross profit and gross profit margin also increased due to the impact of the realized losses associated with the settlement of unfavorable aluminum hedge positions as discussed above.

Excluding the impact of these items, gross profit margin would have been 25.5% for the year ended December 31, 2010 compared to 26.3% for the year ended December 31, 2009. This decrease is primarily due to increased raw material costs that Reynolds Consumer Products has not been able to fully pass through to its customers.

Reynolds Consumer Products' gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including resin and aluminum. Reynolds Consumer Products generally cannot immediately pass through price increases or declines to its customers because the contractual price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. For most resin based products, there is a lag time between the purchase of raw materials by Reynolds Consumer Products and the pass through of raw material price fluctuations to customers. For aluminum based products, contracts with customers do not contain contractual price protection for raw material cost fluctuations. Due to the differences in timing between Reynolds Consumer Products' purchases of resin from its suppliers and sales to its customers, there is often a lead-lag impact, during which margins are negatively impacted in periods of rising resin prices and positively impacted in periods of falling resin prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses decreased by \$8.9 million, or 7.0%, to \$117.5 million for the year ended December 31, 2010 compared to \$126.4 million for the year ended December 31, 2009. The decrease in selling, marketing and distribution expenses and general and administration expenses was primarily due to the costs incurred in the year ended December 31, 2009 related to the transition from Alcoa's systems, networks and services to those of Reynolds Consumer Products and costs related to a flood at one of the segment's locations, partially offset by additional expenses of \$17.3 million attributable to the Hefty consumer products business.

Other. Net other income decreased by \$91.6 million to \$3.5 million net other income compared to \$95.1 million net other income for the year ended December 31, 2009. The decrease in other income reflects a decrease of \$99.6 million in unrealized gains on open aluminum hedge positions and a decrease of \$9.1 million in restructuring costs associated with plant rationalizations.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2010 were \$213.6 million, \$275.7 million and \$298.7 million, respectively, compared to \$190.9 million, \$254.3 million and \$280.4 million, respectively, for the year ended December 31, 2009.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2010 and December 31, 2009 for the Reynolds Consumer Products segment is as follows:

	For the Year Ended December 31,	
	2010(1)	2009(2)
	(In \$ million)	
Profit from operating activities	213.6	190.9
Depreciation and amortization	<u>62.1</u>	<u>63.4</u>
EBITDA	275.7	254.3
Included in Reynolds Consumer Products segment EBITDA:		
Adjustment related to settlement of a lease obligation	(1.6)	—
Asset impairment charges	—	0.3
Business interruption costs (recovery)	(0.3)	—
Elimination of historical Reynolds hedging policy	—	90.8
Gains on sale of businesses	(0.2)	—
Impact of purchase price accounting on inventories	25.3	—
Loss on sale of Baco assets	—	1.2
Manufacturing plant flood impact	—	5.2
Operational process engineering-related consultancy costs	6.4	—
Plant realignment costs	—	2.1
Restructuring costs (recoveries)	(4.3)	4.8
Transition costs	—	23.6
Unrealized gains on derivatives	<u>(2.3)</u>	<u>(101.9)</u>
Reynolds Consumer Products segment Adjusted EBITDA	<u>298.7</u>	<u>280.4</u>

(1) Represents the results of operations of Reynolds Consumer Products for the full year ended December 31, 2010 which includes the results of operations of the Hefty consumer products business for the period from November 16, 2010 to December 31, 2010.

(2) Represents the results of operations of Reynolds Consumer Products for the full year ended December 31, 2009, which consists of the results of operations for the Reynolds consumer products business and does not include the results of operations for the Hefty consumer products business acquired in November 2010 as part of the Pactiv Acquisition.

Pactiv Foodservice Segment

	<u>For the Year Ended December 31,</u>					
	<u>2010(1)</u>	<u>% of Revenue</u>	<u>2009(2)</u>	<u>% of Segment Revenue</u>	<u>Change</u>	<u>% Change</u>
	(In \$ million, except for %)					
Segment revenue	924.4	100.0%	738.8	100.0%	185.6	25.1%
Cost of sales	(859.7)	93.0%	(692.0)	93.7%	(167.7)	24.2%
Gross profit	64.7	7.0%	46.8	6.3%	17.9	38.2%
Selling, marketing and distribution expenses/General and administration expenses . .	(80.1)	(8.7)%	(49.6)	(6.7)%	(30.5)	61.5%
Net other income (expense)	(26.1)	(2.8)%	4.5	0.6%	(30.6)	NM
Profit (loss) from operating activities	(41.5)	(4.5)%	1.8	0.2%	(43.3)	NM
Pactiv Foodservice segment EBITDA	16.2	1.8%	53.5	7.2%	(37.3)	(69.7)%
Pactiv Foodservice segment Adjusted EBITDA . . .	80.9	8.8%	60.4	8.2%	20.5	33.9%

- (1) Represents the results of operations of Pactiv Foodservice for the full year ended December 31, 2010 which includes the results of operations of the Pactiv foodservice packaging business for the period from November 16, 2010 to December 31, 2010.
- (2) Represents the results of operations of Pactiv Foodservice for the full year ended December 31, 2009, which consists of the results of operations for the Reynolds foodservice packaging business and does not include the results of operations for the Pactiv foodservice packaging business acquired in November 2010 as part of the Pactiv Acquisition.

We acquired Pactiv on November 16, 2010. The operating results of the Pactiv foodservice packaging business have been included within the Pactiv Foodservice segment since the consummation of the Pactiv Acquisition. For the period from November 16, 2010 to December 31, 2010, the Pactiv foodservice packaging business' revenues, cost of sales, selling, marketing and distribution expenses/general and administration expenses, loss from operating activities, loss before interest, taxes, depreciation and amortization and Adjusted EBITDA included in the Pactiv Foodservice segment for 2010 were \$303.6 million, \$288.2 million, \$33.5 million, \$37.6 million, \$9.4 million and \$49.0 million, respectively.

Revenue. Revenue increased by \$185.6 million, or 25.1%, to \$924.4 million for the year ended December 31, 2010 compared to \$738.8 million for the year ended December 31, 2009. This increase was largely attributable to \$303.6 million of incremental revenue generated from foam, tableware, and specialty products generated from the operations of the Pactiv foodservice packaging business which was acquired as part of the Pactiv Acquisition in November 2010. Prior to this acquisition, none of these products were offered by the Reynolds foodservice packaging business. Clear plastics, paper and aluminum product offerings were also significantly expanded as a result of the Pactiv Acquisition. Excluding the incremental revenue associated with the Pactiv Acquisition, revenue decreased by \$118.0 million due to a decline in revenue of \$75.9 million due to the sale of Pactiv Foodservice's envelope window film business in January 2010, \$69.3 million due to lower sales volume resulting from planned exits from non-core and lower margin products in 2009, and an overall decrease in demand of \$39.0 million due to depressed market conditions in the United States. These decreases were partially offset by improved pricing of \$66.2 million from the flow-through of resin price increases to customers.

Cost of Sales. Cost of sales increased by \$167.7 million, or 24.2%, to \$859.7 million for the year ended December 31, 2010 compared to \$692.0 million for the year ended December 31, 2009. The increase is primarily attributable to the incremental cost of sales of \$288.2 million incurred by the Pactiv foodservice packaging business that was acquired as part of the Pactiv Acquisition in November 2010, including the negative impact of \$38.8 million related to the fair value adjustment of inventories acquired which were subsequently sold in the normal course of business.

Excluding the incremental cost of sales incurred by the Pactiv foodservice packaging business, cost of sales decreased by \$120.5 million, primarily as a result of the sale of Pactiv Foodservice's envelope window film business in January 2010 and exits from non-core and lower margin products.

Pactiv Foodservice experienced increases in the purchase price of raw materials, primarily resin and aluminum, for the year ended December 31, 2010 compared to the year ended December 31, 2009. However, raw material costs accounted for 61% and 65% of Pactiv Foodservice's cost of sales, respectively, for the same periods. This decrease in raw material costs as a percentage of total sales is primarily attributable to increased depreciation and amortization expense as a result of increases in the fair values of property, plant and equipment that were acquired as part of the Pactiv Acquisition. Raw material costs for the year ended December 31, 2010 increased by \$76.5 million compared to the year ended December 31, 2009, primarily due to \$140.7 million of incremental raw material costs incurred by the Pactiv foodservice packaging business, partially offset by a \$64.2 million decrease in raw material costs as a result of the sale of Pactiv Foodservice's envelope window film business in January 2010 and the exit from non-core and lower margin products.

Gross Profit. Gross profit increased by \$17.9 million, or 38.2%, to \$64.7 million for the year ended December 31, 2010 compared to \$46.8 million for the year ended December 31, 2009, with gross profit margin for the year ended December 31, 2010 increasing to 7.0% of the segment's revenue compared to 6.3% for the year ended December 31, 2009. This increase in gross profit was largely attributable to \$15.4 million of incremental gross profit generated from the operations of the Pactiv foodservice packaging business which was acquired as part of the Pactiv Acquisition in November 2010. The gross profit margin impact attributable to the Pactiv foodservice packaging business includes a negative impact of \$38.8 million related to the fair value adjustment of inventories acquired which were subsequently sold in the normal course of business.

Excluding the impact from this fair value adjustment in inventories acquired, gross profit margin would have increased by \$56.7 million, or 121.2%, to \$103.5 million for the year ended December 31, 2010 compared to \$46.8 million for the year ended December 31, 2009. Gross profit margin increased to 11.2% of the segment's revenue for the year ended December 31, 2010 compared to 6.3% for the year ended December 31, 2009.

Excluding the incremental gross profit associated with the Pactiv foodservice packaging business that was acquired as part of the Pactiv Acquisition in November 2010, gross profit would have increased by \$2.5 million and gross profit margin would have increased to 7.9% of the segment's revenue for the year ended December 31, 2010 compared to 6.3% for the year ended December 31, 2009. This increase would have been driven by productivity efficiencies and the exit from lower margin products as discussed above.

Pactiv Foodservice's gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including resin and aluminum. Pactiv Foodservice generally cannot immediately pass through price increases or declines to its customers because the price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. Due to the differences in timing between Pactiv Foodservice's purchases of raw materials from its suppliers and sales to its customers, there is often a lead-lag impact, with margins being negatively impacted in periods of rising raw material prices and positively impacted in periods of falling raw material prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$30.5 million, or 61.5%, to \$80.1 million for the year ended December 31, 2010 compared to \$49.6 million for the year ended December 31, 2009. The increase in selling, marketing and distribution expenses and general and administration expenses was primarily due to additional expenses of \$33.5 million attributable to the operations of the Pactiv foodservice packaging business, which was partially offset by benefits from previously implemented restructuring programs related to headcount reductions.

Other. Net other expenses increased by \$30.6 million to \$26.1 million net other expense compared to \$4.5 million net other income for the year ended December 31, 2009. The increase in other expenses was mainly attributed to an increase of \$28.9 million in impairment charges, comprised of \$22.5 million in impairment charges related to plant closures attributable to the integration of the Pactiv foodservice packaging

business which was acquired as part of the Pactiv Acquisition in November 2010, \$7.0 million in impairment charges on assets classified as held-for-sale, a decrease of \$12.0 million of unrealized gains on open hedge positions of aluminum and resin due to changes in fair value and an increase of \$7.0 million related to the termination of redundant supply agreements. This was partially offset by a decrease of \$10.6 million in severance expense as part of a restructuring initiative and an increase of \$8.3 million resulting from a gain on sale of a business.

Loss from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, loss from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2010 were \$41.5 million, \$16.2 million and \$80.9 million, respectively, compared to a profit from operating activities of \$1.8 million, EBITDA of \$53.5 million and Adjusted EBITDA of \$60.4 million for the year ended December 31, 2009.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2010 and December 31, 2009 for the Pactiv Foodservice segment is as follows:

	For the Year Ended December 31,	
	2010(1)	2009(2)
	(In \$ million)	
Profit (loss) from operating activities	(41.5)	1.8
Depreciation and amortization	<u>57.7</u>	<u>51.7</u>
EBITDA	16.2	53.5
Included in Pactiv Foodservice segment EBITDA:		
Asset impairment charges	29.5	0.6
Gains on sale of businesses	(8.3)	—
Elimination of the effect of historical Reynolds hedging policy	—	4.5
Equity method profit not distributed in cash	—	(0.1)
Impact of purchase price accounting on inventories	38.8	—
Impact of purchase price accounting on leases	(0.3)	—
Inventory write-off	—	5.3
Restructuring costs (recoveries)	(1.0)	9.6
Termination of supply agreements	7.0	—
Unrealized gains on derivatives	<u>(1.0)</u>	<u>(13.0)</u>
Pactiv Foodservice segment Adjusted EBITDA	<u>80.9</u>	<u>60.4</u>

- (1) Represents the results of operations of Pactiv Foodservice for the full year ended December 31, 2010 which includes the results of operations of the Pactiv foodservice packaging business for the period from November 16, 2010 to December 31, 2010.
- (2) Represents the results of operations of Pactiv Foodservice for the full year ended December 31, 2009, which consists of the results of operations for the Reynolds foodservice packaging business and does not include the results of operations for the Pactiv foodservice packaging business acquired in November 2010 as part of the Pactiv Acquisition.

Year Ended December 31, 2009 Compared with the Year Ended December 31, 2008

Reynolds Group Holdings Limited

	For the Year Ended December 31,					
	<u>2009(1)</u>	<u>% of Revenue</u>	<u>2008(2)</u>	<u>% of Revenue</u>	<u>Change</u>	<u>% Change</u>
	(In \$ million, except for %)					
Revenue	5,910.0	100.0%	6,012.8	100.0%	(102.8)	(1.7)%
Cost of sales	(4,691.3)	(79.4)%	(5,309.2)	(88.3)%	617.9	(11.6)%
Gross profit	1,218.7	20.6%	703.6	11.7%	515.1	73.2%
Other income	201.0	3.4%	93.6	1.6%	107.4	114.7%
Selling, marketing and distribution expenses/General and administration expenses	(577.5)	(9.8)%	(562.8)	(9.4)%	(14.7)	2.6%
Other expenses	(95.9)	(1.6)%	(246.4)	(4.1)%	150.5	(61.1)%
Share of profit of associates and joint ventures, net of income tax	11.4	0.2%	6.3	0.1%	5.1	81.0%
Profit (loss) from operating activities	757.7	12.8%	(5.7)	(0.1)%	763.4	NM
Financial income	20.9	0.4%	164.5	2.7%	(143.6)	(87.3)%
Financial expenses	(513.2)	(8.7)%	(408.8)	(6.8)%	(104.4)	25.5%
Net financial expenses	(492.3)	(8.3)%	(244.3)	(4.1)%	(248.0)	101.5%
Profit (loss) before income tax	265.4	4.5%	(250.0)	(4.2)%	515.4	NM
Income tax benefit (expense)	(148.7)	(2.5)%	63.1	1.0%	(211.8)	(335.7)%
Profit (loss) from continuing operations	116.7	2.0%	(186.9)	(3.1)%	303.6	NM
Profit from discontinued operations, net of income tax	—	0.0%	44.0	0.7%	(44.0)	(100.0)%
Profit (loss) for the period	116.7	2.0%	(142.9)	(2.4)%	259.6	NM
Depreciation of property, plant and equipment and investment properties and amortization of intangible assets	501.7	8.5%	476.4	7.9%	25.3	5.3%
RGHL Group EBITDA	1,259.4	21.3%	470.7	7.8%	788.7	167.6%
RGHL Group Adjusted EBITDA	1,130.3	19.1%	784.8	13.1%	345.5	44.0%

(1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2009.

(2) Represents the results of operations of SIG and Evergreen for the full year ended December 31, 2008 and the results of operations of Closures, Reynolds Consumer Products and Pactiv Foodservice for the period from March 1 to December 31, 2008.

Revenue. Revenue decreased by \$102.8 million, or 1.7%, to \$5,910.0 million for the year ended December 31, 2009 compared to \$6,012.8 million for the year ended December 31, 2008. This decrease was net of revenue increases of \$437.4 million representing two months of additional revenue included in the results of the Closures, Reynolds Consumer Products and Pactiv Foodservice segments for the year ended December 31, 2009 and an incremental revenue increase of \$17.4 million attributable to the operations of a business acquired in Mexico in September 2008. The decrease in revenue was across all of our segments, except for our Closures segment and was primarily due to lower sales volume, the exit from low margin or unprofitable product lines, and unfavorable foreign currency fluctuations of \$102 million. For a detailed explanation of the variations in revenue for each of our segments, see the individual segment discussions below.

Cost of Sales. Cost of sales decreased by \$617.9 million, or 11.6%, to \$4,691.3 million for the year ended December 31, 2009, compared to \$5,309.2 million for the year ended December 31, 2008. This decrease was net of cost of sales increases of \$409.9 million representing two months of additional cost of sales included in the results of the Closures, Reynolds Consumer Products and Pactiv Foodservice segments for the year ended December 31, 2009 and an incremental cost of sales of \$17.5 million incurred by a business acquired in Mexico in September 2008.

The decrease in cost of sales was attributable to a decrease in the cost of sales for the SIG, Evergreen, Reynolds Consumer Products and Pactiv Foodservice segments, partially offset by an increase in the cost of sales for the Closures segment. The overall decrease in cost of sales was primarily due to lower sales volume, a decline in raw material costs, primarily resin and aluminum, and the impact of the exit from low margin or unprofitable product lines. Cost of sales was also impacted by the recognition of a \$214.1 million Black Liquor Credit at the Evergreen segment. In addition, cost of sales included favorable foreign currency fluctuations of \$77 million. For a detailed explanation of the variations in cost of sales for each of our segments, see the individual segment discussions below.

Gross Profit. Gross profit increased by \$515.1 million, or 73.2%, to \$1,218.7 million for the year ended December 31, 2009 compared to \$703.6 million for the year ended December 31, 2008 and gross profit margin increased to 20.6% for the year ended December 31, 2009 compared to 11.7% for the year ended December 31, 2008. This increase included \$27.5 million of gross profit representing two additional months of operating results in the year ended December 31, 2009 for the Closures, Reynolds Consumer Products and Pactiv Foodservice segments. The remaining increase in gross profit reflects the improvement in gross profit across all segments largely attributable to lower raw material costs, the impact of the Black Liquor Credit and the exit from low margin or unprofitable product lines discussed above, partially offset by unfavorable foreign currency fluctuations of \$25 million. For a detailed explanation of the variations in gross profit for each of our segments, see the individual segment discussions below.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$14.7 million, or 2.6%, to \$577.5 million for the year ended December 31, 2009 compared to \$562.8 million for the year ended December 31, 2008. This increase included \$40.2 million of selling, marketing and distribution expenses and general and administration expenses representing two additional months of expenses in the year ended December 31, 2009 for the Closures, Reynolds Consumer Products and Pactiv Foodservice segments.

The overall decrease in expenses of \$26.0 million was largely due to benefits from cost saving initiatives. For a detailed explanation of the variations in selling, marketing and distribution expenses and general and administration expenses for each of our segments, see the individual segment discussions below.

Net Other Income. Net other income (expense) increased by \$257.9 million to \$105.1 million net other income for the year ended December 31, 2009 compared to a \$152.8 million net other expense for the year ended December 31, 2008. This increase was largely attributable to a \$289.1 million increase in unrealized gains on derivatives used to hedge exposure to commodity prices offset by an increase in other expenses related to asset impairment charges of \$12.9 million and operational consultancy costs of \$13.2 million during 2009.

Share of Profits in Associates and Joint Ventures. Share of profits in associates and joint ventures increased by \$5.1 million, or 81.0%, to \$11.4 million for the year ended December 31, 2009 compared to \$6.3 million for the year ended December 31, 2008. The increase was primarily due to improvements in the results of operations of the Obeikan joint venture operations within the SIG segment.

Profit from Operating Activities. As a result of the above factors, profit from operating activities increased by \$763.4 million to \$757.7 million for the year ended December 31, 2009 compared to a loss of \$5.7 million for the year ended December 31, 2008.

Net Financial Expenses. Net financial expenses increased by \$248.0 million, or 101.5%, to \$492.3 million for the year ended December 31, 2009 compared to \$244.3 million for the year ended December 31, 2008. The increase was related to a \$268.8 million increase in foreign currency losses resulting

from borrowings denominated in currencies other than that of the borrowing entity (NZ\$ denominated debt held by a company reporting in dollars) and \$36.2 million of additional amortization of debt issuance costs that arose as a result of the early repayment of certain credit facilities, partially offset by an overall reduction in interest expense on external borrowings. Our net borrowings as of December 31, 2009 were \$4,954.1 million compared to net borrowings of \$4,905.5 million as of December 31, 2008. During 2009, we incurred new indebtedness, the proceeds of which were used to repay certain of our existing indebtedness, including senior indebtedness incurred in connection with the acquisitions of the SIG segment, the Reynolds consumer products business and the Closures segment. For more information relating to the RGHL Group's financial expenses and borrowings, see note 13 and note 26, respectively, of the RGHL Group's audited financial statements as of and for the year ended December 31, 2009, included elsewhere in this prospectus.

Income Tax Expense. Income tax expense increased by \$211.8 million, or 335.7%, to \$148.7 million for the year ended December 31, 2009 compared to a benefit of \$63.1 million for the year ended December 31, 2008. The effective tax rate increased to 56.0% for the year ended December 31, 2009 compared to an effective tax rate of 25.2% for the year ended December 31, 2008. This increase was primarily attributable to the change in the relative contributions in the different jurisdictions in which the RGHL Group is subject to tax, offset by additional New Zealand Controlled Foreign Companies, or "CFC," tax expense of \$16.9 million for the year ended December 31, 2009 compared to a CFC tax benefit of \$17.8 million for the year ended December 31, 2008, and the non-recognition of \$82.2 million of current period tax losses (2008: \$74.8 million) largely due to the inability of certain subsidiaries to claim deductions for certain expense items, such as interest, due to local jurisdictional limitations.

Total Profit from Discontinued Operations. Total profit from discontinued operations, net of income tax, decreased by \$44.0 million. There were no discontinued operations for the year ended December 31, 2009 compared to the year ended December 31, 2008 when SIG sold a beverage business line.

Depreciation of Property, Plant and Equipment and Investment Properties and Amortization of Intangible Assets. Depreciation of property, plant and equipment and investment properties and amortization of intangible assets increased by \$25.3 million, or 5.3%, to \$501.7 million for the year ended December 31, 2009 compared to \$476.4 million for the year ended December 31, 2008. This increase was attributable to an increase in depreciation of property, plant and equipment and amortization of intangible assets for the Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice segments of \$3.4 million, \$16.4 million, \$10.9 million and \$9.9 million, respectively, partially offset by a decrease of \$15.3 million in depreciation of property, plant and equipment and investment properties and amortization of intangible assets for the SIG segment. The increase in the depreciation and amortization expense related to our Closures, Reynolds Consumer Products and Pactiv Foodservice segments was mainly due to the two months of additional depreciation and amortization expenses for each business included in the results for the year ended December 31, 2009. The decline in the SIG segment was primarily due to the impact of foreign currency due to the weakening of the euro against the dollar.

EBITDA and Adjusted EBITDA. As a result of the above factors, EBITDA and Adjusted EBITDA for the year ended December 31, 2009 were \$1,259.4 million and \$1,130.3 million, respectively, compared to \$470.7 million and \$784.8 million, respectively, for the year ended December 31, 2008.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2009 and December 31, 2008 for the RGHL Group is as follows:

	For the Year Ended December 31,	
	<u>2009(1)</u>	<u>2008(2)</u>
	(In \$ million)	
Profit from operating activities	757.7	(5.7)
Depreciation and amortization	<u>501.7</u>	<u>476.4</u>
EBITDA(3)	1,259.4	470.7
<i>Included in the RGHL Group EBITDA:</i>		
Asset impairment charges	12.9	—
Black Liquor Credit	(214.1)	—
Costs related to business acquisition	1.2	—
Elimination of the effect of historical hedging policy of the Reynolds consumer products business.	95.3	4.2
Equity method joint venture profit not distributed in cash	(10.0)	(6.3)
(Gain) on sale of non-current assets	—	(1.9)
Impact of purchase price accounting on inventories	—	30.5
Inventory write-off	5.3	—
Korean insurance claim	(2.0)	—
Loss on sale of business	1.2	—
Manufacturing plant flood impact	5.2	—
Operational process engineering-related consultancy costs	13.2	—
Plant realignment costs	2.1	—
Realized loss on derivatives novated with related party	—	32.8
Related party management fees	2.5	3.4
Restructuring costs	57.9	78.9
Transition costs	23.6	10.2
Unrealized (gains) losses on derivatives	(129.0)	160.1
VAT and customs duties on historical imports	3.5	2.2
Write down of assets held for sale	0.7	—
Write-off of receivables related to sale of Venezuelan operations	<u>1.4</u>	<u>—</u>
RGHL Group Adjusted EBITDA(3)	<u>1,130.3</u>	<u>784.8</u>
SIG	474.8	414.9
Evergreen	166.6	119.2
Closures	148.1	106.7
Reynolds Consumer Products	280.4	139.1
Pactiv Foodservice	60.4	9.4
Corporate/Unallocated	<u>—</u>	<u>(4.5)</u>
RGHL Group Adjusted EBITDA(3)	<u>1,130.3</u>	<u>784.8</u>

(1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2009.

- (2) Represents the results of operations of SIG and Evergreen for the full year ended December 31, 2008 and the results of operations of Closures, Reynolds Consumer Products and Pactiv Foodservice for the period from March 1 to December 31, 2008.
- (3) RGHL Group EBITDA is defined as profit (loss) from continuing operations for the period plus income tax expenses, net financial expenses, depreciation of property, plant and equipment and investment properties and amortization of intangible assets. RGHL Group Adjusted EBITDA, a measure used by our management to measure operating performance, is defined as RGHL Group EBITDA, adjusted to exclude certain items of a significant or unusual nature, including but not limited to acquisition costs, non-cash pension income, restructuring costs, unrealized gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and write downs and equity method profit not distributed in cash. EBITDA and Adjusted EBITDA are not presentations made in accordance with IFRS, are not measures of financial condition, liquidity or profitability and should not be considered as an alternative to profit (loss) from continuing operations for the period determined in accordance with IFRS or operating cash flows determined in accordance with IFRS. The determination of Adjusted EBITDA contains a number of estimates and assumptions that may prove to be incorrect and differ materially from actual results. Refer to “Risk Factors.” Additionally, RGHL Group EBITDA and RGHL Group Adjusted EBITDA are not intended to be measures of free cash flow for management’s discretionary use, as they do not take into account certain items such as interest and principal payments on our indebtedness, depreciation and amortization expense, working capital needs, tax payments, and capital expenditures. We believe that the inclusion of EBITDA and Adjusted EBITDA in this prospectus is appropriate to provide additional information to investors about our operating performance and to provide a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. We additionally believe that issuers of high yield debt securities also present EBITDA, Adjusted EBITDA and other pro forma measures of Adjusted EBITDA because investors, analysts and rating agencies consider these measures useful. Because not all companies calculate EBITDA and Adjusted EBITDA identically, this presentation of EBITDA and Adjusted EBITDA may not be comparable to the similarly titled measures of other companies.

SIG Segment

	For the Year Ended December 31,					
	2009	% of Segment Revenue	2008	% of Segment Revenue	Change	% Change
	(In \$ million, except for %)					
Segment revenue	1,668.1	100.0%	1,747.3	100.0%	(79.2)	(4.5)%
Cost of sales	(1,258.2)	(75.4)%	(1,407.4)	(80.5)%	149.2	(10.6)%
Gross profit	409.9	24.6%	339.9	19.5%	70.0	20.6%
Selling, marketing and distribution expenses/General and administration expenses	(224.2)	(13.4)%	(246.2)	(14.1)%	22.0	(8.9)%
Net other income (expense)	(5.1)	(0.3)%	33.5	1.9%	(38.6)	NM
Profit from operating activities	189.7	11.4%	132.1	7.6%	57.6	43.6%
SIG segment EBITDA	439.9	26.4%	397.6	22.8%	42.3	10.6%
SIG segment Adjusted EBITDA	474.8	28.5%	414.9	23.7%	59.9	14.44%

Revenue. Revenue decreased by \$79.2 million, or 4.5%, to \$1,668.1 million for the year ended December 31, 2009 compared to \$1,747.3 million for the year ended December 31, 2008. As discussed in more detail below, this decrease was primarily attributable to an unfavorable foreign currency impact of \$72 million due to the weakening of the euro against the dollar and the remaining revenue decrease was due to lower sales volume in Eastern Europe resulting from the global economic downturn in 2009, offset partially by higher sales volume in China and other emerging markets.

Revenue in Europe decreased by \$133.1 million, or 10.6%, to \$1,117.2 million for the year ended December 31, 2009 compared to \$1,250.3 million for the year ended December 31, 2008. This decrease was primarily attributable to an unfavorable foreign currency impact of \$72 million due to the weakening of the euro against the dollar and sales decreases of \$46.6 million in Russia and \$10.3 million in Poland, compared to the results for the year ended December 31, 2008. The reduction in sales in Russia and Poland was primarily related to the juice segment and was mainly due to the decline in consumer purchases resulting from the global economic downturn in 2009. Collectively, revenue from other European markets declined by \$4.4 million due to unfavorable market conditions as compared to the year ended December 31, 2008.

Revenue in the rest of the world increased by \$53.9 million, or 10.8%, to \$550.9 million for the year ended December 31, 2009 compared to \$497.0 million for the year ended December 31, 2008. This increase was exclusively attributable to an increase in sales volume due to greater demand, primarily in China. Sales in China increased by \$22.5 million, or 15.5%, to \$167.5 million for the year ended December 31, 2009, compared to \$145.0 million for the year ended December 31, 2008, reflecting a recovery of consumer confidence in milk products which was negatively impacted by the melamine contamination of dairy products in 2008. Sales outside of China increased by \$31.4 million, or 8.9%, mainly due to increases in sales volume of \$8.8 million in South America, \$14.5 million in North America, \$6.7 million in Asia Pacific South and \$1.4 million in the Middle East as compared to the year ended December 31, 2008.

Cost of Sales. Cost of sales decreased by \$149.2 million, or 10.6%, to \$1,258.2 million for the year ended December 31, 2009 compared to \$1,407.4 million for the year ended December 31, 2008. The decrease in cost of sales was primarily due to reductions in raw materials costs, as a result of lower raw material pricing and favorable foreign currency impact of \$52 million due to the weakening of the euro against the dollar.

Raw materials as a component of cost of sales, primarily resin and aluminum, decreased \$157.1 million in the year ended December 31, 2009 compared to the year ended December 31, 2008. For the years ended December 31, 2009 and 2008, raw material costs accounted for 60% and 65% of SIG's cost of sales, respectively.

Gross Profit. Gross profit increased by \$70.0 million, or 20.6%, to \$409.9 million for the year ended December 31, 2009 compared to \$339.9 million for the year ended December 31, 2008, with the gross profit margin increasing to 24.6% of revenue for the year ended December 31, 2009 compared to 19.5% of revenue for the year ended December 31, 2008. These increases in gross profit and gross profit margin were primarily due to decreases in cost of sales as discussed above. Gross profit for the year ended December 31, 2009 reflects an unfavorable foreign currency impact of \$20 million compared to the year ended December 31, 2008 due to the weakening of the euro against the dollar.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses decreased by \$22.0 million, or 8.9%, to \$224.2 million for the year ended December 31, 2009 compared to \$246.2 million for the year ended December 31, 2008, primarily due to the successful implementation of cost-saving measures relating to overhead costs during 2009.

Other. Net other income (expense) decreased by \$38.6 million to a net other expense of \$5.1 million for the year ended December 31, 2009 compared to net other income of \$33.5 million for the year ended December 31, 2008. The decrease is primarily due to higher restructuring costs of \$23.4 million, an asset impairment of \$5.9 million, a decrease of \$1.9 million in the gain on sale of investment properties, a decrease of \$12.1 million in unrealized loss on derivatives and a decrease of \$19.5 million in miscellaneous income partly related to the sale of a beverage business line in 2008.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2009 were \$189.7 million, \$439.9 million and \$474.8 million, respectively, compared to \$132.1 million, \$397.6 million and \$414.9 million, respectively, for the year ended December 31, 2008.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2009 and December 31, 2008 for the SIG segment is as follows:

	For the Year Ended December 31,	
	2009	2008
(In \$ million)		
Profit from operating activities	189.7	132.1
Depreciation and amortization	250.2	265.5
EBITDA	439.9	397.6
Included in SIG segment EBITDA:		
Asset impairment charges	5.9	—
Equity method joint venture profit not distributed in cash	(7.7)	(4.9)
Gain on sale of investment properties	—	(1.9)
Restructuring costs	37.5	14.1
Unrealized (gains) losses on derivatives	(4.3)	7.8
VAT and customs duties on historical imports	3.5	2.2
SIG segment Adjusted EBITDA	474.8	414.9

Evergreen Segment

	For the Year Ended December 31,					
	2009	% of Segment Revenue	2008	% of Segment Revenue	Change	% Change
(In \$ million, except for %)						
Segment revenue	1,429.0	100.0%	1,505.5	100.0%	(76.5)	(5.1)%
Cost of sales	(1,053.0)	(73.7)%	(1,399.6)	(93.0)%	346.6	(24.8)%
Gross profit	376.0	26.3%	105.9	7.0%	270.1	255.1%
Selling, marketing and distribution expenses/General and administration expenses	(83.1)	(5.8)%	(80.9)	(5.4)%	(2.2)	2.7%
Net other income (expense)	(1.9)	(0.1)%	24.9	1.7%	(26.8)	NM
Profit from operating activities	293.2	20.5%	50.9	3.4%	242.3	476.0%
Evergreen segment EBITDA	356.9	25.0%	111.2	7.4%	245.7	221.0%
Evergreen segment Adjusted EBITDA	166.6	11.7%	119.2	7.9%	47.4	39.8%

Revenue. Revenue decreased by \$76.5 million, or 5.1%, to \$1,429.0 million for the year ended December 31, 2009 compared to \$1,505.5 million for the year ended December 31, 2008. This decrease was primarily due to lower sales of paper products. The decline in sales of paper products is comprised of a decrease of \$41.0 million in pricing and \$11.8 million in volume as demand decreased as a result of the economic slowdown experienced in the year ended December 31, 2009. In addition, external sales of liquid packaging board decreased by approximately \$31.1 million mainly as a result of lower demand from cupstock customers and lower volume requirements from Evergreen's European customers due to an economic slowdown in Europe. This decrease in revenue was partially offset by an \$7.4 million increase in revenue from fresh carton packaging due to increases in prices, despite lower sales volumes.

Cost of Sales. Cost of sales decreased by \$346.6 million, or 24.8%, to \$1,053.0 million for the year ended December 31, 2009 compared to \$1,399.6 million for the year ended December 31, 2008. The decrease in cost of sales was mainly attributable to the recognition of \$214.1 million of Black Liquor Credit. For

further information on the Black Liquor Credit, see “— Key Factors Influencing Our Financial Condition and Results of Operations — Raw Materials and Energy Prices.”

Excluding the impact of the Black Liquor Credit, cost of sales would have decreased by \$132.5 million, or 9.5%, from \$1,399.6 million for the year ended December 31, 2008 compared to \$1,267.1 million for the year ended December 31, 2009. This decrease in cost of sales was attributable to a \$59.6 million decrease related to lower sales volume across all products and a \$72.9 million decrease related to lower raw material costs, primarily resin. Exclusive of the Black Liquor Credit, raw material costs for the years ended December 31, 2009 and 2008 accounted for 42% and 44% of Evergreen’s cost of sales, respectively.

Gross Profit. Gross profit increased by \$270.1 million, or 255.1%, to \$376.0 million for the year ended December 31, 2009 compared to \$105.9 million for the year ended December 31, 2008, with the gross profit margin increasing to 26.3% of revenue for the year ended December 31, 2009, compared to 7.0% for the year ended December 31, 2008. The increase in gross profit and gross profit margin was mainly attributed to the recognition of \$214.1 million of Black Liquor Credit which reduced cost of sales as discussed above.

Excluding the impact of the Black Liquor Credit, gross profit would have been 11.3% of the segment’s revenue in 2009 compared to 7.0% in 2008, which represents an improvement of \$56.0 million. This increase in gross profit was largely driven by a decrease in raw material costs as a result of the lag time between the purchase of raw materials by Evergreen and the pass through of raw material price fluctuations to customers.

Evergreen’s gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including fiber, resin and commodity chemicals, and energy, including fuel oil, electricity, natural gas and coal. Evergreen purchases most of its raw materials on the spot market and generally cannot immediately pass through price increases or declines to its customers because the contractual price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. Due to the differences in timing between Evergreen’s purchases of raw materials from its suppliers and sales to its customers, there is often a lead-lag impact, with margins being negatively impacted in periods of rising raw material prices and positively impacted in periods of falling raw material prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses were relatively flat at \$83.1 million for the year ended December 31, 2009 compared to \$80.9 million for the year ended December 31, 2008.

Other. Net other income (expense) decreased by \$26.8 million to a net other expense of \$1.9 million for the year ended December 31, 2009, compared to net other income of \$24.9 million for the year ended December 31, 2008. The decrease is primarily due to higher operational consulting costs of \$13.2 million related to cost reduction programs, an asset impairment of \$6.1 million related to the sale of the Venezuela operations and a decline of \$9.7 million in scrap sales.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2009 were \$293.2 million, \$356.9 million and \$166.6 million, respectively, compared to \$50.9 million, \$111.2 million and \$119.2 million, respectively, for the year ended December 31, 2008.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the years ended December 31, 2009 and December 31, 2008 for the Evergreen segment is as follows:

	For the Year Ended December 31,	
	2009	2008
	(In \$ million)	
Profit from operating activities	293.2	50.9
Depreciation and amortization	<u>63.7</u>	<u>60.3</u>
EBITDA	356.9	111.2
Included in Evergreen segment EBITDA:		
Asset impairment charges	6.1	—
Black Liquor Credit	(214.1)	—
Cost related to business acquisition	1.2	—
Equity method joint venture profit not distributed in cash	(2.2)	(1.0)
Korean insurance claim	(2.0)	—
Operational process engineering-related consultancy costs	13.2	—
Related party management fees	2.5	3.4
Restructuring costs	2.9	3.9
Transition costs	—	1.7
Write down of asset held for sale	0.7	—
Write-off of receivables related to sale of Venezuela operations	<u>1.4</u>	<u>—</u>
Evergreen segment Adjusted EBITDA	<u>166.6</u>	<u>119.2</u>

Closures Segment

	For the Year Ended December 31,					
	2009(1)	% of Segment Revenue	2008(2)	% of Segment Revenue	Change	% Change
	(In \$ million, except for %)					
Segment revenue	979.7	100.0%	855.8	100.0%	123.9	14.5%
Cost of sales	(818.3)	(83.5)%	(754.2)	(88.1)%	(64.1)	8.5%
Gross profit	161.4	16.5%	101.6	11.9%	59.8	58.9%
Selling, marketing and distribution expenses/General and administration expenses	(87.3)	(8.9)%	(62.9)	(7.3)%	(24.4)	38.8%
Net other income (expense)	8.1	0.8%	(17.4)	(2.0)%	25.5	(146.6)%
Profit from operating activities	82.2	8.4%	21.3	2.5%	60.9	285.9%
Closure segment EBITDA	154.9	15.8%	77.6	9.1%	77.3	99.6%
Closure segment Adjusted EBITDA	148.1	15.1%	106.7	12.5%	41.4	38.8%

(1) Represents the results of operations of Closures for the full year ended December 31, 2009.

(2) Represents the results of operations of Closures for the period March 1, 2008 to December 31, 2008.

Revenue. Revenue increased by \$123.9 million, or 14.5%, to \$979.7 million for the year ended December 31, 2009 compared to \$855.8 million for the ten months ended December 31, 2008. The two months of additional revenue included in the results for the year ended December 31, 2009 contributed \$140.9 million to the increase.

Revenue decreased by \$17.0 million, or 2.0%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. Foreign currency fluctuations had an unfavorable impact of \$30 million due to the weakening of the Mexican peso, the Russian ruble and the Argentinean peso against the dollar.

Closures' revenue is also impacted by changes in product mix and pricing related to the pass through of resin price increases to customers. Within its beverage caps and closures market, Closures sells both a short height closure and a traditional two-piece closure. Prices are generally lower on the short height closure compared to the traditional two-piece closure, therefore product mix in the period directly impacts revenue. In addition, contractual price adjustments with customers do not occur simultaneously with actual resin purchase price fluctuations, but rather on a monthly, quarterly, semi-annual or other basis. Therefore, due to the differences in timing between Closures' purchase of resin from its suppliers and sales of closures to its customers, pricing related to the pass-through of resin price fluctuations to customers also directly impacts revenue. The net decrease in revenue as a result of changes in product mix and pricing related to the pass-through of resin price increases to customers was \$66.9 million.

As discussed in more detail below, these decreases were partially offset by higher sales volumes of \$63.2 million, which was largely attributable to market growth in Europe and Asia as well as the full year favorable impact of \$17.4 million from the September 2008 acquisition of a business in Mexico.

Revenue in North America increased by \$17.7 million, or 5.2%, to \$360.7 million for the year ended December 31, 2009 compared to \$343.0 million for the ten months ended December 31, 2008. This increase was mainly attributable to a \$55.9 million increase due to two months of additional revenue included in the results for the year ended December 31, 2009. Revenue decreased by \$38.1 million, or 11.1%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. This decrease was largely attributable to lower sales volumes of \$7.1 million, primarily due to the loss of a significant customer contract, and an unfavorable foreign currency impact of \$19 million, primarily due to the weakening of the Mexican peso against the dollar. These decreases were partially offset by the full year favorable impact of \$17.4 million from the September 2008 acquisition of a business in Mexico.

Revenue in the rest of the world increased by \$106.2 million, or 20.7%, to \$619.0 million for the year ended December 31, 2009 compared to \$512.8 million for the ten months ended December 31, 2008. This increase was primarily attributable to a revenue increase of \$85.0 million representing two months of additional revenue included in the results for the year ended December 31, 2009. Revenue increased by \$21.2 million, or 4.1%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. This increase was due to higher sales volumes of \$70.3 million, primarily due to market growth in Asia and Europe largely attributable to increased market penetration, introduction of new products, including short height closures, and increased market share. This increase was partially offset by an unfavorable foreign currency impact of \$11 million, primarily due to the weakening of the Russian ruble and the Argentinean peso against the dollar. The net decrease in revenue as a result of changes in product mix and pricing related to the pass-through of resin price decreases to customers was \$37.8 million.

Cost of Sales. Cost of sales increased by \$64.1 million, or 8.5%, to \$818.3 million for the year ended December 31, 2009 compared to \$754.2 million for the ten months ended December 31, 2008. The increase in cost of sales was primarily attributable to \$123.7 million of additional two months of costs of sales included in the results for the year ended December 31, 2009. Cost of sales decreased by \$59.6 million, or 7.9%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. There was a net decrease of \$105.0 million in cost of sales as a result of lower prices of raw material costs compared to 2008 as well as strategic cost savings initiatives, which was partially offset by changes in product mix. The cost reduction programs that were undertaken consisted mainly of headcount reductions and raw material cost reduction initiatives focused on scrap reductions, lining improvements and lighter weight closures. Foreign currency fluctuations also had a favorable impact of \$25 million, primarily due to the weakening of the Mexican peso, the Russian ruble and the Argentinean peso against the dollar. In addition, cost of sales for the year ended December 31, 2008 included \$8.9 million of purchase accounting adjustments for inventories.

These decreases were partially offset by higher sales volumes of \$62.3 million as well as \$17.5 million from the full year impact of the September 2008 acquisition of a business in Mexico.

Raw material prices, primarily with respect to resin, decreased for the year ended December 31, 2009 compared to the ten months ended December 31, 2008. For the year ended December 31, 2009 and for the ten months ended December 31, 2008, raw material costs accounted for 55% and 60% of Closures' cost of sales, respectively.

Gross Profit. Gross profit increased by \$59.8 million, or 58.9%, to \$161.4 million for the year ended December 31, 2009 compared to \$101.6 million for the ten months ended December 31, 2008, with gross profit margin increasing to 16.5% of revenue for the year ended December 31, 2009 compared to 11.9% of revenue for the ten months ended December 31, 2008. This increase in gross profit was partially attributable to an increase of \$17.2 million representing two months of additional gross profit included in the results for the year ended December 31, 2009. Gross profit increased by \$42.6 million, or 42.0%, for the ten months ended December 31, 2009, compared to the ten months ended December 31, 2008. Gross profit increased \$38.1 million due to the net impact of decreased raw material costs, changes in product mix and pricing related to the pass-through of resin price decreases to customers as discussed above. In addition, gross profit increased \$8.9 million due to the purchase accounting adjustments on inventories that were recorded in 2008. These increases were partially offset by unfavorable foreign currency fluctuations of \$5 million, primarily due to the weakening of the Mexican peso, the Russian ruble and the Argentinean peso against the dollar.

The gross profit margin increase was primarily the result of the favorable impact of lower raw material costs and strategic cost saving initiatives as discussed above.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$24.4 million, or 38.8%, to \$87.3 million for the year ended December 31, 2009 compared to \$62.9 million for the ten months ended December 31, 2008. This increase was primarily attributable to a \$12.7 million increase representing two months of additional costs included in the results for the year ended December 31, 2009. Selling, marketing and distribution expenses and general and administration expenses increased by \$11.7 million, or 18.6%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. This increase was primarily attributable to costs incurred for the year ended December 31, 2009 related to certain start-up investments in plant facilities in China and cost redundancies related to transitioning from Alcoa's systems.

Other. Other net expenses decreased \$25.5 million in the year ended December 31, 2009 compared to the ten months ended December 31, 2008, primarily due to an increase of \$19.1 million in unrealized gains on derivative instruments and a \$6.5 million decrease in restructuring expenses related to outsourcing and automation of certain production processes. These items have been included in the segment's Adjusted EBITDA calculation.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2009 were \$82.2 million, \$154.9 million and \$148.1 million, respectively, compared to \$21.3 million, \$77.6 million and \$106.7 million, respectively, for the ten months ended December 31, 2008.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the year ended December 31, 2009 and the ten months ended December 31, 2008 for the Closures segment is as follows:

	<u>For the Year Ended December 31,</u>	
	<u>2009(1)</u>	<u>2008(2)</u>
	(In \$ million)	
Profit from operating activities	82.2	21.3
Depreciation and amortization	<u>72.7</u>	<u>56.3</u>
EBITDA	154.9	77.6
Included in Closures segment EBITDA:		
Impact of purchase price accounting on inventory	—	8.9
Restructuring costs	3.0	9.5
Transition costs	—	1.4
Unrealized (gains) losses on derivatives	<u>(9.8)</u>	<u>9.3</u>
Closures segment Adjusted EBITDA	<u>148.1</u>	<u>106.7</u>

- (1) Represents the results of operations of Closures for the full year ended December 31, 2009.
(2) Represents the results of operations of Closures for the period March 1 to December 31, 2008.

Reynolds Consumer Products Segment

	<u>For the Year Ended December 31,</u>					
	<u>2009(1)</u>	<u>% of Segment Revenue</u>	<u>2008(2)</u>	<u>% of Segment Revenue</u>	<u>Change</u>	<u>% Change</u>
	(In \$ million, except for %)					
Segment revenue	1,189.9	100.0%	1,216.0	100.0%	(26.1)	(2.1)%
Cost of sales	(967.7)	(81.3)%	(1,072.1)	(88.2)%	104.4	(9.7)%
Gross profit	222.2	18.7%	143.9	11.8%	78.3	54.4%
Selling, marketing and distribution expenses/General and administration expenses	(126.4)	(10.6)%	(118.3)	(9.7)%	(8.1)	6.8%
Net other income (expense)	95.1	8.0%	(163.3)	(13.4)%	258.4	NM
Profit from operating activities	190.9	16.0%	(137.7)	(11.3)%	328.6	NM
Reynolds Consumer Products segment EBITDA	254.3	21.4%	(85.2)	(7.0)%	339.5	NM
Reynolds Consumer Products segment Adjusted EBITDA	280.4	23.6%	139.1	11.4%	141.3	101.6%

- (1) Represents the results of operations of Reynolds Consumer Products for the full year ended December 31, 2009, which consists of the results of operations for the Reynolds consumer products business and does not include the results of operations for the Hefty consumer products business acquired in November 2010 as part of the Pactiv Acquisition.
(2) Represents the results of operations of Reynolds Consumer Products for the period March 1 to December 31, 2008, which consists of the results of operations for the Reynolds consumer products business and does not include the results of operations for the Hefty consumer products business acquired in November 2010 as part of the Pactiv Acquisition.

Revenue. Revenue decreased by \$26.1 million, or 2.1%, to \$1,189.9 million for the year ended December 31, 2009 compared to \$1,216.0 million for the ten months ended December 31, 2008. This decrease was net of a revenue increase of \$165.0 million representing two months of additional revenue included in the results for the year ended December 31, 2009. Revenue decreased by \$191.1 million, or 15.7%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. The decrease was primarily due to a decrease of approximately \$97.0 million related to the planned exit from low margin or unprofitable product lines and a \$65.2 million decrease in volume, mainly in cooking products due to lower demand in the market. The remaining \$28.9 million decrease in revenue was due to reduced prices from the pass-through of raw material pricing decreases to customers.

Cost of Sales. Cost of sales decreased by \$104.4 million, or 9.7%, to \$967.7 million for the year ended December 31, 2009 compared to \$1,072.1 million for the ten months ended December 31, 2008. This decrease was net of a cost of sales increase of \$156.7 million representing two months of additional cost of sales included in the results for the year ended December 31, 2009. Cost of sales decreased by \$261.1 million, or 24.4%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. Cost of sales for the year ended December 31, 2009 was negatively impacted by realized losses of \$90.8 million recognized during the year ended December 31, 2009 as compared to \$3.7 million of realized losses recognized during the ten months ended December 31, 2008 related to the settlement of unfavorable aluminum hedge positions under Reynolds Consumer Products' historical hedging policy. Additionally, cost of sales for the ten months ended December 31, 2008 included charges of \$17.3 million for the impact of purchase price accounting on inventory and \$32.8 million related to realized losses on derivatives novated with a related party.

Excluding the impact of the realized losses related to the unfavorable aluminum hedge in 2009 and the purchase price accounting adjustment in inventories and realized losses on derivatives in 2008, cost of sales would have decreased by \$141.4 million. The decrease in cost of sales was largely due to a \$167.2 million decline in raw material costs, primarily related to resin and aluminum. For the year ended December 31, 2009 and the ten months ended December 31, 2008, raw material costs accounted for 58% and 66% of Reynolds Consumer Products' cost of sales, respectively. The remaining decrease in cost of sales was due to cost savings associated with strategic initiatives, including plant consolidations and realignment, and the exit from low margin and unprofitable product lines.

Gross Profit. Gross profit increased by \$78.3 million, or 54.4%, to \$222.2 million for the year ended December 31, 2009 compared to \$143.9 million for the ten months ended December 31, 2008, with the gross profit margin increasing to 18.7% of revenue for the year ended December 31, 2009 compared to 11.8% of revenue for the ten months ended December 31, 2008. Gross profit increased by \$70.0 million, or 48.6%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008.

Excluding the impact of unfavorable hedge settlements in 2009 and 2008 and the impacts in the ten months ended December 31, 2008 of the purchase price accounting on inventory and realized losses on derivatives novated with a related party, gross profit margin would have been 26.3% for the year ended December 31, 2009 compared to 16.3% in ten months ended December 31, 2008. The increase in gross profit margin is primarily due to a decrease in raw material costs that Reynolds Consumer Products did not fully pass through to its customers, the impact of the exit from low margin product lines and cost savings as discussed above.

Reynolds Consumer Products' gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including resin and aluminum. Reynolds Consumer Products generally cannot immediately pass through price increases or declines to its customers because the contractual price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. For most resin based products, there is a lag time between the purchase of raw materials by Reynolds Consumer Products and the pass through of raw material price fluctuations to customers. For aluminum based products, contracts with customers do not contain contractual price protection for raw material cost fluctuations. Due to the differences in timing between Reynolds Consumer Products' purchases of resin from its suppliers and sales to its customers, there is often a lead-lag impact, during which

margins are negatively impacted in periods of rising resin prices and positively impacted in periods of falling resin prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses increased by \$8.1 million, or 6.8%, to \$126.4 million for the year ended December 31, 2009 compared to \$118.3 million for the ten months ended December 31, 2008. This increase was mainly attributable to an \$18.6 million increase representing two months of additional expenses included in the results for the year ended December 31, 2009. Selling, marketing and distribution expenses and general and administration expenses decreased by \$10.5 million, or 8.9%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. This decrease was mainly attributable to the overall decline in marketing spending of approximately \$24 million, which included a decline related to the discontinuation of a product line, partially offset by increased administration costs, an increase of \$16.5 million in transition costs and costs of \$4.3 million related to a flood incident at one of the Reynolds Consumer Products' locations.

Other. Other income increased by \$258.4 million to \$95.1 million for the year ended December 31, 2009 compared to the ten months ended December 31, 2008, primarily due to a \$232.7 million increase resulting from unrealized gains on open aluminum hedge positions in 2009 as compared to unrealized losses in 2008 and a \$27.8 million decrease in restructuring expenses related to plant rationalizations as compared to the ten months ended December 31, 2008.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2009 were \$190.9 million, \$254.3 million and \$280.4 million, respectively, compared to a loss from operating activities of \$137.7 million, an EBITDA loss of \$85.2 million and Adjusted EBITDA of \$139.1 million, for the ten months ended December 31, 2008.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the year ended December 31, 2009 and the ten months ended December 31, 2008 for the Reynolds Consumer Products segment is as follows:

	For the Year Ended December 31,	
	2009(1)	2008(2)
	(In \$ million)	
Profit from operating activities	190.9	(137.7)
Depreciation and amortization	63.4	52.5
EBITDA	254.3	(85.2)
Included in Reynolds Consumer Products segment EBITDA:		
Asset impairment charges	0.3	—
Elimination of historical Reynolds hedging policy	90.8	3.7
Impact of purchase price accounting on inventories	—	17.3
Loss on sale of Baco assets	1.2	—
Manufacturing plant flood impact	5.2	—
Plant realignment costs	2.1	—
Realized losses on derivatives novated with related party	—	32.8
Restructuring costs	4.8	32.6
Transition costs	23.6	7.1
Unrealized (gains) losses on derivatives	(101.9)	130.8
Reynolds Consumer Products segment Adjusted EBITDA	280.4	139.1

- (1) Represents the results of operations of Reynolds Consumer Products for the full year ended December 31, 2009, which consists of the results of operations for the Reynolds consumer products business and does not include the results of operations for the Hefty consumer products business acquired in November 2010 as part of the Pactiv Acquisition.
- (2) Represents the results of operations of Reynolds Consumer Products for the period March 1 to December 31, 2008, which consists of the results of operations for the Reynolds consumer products business and does not include the results of operations for the Hefty consumer products business acquired in November 2010 as part of the Pactiv Acquisition.

Pactiv Foodservice Segment

	For the Year Ended December 31,					
	2009(1)	% of Segment Revenue	2008(2)	% of Segment Revenue	Change	% Change
	(In \$ million, except for %)					
Segment revenue	738.8	100.0%	832.8	100.0%	(94.0)	(11.3)%
Cost of sales	(692.0)	(93.7)%	(817.4)	(98.2)%	125.4	(15.3)%
Gross profit	46.8	6.3%	15.4	1.8%	31.4	203.9%
Selling, marketing and distribution expenses/General and administration expenses . .	(49.6)	(6.7)%	(52.7)	(6.3)%	3.1	(5.9)%
Net other income (expense)	4.5	0.6%	(30.9)	(3.7)%	35.4	NM
Profit (loss) from operating activities	1.8	0.2%	(67.8)	(8.1)%	69.6	NM
Pactiv Foodservice segment EBITDA	53.5	7.2%	(26.0)	(3.1)%	79.5	NM
Pactiv Foodservice segment Adjusted EBITDA . . .	60.4	8.2%	9.4	1.1%	51.0	542.6%

- (1) Represents the results of operations of Pactiv Foodservice for the full year ended December 31, 2009, which consists of the results of operations for the Reynolds foodservice packaging business and does not include the results of operations for the Pactiv foodservice packaging business acquired in November 2010 as part of the Pactiv Acquisition.
- (2) Represents the results of operations of Pactiv Foodservice for the period March 1 to December 31, 2008, which consists of the results of operations for the Reynolds foodservice packaging business and does not include the results of operations for the Pactiv foodservice packaging business acquired in November 2010 as part of the Pactiv Acquisition.

Revenue. Revenue decreased by \$94.0 million, or 11.3%, to \$738.8 million for the year ended December 31, 2009 compared to \$832.8 million for the ten months ended December 31, 2008. This decrease was net of a revenue increase of \$131.5 million representing two months of additional revenue included in the results for the year ended December 31, 2009. Revenue decreased by \$225.5 million, or 27.1%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. This decrease was primarily due to the impact of lower volumes attributable to plant closures and weak economic conditions, combined with the impact of lower pricing related to lower raw material prices.

Cost of Sales. Cost of sales decreased by \$125.4 million, or 15.3%, to \$692.0 million for the year ended December 31, 2009 compared to \$817.4 million for the ten months ended December 31, 2008. This decrease was net of a cost of sales increase of \$129.5 million representing two months of additional cost of sales included in the results for the year ended December 31, 2009. Cost of sales decreased by \$254.9 million, or 31.2%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. This decrease in cost of sales was primarily due to the impact of lower volumes attributable to plant closures and weak economic conditions as discussed above. Lower raw material costs, primarily related to resin and aluminum, also contributed \$97.2 million to the decrease in cost of sales. For the year ended December 31, 2009 and the ten months ended December 31, 2008, raw material costs accounted for 65% and

67% of Pactiv Foodservice's cost of sales, respectively. The remainder of the decrease in cost of sales was largely due to lower volumes attributable to plant closures and weak economic conditions as discussed above.

Gross Profit. Gross profit increased by \$31.4 million, or 203.9%, to \$46.8 million for the year ended December 31, 2009 compared to \$15.4 million for the ten months ended December 31, 2008, with the gross profit margin increasing to 6.3% for the year ended December 31, 2009 compared to 1.8% for the ten months ended December 31, 2008. Gross profit increased by \$29.4 million or 190.9% for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. This increase in gross profit and gross profit margin was primarily due to cost savings resulting from previously implemented productivity projects and restructuring plans, combined with a reduction in raw material prices as discussed above.

In addition, Pactiv Foodservice's gross profit has been in the past, and will continue to be in the future, impacted by changes in the costs of raw materials, including resin and aluminum. Pactiv Foodservice generally cannot immediately pass through price increases or declines to its customers because the price adjustments do not occur simultaneously with market price fluctuations, but rather on a mutually agreed upon schedule. Due to the differences in timing between Pactiv Foodservice's purchases of raw materials from its suppliers and sales to its customers, there is often a lead-lag impact, with margins being negatively impacted in periods of rising raw material prices and positively impacted in periods of falling raw material prices.

Selling, Marketing and Distribution Expenses/General and Administration Expenses. Selling, marketing and distribution expenses and general and administration expenses decreased by \$3.1 million, or 5.9%, to \$49.6 million for the year ended December 31, 2009 compared to \$52.7 million for the ten months ended December 31, 2008. Selling, marketing and distribution expenses and general and administration expenses decreased by \$12.0 million, or 22.8%, for the ten months ended December 31, 2009 compared to the ten months ended December 31, 2008. The overall decrease was due to benefits from the cost savings initiatives implemented during the year, primarily related to headcount reductions.

Other. Net other expense decreased by \$35.4 million compared to the ten months ended December 31, 2008. This was attributable to a \$25.2 million increase in unrealized gains on open aluminum hedge positions due to changes in fair value and a \$9.2 million decrease in restructuring expenses related to headcount reductions and plant and product line rationalization programs.

Profit from Operating Activities, EBITDA and Adjusted EBITDA. As a result of the above factors, profit from operating activities, EBITDA and Adjusted EBITDA for the year ended December 31, 2009 were \$1.8 million, \$53.5 million and \$60.4 million, respectively, compared to a loss from operating activities of \$67.8 million, an EBITDA loss of \$26.0 million and Adjusted EBITDA of \$9.4 million, for the ten months ended December 31, 2008.

EBITDA/Adjusted EBITDA Reconciliation

The reconciliation of profit from operating activities to EBITDA and Adjusted EBITDA for the year ended December 31, 2009 and the ten months ended December 31, 2008 for the Pactiv Foodservice segment is as follows:

	For the Year Ended 2009(1)	December 31, 2008(2)
	(In \$ million)	
Profit (loss) from operating activities	1.8	(67.8)
Depreciation and amortization	<u>51.7</u>	<u>41.8</u>
EBITDA	53.5	(26.0)
Included in Pactiv Foodservice segment EBITDA:		
Asset impairment charges	0.6	—
Elimination of the effect of historical Reynolds hedging policy	4.5	0.5
Equity method joint venture profit not distributed in cash	(0.1)	(0.4)
Impact of purchase price accounting on inventory	—	4.3
Inventory write-off	5.3	—
Restructuring costs	9.6	18.8
Unrealized (gains) losses on derivatives	<u>(13.0)</u>	<u>12.2</u>
Pactiv Foodservice segment Adjusted EBITDA	<u>60.4</u>	<u>9.4</u>

- (1) Represents the results of operations of Pactiv Foodservice for the full year ended December 31, 2009, which consists of the results of operations for the Reynolds foodservice packaging business and does not include the results of operations for the Pactiv foodservice packaging business acquired in November 2010 as part of the Pactiv Acquisition.
- (2) Represents the results of operations of Pactiv Foodservice for the period March 1 to December 31, 2008, which consists of the results of operations for the Reynolds foodservice packaging business and does not include the results of operations for the Pactiv foodservice packaging business acquired in November 2010 as part of the Pactiv Acquisition.

Differences Between the RGHL Group and the Beverage Packaging Holdings Group Results of Operations

There are certain differences between the RGHL Group financial statements and the Beverage Packaging Holdings Group financial statements, each included elsewhere in this prospectus. The Beverage Packaging Holdings Group consists of BP I, BP I's consolidated subsidiaries and BP II.

RGHL is a non-operating holding company. Consequently, there are no differences between the revenue and gross profit amounts presented in the RGHL Group financial statements and the Beverage Packaging Holdings Group financial statements. The differences in the reported profit (loss) before income tax between the RGHL Group financial statements and the Beverage Packaging Holdings Group financial statements are primarily due to related party interest income and expenses that are recognized by RGHL, intercompany amounts between RGHL and the members of the Beverage Packaging Holdings Group that eliminate on consolidation of the RGHL Group, foreign exchange movements on the related party balances of RGHL and incidental RGHL corporate expenses.

Differences between the RGHL Group balance sheet and Beverage Packaging Holdings Group balance sheet are primarily attributable to the related party receivables and borrowings of RGHL.

Liquidity and Capital Resources

Historical Cash Flows

The following table discloses the RGHL Group's cash flows from continuing operations for the periods presented:

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2011(1)	2010(2)	2010(3)	2009(4)	2008(5)
			(In \$ million)		
Net cash flows from operating activities	163.2	423.5	383.2	769.8	450.6
Net cash flows used in investing activities	(2,387.9)	(138.7)	(4,588.2)	(135.3)	(2,721.7)
Net cash flows from (used in) financing activities . .	2,608.1	(344.8)	4,345.0	(500.6)	2,347.3

- (1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2011, the results of Graham Packaging from September 8, 2011 to September 30, 2011 and the results of Dopaco from May 2, 2011 to September 30, 2011.
- (2) Represents the results of operations of SIG, Evergreen, Closures Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2010. The results of Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2010, do not include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses.
- (3) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2010. Reynolds Consumer Products and Pactiv Foodservice include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the period from November 16, 2010 to December 31, 2010.
- (4) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2009.
- (5) Represents the results of operations of SIG and Evergreen for the full year 2008 and the results of operations of Closures, Reynolds Consumer Products and Pactiv Foodservice for the period March 1 to December 31, 2008.

Cash Flow from Operating Activities

Cash flows from operating activities for the nine month period ended September 30, 2011 generated a net cash inflow of \$163.2 million compared to a net cash inflow of \$423.5 million for the nine month period ended September 30, 2010. The decrease of \$260.3 million in cash flow from operating activities was largely driven by a \$352.1 million increase in interest payments due to an overall increase in our borrowings to fund the Graham Packaging Acquisition and the Pactiv Acquisition and \$83.8 million in change of control and acquisition payments related to the Graham Packaging Acquisition and the Dopaco Acquisition, partially offset by a \$30.1 million decrease in income taxes paid and a \$22.5 million payment to a related party in 2010 for the use of tax losses. The increase in the net cash received from customers, suppliers, and employees of \$123.0 million is attributable to additional net cash inflow of \$257.0 million and \$11.2 million from the inclusion of the Pactiv and Dopaco businesses, respectively, partially offset by net cash outflow of \$94.9 million from the inclusion of the Graham Packaging business and payments of \$50.3 million related to restructuring, business integration and operational process engineering costs as well as higher raw material costs within the legacy businesses.

Cash flows from operating activities for the year ended December 31, 2010 generated a net cash inflow of \$383.2 million compared to \$769.8 million for the year ended December 31, 2009. The \$386.6 million decreased inflow reflects the impact of changes of \$158.5 million in our working capital position as well as additional interest and tax payments of \$205.6 million during the year ended December 31, 2010, compared to the year ended December 31, 2009. The Pactiv Acquisition resulted in a reduction in working capital of \$171.4 million largely due to change of control payments. The increase in interest payments is due to the overall increase in our borrowings.

Cash flows from operating activities for the year ended December 31, 2009 generated a net cash inflow of \$769.8 million compared to a net cash inflow of \$450.6 million for the year ended December 31, 2008. The \$319.2 million net inflow increase reflected a combination of Black Liquor Credit and the increase in profit associated with the additional two months of results for Closures and our Reynolds consumer products and Reynolds foodservice packaging businesses included for the year ended December 31, 2009, partially offset by changes in working capital and a \$54.8 million increase in income tax payments.

Cash Flow used in Investing Activities

Cash flows used in investing activities for the nine month period ended September 30, 2011 resulted in a net cash outflow of \$2,387.9 million compared to \$138.7 million for the nine month period ended September 30, 2010. The increase in net cash outflows from investing activities is principally due to the Graham Packaging Acquisition for cash consideration (net of cash acquired) of \$1,651.2 million, the Dopaco Acquisition for total consideration of \$397.1 million and an increase of \$145.6 million in capital expenditures. The cash flow used in investing activities for the nine month period ended September 30, 2010 includes proceeds of \$32.4 million related to the sale of the envelope window film business and cash outflows of \$25.4 million related to the acquisition of CSI Americas and \$45.8 million related to the purchase of the Whakatane paper mill.

Cash flows used in investing activities for the year ended December 31, 2010 resulted in a net cash outflow of \$4,588.2 million compared to \$135.3 million for the year ended December 31, 2009. The increase in net cash outflows from investing activities is principally due to the Pactiv Acquisition for total consideration, net of cash acquired, of \$4,360.7 million and an increase of \$74.3 million in capital expenditures.

Cash flows used in investing activities for the year ended December 31, 2009 resulted in a net cash outflow of \$135.3 million compared to a net cash outflow of \$2,721.7 million for the year ended December 31, 2008. The primary driver for the decrease in the net cash out flow for the year ended December 31, 2009 was the Reynolds Acquisition during 2008 for total consideration of \$2,593.0 million.

Refer also to “— Capital Expenditures” for additional information regarding expenditures on property, plant and equipment and intangible assets.

Cash Flow from (used in) Financing Activities

Cash flows from financing activities for the nine month period ended September 30, 2011 resulted in a net cash inflow of \$2,608.1 million compared to a net cash inflow of \$344.8 million for the nine month period ended September 30, 2010. In February 2011, we issued \$1,000.0 million principal amount of February 2011 Senior Secured Notes and \$1,000.0 million principal amount of February 2011 Senior Notes. The proceeds from the offering of the February 2011 Notes were used to fully repay the U.S. Tranche D Term Loans of \$1,520.0 million under the Original Senior Secured Credit Facilities. Also in February 2011, we entered into an amended and restated credit agreement and borrowed \$2,325.0 million in U.S. term loans and €250.0 million (\$341.2 million) in European term loans. The proceeds from the new term loans under the Senior Secured Credit Facilities were applied to refinance the term loans outstanding under the Original Senior Secured Credit Facilities. In August 2011, we issued \$1,500.0 million principal amount of August 2011 Senior Secured Notes and \$1,000.0 million principal amount of August 2011 Senior Notes. The proceeds from the offering of the August 2011 Notes were used to finance the Graham Packaging Acquisition and the Graham Packaging Change of Control Offer. Also in August 2011, we entered into an amended and restated credit agreement and borrowed \$2,000.0 million in incremental U.S. term loans. The proceeds from the incremental term loans under the Senior Secured Credit Facilities were applied to finance the Graham Packaging Acquisition. Cash flows from financing activities for the nine month period ended September 30, 2011 also included \$208.8 million of transaction costs largely related to the February 2011 Notes compared to transaction costs of \$119.5 million in the prior year period.

Cash flows from financing activities for the year ended December 31, 2010 resulted in a net cash inflow of \$4,345.0 million compared to a net cash outflow of \$500.6 million in the year ended December 31, 2009.

Cash flows from financing activities for the year ended December 31, 2010 consisted principally of (i) \$293.1 million of payments pertaining to debt issue costs related to the RGHL Transaction and the Evergreen Transaction and fees associated with the debt commitment letter entered in connection with the Pactiv Transaction and (ii) drawdown of borrowings of \$6,821.8 million that was partially offset by a payment of \$1,957.8 million for the acquisition of businesses under common control (the Evergreen Acquisition excluding the Whakatane paper mill and the Reynolds Foodservice Acquisition). The borrowings were also utilized to partially fund the Pactiv Acquisition.

Financing activities for the year ended December 31, 2009 resulted in a net cash outflow of \$500.6 million compared to a net cash inflow of \$2,347.3 million in the year ended December 31, 2008. The net cash outflow for the year ended December 31, 2009 reflected the common control cash outflow of \$1,678.3 million to acquire Closures and the Reynolds consumer products business net of the debt refinancing completed during the period and \$578.2 million of cash proceeds from the issuance of additional equity.

Capital Expenditures

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2011(1)	2010(2)	2010(3)	2009(4)	2008(5)
	(In \$ million)				
Property, plant and equipment	336.6	191.0	318.6	244.3	257.1
Intangibles	9.9	11.9	18.3	48.1	31.3
Total Capital Expenditures	<u>346.5</u>	<u>202.9</u>	<u>336.9</u>	<u>292.4</u>	<u>288.4</u>

- (1) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2011, the results of Graham Packaging from September 8, 2011 to September 30, 2011 and the results of Dopaco from May 2, 2011 to September 30, 2011.
- (2) Represents the results of operations of SIG, Evergreen, Closures Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2010. The results of Reynolds Consumer Products and Pactiv Foodservice for the nine months ended September 30, 2010, do not include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses.
- (3) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2010. Reynolds Consumer Products and Pactiv Foodservice include the results of operations of the Hefty consumer products and Pactiv foodservice packaging businesses, respectively, for the period from November 16, 2010 to December 31, 2010.
- (4) Represents the results of operations of SIG, Evergreen, Closures, Reynolds Consumer Products and Pactiv Foodservice for the full year ended December 31, 2009.
- (5) Represents the results of operations of SIG and Evergreen for the full year 2008 and the results of operations of Closures, Reynolds Consumer Products and Pactiv Foodservice for the period from March 1 to December 31, 2008.

Capital expenditures increased by \$143.6 million, or 70.8%, to \$346.5 million for the nine month period ended September 30, 2011 compared to \$202.9 million for the nine month period ended September 30, 2010. The increase was primarily related to additional capital expenditures from the Pactiv Acquisition as well as higher spending at our Evergreen segment resulting from the planned maintenance outages at its two mills during May and June of 2011 and at our SIG segment largely to expand manufacturing capacity in Brazil and China.

Capital expenditures increased by \$44.5 million or 15.2% to \$336.9 million for the year ended December 31, 2010 compared to \$292.4 million for the year ended December 31, 2009, largely due to higher spending at the SIG and Closures segments as we expanded manufacturing capacity in Brazil, India, the Philippines and China. Capital expenditures increased by \$4.0 million or 1.4% to \$292.4 million for the year ended December 31, 2009 compared to \$288.4 million for the year ended December 31, 2008. This increase

was primarily due to an increase in costs associated with software and technology in the Reynolds Consumer Products segment as a result of the implementation of the Oracle software system during the year, partially offset by a reduction in capital expenditure for property, plant and equipment, particularly in the SIG segment.

Capital Resources

We have substantial debt and debt service obligations. As of September 30, 2011, our total borrowings were \$17,772.8 million.

We have pledged assets that secure the senior secured notes and the Senior Secured Credit Facilities. The collateral consists of substantially all the assets of the Issuers and the guarantors, including the capital stock of their subsidiaries, real property, bank accounts, investments, receivables, equipment and inventory, intellectual property and insurance policies, but excluding, among others (i) real property with a value equal to or less than €5 million or in which such entity has only a leasehold interest, (ii) a number of Pactiv's real properties, which are estimated to have a book value as of September 30, 2011 of approximately \$80.9 million, (iii) intellectual property with a value of less than €1 million (unless subject to all-asset security documents), (iv) insurance policies that are not material to the RGHL Group as a whole, (v) equity of inactive subsidiaries with a book value of less than \$100,000 and (vi) equity of subsidiaries that are not guarantors, are organized in jurisdictions in which no guarantor is organized and have (x) gross assets below 1.0% of the consolidated total assets of the RGHL Group and (y) EBITDA below 1.0% of the consolidated EBITDA of the RGHL Group.

As of September 30, 2011, the Senior Secured Credit Facilities included revolving facilities of \$120.0 million and €80.0 million (\$108.3 million). As of September 30, 2011, these revolving tranches were utilized in the amount of \$77.2 million and €22.0 million (\$29.8 million) in the form of bank guarantees and letters of credit.

On August 9, 2011, certain members of the RGHL Group issued \$1,500.0 million principal amount of the August 2011 Senior Secured Notes and \$1,000.0 million principal amount of the August 2011 Senior Notes. The proceeds of the August 2011 Notes were held in escrow until the closing of the Graham Packaging Acquisition.

On August 9, 2011, we amended the Senior Secured Credit Facilities. Pursuant to the amendments we received commitments for an additional \$2,000.0 million of incremental term loans which were drawn on the closing of the Graham Packaging Acquisition. In addition, certain terms of the credit agreement were amended, including but not limited to: (a) the LIBOR floor on the existing US Term Loans of \$2,313.4 million increased from 1% to 1.25% per annum; (b) the applicable margin on the existing US Term Loans increased from 3.25% to 5.25% per annum and from 3.5% to 5.25% per annum on the €248.8 million European Term Loans; (c) additional principal amortization of \$200.0 million per year will be payable so long as certain subsidiaries of Graham Packaging do not guarantee the New Incremental Senior Secured Credit Facilities; and (d) a 1% prepayment premium will apply in the case of refinancings and certain pricing amendments within a specified timeframe.

We used the proceeds from the issuance of the August 2011 Notes, together with the funds from the New Incremental Senior Secured Credit Facilities and available cash, to finance the Graham Packaging Acquisition, repay certain existing indebtedness of Graham Packaging and to pay related fees and expenses.

We may from time to time seek to issue additional indebtedness depending on market conditions, our cash position requirements and other considerations.

In addition, we may from time to time take steps to reduce our indebtedness, which may include open market repurchases and retirement of currently outstanding indebtedness. The total amount of indebtedness that will be repurchased or retired will depend on market conditions, our cash position requirements and other considerations. On October 20, 2011, we repurchased \$239.8 million aggregate principal amount of Graham Packaging 2017 Notes and \$230.6 million aggregate principal amount of Graham Packaging 2018 Notes pursuant to the Graham Packaging Change of Control Offer.

Sources of Liquidity

Our sources of liquidity for the future are expected to be our existing cash resources, cash flows from operations, drawings under the revolving credit facilities of our Senior Secured Credit Facilities and local working capital facilities. In addition to our cash and cash equivalents, as of September 30, 2011, we had \$42.8 million and €58.0 million (\$78.5 million) available for drawing under our revolving credit facilities.

Our ability to borrow under our revolving credit facilities or our other local working capital facilities may be limited by the terms of such indebtedness or other indebtedness (including the notes and the 2007 Notes), including as a result of financial maintenance covenants.

As of September 30, 2011, after giving pro forma effect to the purchase of \$239.8 million aggregate principal amount of Graham Packaging 2017 Notes and \$230.6 million aggregate principal amount of Graham Packaging 2018 Notes in connection with the change of control offer for such notes, we would have had \$17,554.8 million of outstanding indebtedness and the annual cash interest obligations on our Senior Secured Credit Facilities, the notes, and our other indebtedness would have been \$1,380.4 million. The proceeds of the notes and borrowings under the Senior Secured Credit Facilities were mainly used to finance a series of acquisitions, which included the acquisitions of entities ultimately owned by our strategic owner, Mr. Graeme Hart, which we now own. This series of acquisitions grew our business and we have benefited and expect to continue to benefit from synergies from the transactions. We expect to meet our debt service obligations with our existing cash resources and cash flows from operations, which we believe will be adequate to meet our obligations for the next year.

As of September 30, 2011, the \$355.0 million aggregate principal amount of Graham Packaging Senior Subordinated Notes will mature on October 7, 2014, the €480.0 million aggregate principal amount of 2007 Senior Notes will mature on December 15, 2016, the \$1,125 million and €450 million aggregate principal amounts of 2009 Notes will mature on October 15, 2016, the \$13.6 million aggregate principal amount of Graham Packaging 2017 Notes will mature on January 1, 2017, the \$299.7 million aggregate principal amount of Pactiv's 8.125% Debentures due 2017 will mature on June 15, 2017, the €420.0 million aggregate principal amount of 2007 Senior Subordinated Notes will mature on June 15, 2017, the \$2,313.4 million and €249 million of term loans under the Senior Secured Credit Facilities will mature on February 9, 2018 and another \$2,000.0 million of term loans under the Senior Secured Credit Facilities will mature on August 9, 2018, the \$1,000.0 million aggregate principal amount of May 2010 Notes will mature on May 15, 2018, the \$19.4 million aggregate principal amount of Graham Packaging 2018 Notes will mature on October 1, 2018, the \$3,000.0 million aggregate principal amount of October 2010 Notes will mature on April 15, 2019, the \$2,500.0 million aggregate principal amount of August 2011 Notes will mature on August 15, 2019 and the \$2,000.0 million aggregate principal amount of the February 2011 Notes will mature on February 15, 2021.

Under the indentures governing the notes and the 2007 Notes, we may incur additional indebtedness either by satisfying certain incurrence tests or by incurring such additional indebtedness under certain specific categories of permitted debt. Indebtedness may be incurred under the incurrence tests if the fixed charge coverage ratio is at least 2.00 to 1.00 on a pro forma basis and, (i) under the indentures that govern our senior secured notes, the liens securing first lien secured indebtedness do not exceed a 3.50 to 1.00 senior secured leverage ratio and (ii) under the indentures that govern our senior notes and the 2007 Notes, the liens securing any secured indebtedness do not exceed a 4.50 to 1.00 secured leverage ratio.

Under the credit agreement governing the Senior Secured Credit Facilities, we may incur additional indebtedness either by satisfying certain incurrence tests or by incurring such additional indebtedness under certain specific categories of permitted debt. Incremental senior secured indebtedness under the Senior Secured Credit Facilities and senior secured notes in lieu thereof are permitted to be incurred up to an aggregate principal amount of \$750 million subject to pro forma compliance with the Senior Secured Credit Facilities' financial covenants. In addition, we may incur incremental senior secured indebtedness under the Senior Secured Credit Facilities and senior secured notes in an unlimited amount so long as our senior secured leverage ratio does not exceed 3.50 to 1.00 on a pro forma basis and (in the case of incremental senior secured indebtedness under the Senior Secured Credit Facilities only) we are in pro forma compliance with the Senior Secured Credit Facilities' financial covenants. The incurrence of unsecured indebtedness, including

the issuance of senior notes, and unsecured subordinated indebtedness is also permitted subject to pro forma compliance with the Senior Secured Credit Facilities' financial covenants.

Under the credit agreement governing the Senior Secured Credit Facilities, we are subject to maintenance covenants, including a requirement to maintain a specified senior secured leverage ratio and a specified interest coverage ratio for specified periods. As of the last day of each fiscal quarter, our senior secured leverage ratio must be less than or equal to 4.00 to 1.00. As of the last day of each fiscal quarter, our interest coverage ratio, calculated based on the trailing four consecutive fiscal quarters, must be greater than or equal to the ratio set forth opposite the period during which such fiscal quarter ends below:

<u>Period</u>	<u>Ratio</u>
Through December 31, 2011	1.60 to 1.00
January 1, 2012 through December 31, 2012	1.65 to 1.00
January 1, 2013 through December 31, 2013	1.70 to 1.00
January 1, 2014 through December 31, 2014	1.75 to 1.00
January 1, 2015 through December 31, 2015	1.80 to 1.00
January 1, 2016 through December 31, 2016	1.85 to 1.00
January 1, 2017 through December 31, 2017	1.90 to 1.00
Thereafter	1.95 to 1.00

As of September 30, 2011, our senior secured leverage ratio was 3.37x and our interest coverage ratio was 2.05x as calculated for purposes of the maintenance covenants under the credit agreement governing the Senior Secured Credit Facilities.

The indentures governing the notes and the 2007 Notes and the credit agreement governing the Senior Secured Credit Facilities also contain negative covenants. The negative covenants include limitations, subject to agreed exceptions, on the ability of RGHL and its material subsidiaries to: incur additional indebtedness (including guarantees); incur liens; enter into sale and lease-back transactions; make investments, loans and advances; implement mergers, consolidations and sales of assets; make restricted payments or enter into restrictive agreements; enter into transactions with affiliates on non-arm's length terms; change the business conducted by RGHL and its subsidiaries; prepay, or make redemptions and repurchases of specified indebtedness; amend certain material agreements governing specified indebtedness; make certain amendments to the organizational documents of RGHL and its material subsidiaries; change RGHL's fiscal year; and conduct an active business in the case of RGHL and BP II.

The indentures governing the notes and the 2007 Notes and the credit agreement governing the Senior Secured Credit Facilities generally allow subsidiaries to freely transfer funds in the form of cash dividends, loans or advances within the RGHL Group. On the other hand, the indentures governing the Graham Packaging Notes contain restrictions on the ability for Graham Holdings and its subsidiaries to make certain restricted payments, including certain dividends, loans or advances, to other members of the RGHL Group. We do not expect that the restrictions under the indentures governing the Graham Packaging Notes relating to limitations on dividends, loans or advances will impact our ability to meet cash obligations.

We also note that RGHL, through one of its subsidiaries, loaned \$2,078.0 million on the closing date of the Graham Packaging Acquisition to certain subsidiaries of Graham Holdings pursuant to an intercompany loan agreement evidenced by a senior secured intercompany note, and may make additional loans to such subsidiaries of Graham Holdings from time to time pursuant to the terms of such intercompany loan agreement. Graham Holdings is required to use a portion of its cash flow to make interest payments and amortization payments, and an excess cash flow sweep is required to be made pursuant to the intercompany loan agreement.

We believe that our cash flows from operations and our existing available cash, together with our other available external financing sources, will be adequate to meet our future liquidity needs for the next year. We are currently in compliance with the covenants under our Senior Secured Credit Facilities and our other outstanding

indebtedness (including the notes and the 2007 Notes). We expect to incur approximately \$200 million in capital expenditures for the remainder of 2011 (excluding acquisitions); however actual capital expenditures may differ. We also expect to incur cash outlays of approximately \$125 million by the end of 2012, of which we have incurred \$100 million through September 30, 2011, to combine and integrate our Reynolds consumer products and Reynolds foodservice packaging businesses with our Hefty consumer products and Pactiv foodservice packaging businesses, respectively, to form integrated Reynolds Consumer Products and Pactiv Foodservice segments. We also expect to incur cash outlays of \$40 million by the end of 2012, of which we have incurred \$5 million through September 30, 2011, to integrate Dopaco with our Pactiv Foodservice segment and to incur cash outlays of approximately \$75 million by the end of 2013 to integrate Graham Packaging into the RGHL Group. We expect to realize significant cost savings and operational synergies by consolidating facilities, eliminating duplicative operations, improving supply chain management and achieving other efficiencies.

Our future operating performance and our ability to service or refinance the Senior Secured Credit Facilities, the notes and the 2007 Notes and other indebtedness, including the indebtedness assumed in the Pactiv Acquisition and the indebtedness assumed in the Graham Packaging Acquisition, are subject to economic conditions and financial, business and other factors, many of which are beyond our control.

Contractual Obligations

The following table summarizes our material obligations as of September 30, 2011:

	Payments Due by Period as of September 30, 2011				
	Total	Less than One Year	One to Three Years	Three to Five Years	Greater than 5 Years
	(In \$ million)				
Trade and other payables	2,014.5	2,014.5	—	—	—
Debt and interest(1)	27,575.9	2,354.0	3,109.2	3,346.5	18,766.2
Operating leases	440.6	105.3	151.2	92.0	92.1
Unconditional capital expenditure obligations(2)	<u>145.6</u>	<u>145.6</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total contractual cash obligations	<u>30,176.6</u>	<u>4,619.4</u>	<u>3,260.4</u>	<u>3,438.5</u>	<u>18,858.3</u>

(1) Total repayments of financial liabilities consist of the principal amounts, fixed and floating rate interest obligations and the cash flows associated with commodity and other derivative instruments. The interest rate on the floating rate debt balances has been assumed to be the same as the rate during the month of September 2011. Both the one month LIBOR and EURIBOR rates during the month of September 2011 were below the floor rates established in accordance with the respective agreements.

(2) Unconditional capital expenditure obligations primarily relate to (1) the continued integration of our Reynolds consumer products and Reynolds foodservice packaging businesses with our Hefty consumer products and Pactiv foodservice packaging businesses, respectively, (2) plant expansions at our SIG segment primarily in Brazil and China and (3) plant expansions at our Graham Packaging segment primarily in Brazil, Indonesia and China.

Contingent Liabilities

Our contingent liabilities are primarily comprised of guarantees given to banks providing credit facilities to our joint venture company SIG Combibloc Obeikan Company Limited, in Riyadh, Kingdom of Saudi Arabia.

Off-Balance Sheet Arrangements

Other than operating leases entered into in the normal course of business, we currently have no material off-balance sheet obligations.

Qualitative and Quantitative Disclosures about Market Risk

In the normal course of business we are subject to risks from adverse fluctuations in interest and foreign exchange rates and commodity prices. We manage these risks through a combination of an appropriate mix between variable rate and fixed rate borrowings and natural offsets of foreign currency receipts and payments, supplemented by forward foreign exchange contracts and commodity derivatives. Derivative contracts are not used for trading or speculative purposes. The extent to which we use derivative instruments is dependent upon our access to them in the financial markets and our use of other risk management methods, such as netting exposures for foreign exchange risk and establishing sales arrangements that permit the pass through to customers of changes in commodity prices. Our objective in managing our exposure to market risk is to limit the impact on earnings and cash flow.

Interest Rate Risk

We had significant debt commitments outstanding as of September 30, 2011. These on-balance sheet financial instruments, to the extent they accrue interest at variable interest rates, expose us to interest rate risk. Our interest rate risk arises primarily on significant borrowings that are denominated in dollars and euro that are drawn under our Senior Secured Credit Facilities. As of September 30, 2011, these agreements included an interest rate floor of (i) 2% per annum on U.S. revolving loans, (ii) 1.25% per annum on U.S. term loans, (iii) 2% per annum on European revolving loans and (iv) 1.5% per annum on European term loans.

The underlying one month LIBOR and EURIBOR rates as of September 30, 2011 were 0.23% and 1.36%, respectively. Based on liabilities held as of September 30, 2011, a one-year time frame and all other variables, in particular foreign exchange rates, remaining constant, a 1% increase in interest rates would have no impact on the interest expense on the \$2,325.0 million U.S. term loans due to the LIBOR floor under our Senior Secured Credit Facilities, however, a 1% increase in interest rates would have a \$2.9 million impact on the interest expense on the €250.0 million in European term loans. Conversely, a 1.0% decrease in interest rates would have no impact on our interest expense on these borrowings due to the LIBOR and EURIBOR floors under our Senior Secured Credit Facilities.

We have adopted a policy, which is consistent with the covenants under the Senior Secured Credit Facilities, to ensure that at least 50% of our overall exposures to changes in interest rates on borrowings are on a fixed rate basis.

Foreign Currency Exchange Rate Risk

As a result of our international operations, we are exposed to foreign exchange risk arising from sales, purchases, assets and borrowings that are denominated in foreign currencies. The currencies in which these transactions primarily are denominated are the euro, Swiss franc, Thai baht, Chinese yuan renminbi, Brazilian real, British pound, Japanese yen, Mexican peso, Canadian dollar, Polish zloty and New Zealand dollar.

In accordance with our treasury policy, we take advantage of natural offsets to the extent possible. Therefore, when commercially feasible, we borrow in the same currencies in which cash flows from operations are generated. Generally we do not use forward exchange contracts to hedge residual foreign exchange risk arising from customary receipts and payments denominated in foreign currencies. However, when considered appropriate we may enter into forward exchange contracts to hedge foreign exchange risk arising from specific transactions. As of September 30, 2011, we had no significant forward foreign exchange contracts outstanding.

We generally do not hedge our exposure to translation gains or losses in respect of our non-dollar functional currency assets or liabilities.

Our primary exposure to foreign exchange risk is on the translation of net assets of entities within the RGHL Group which are denominated in functional currencies other than the dollar, which is the RGHL Group's reporting currency. The net asset impact of movements in exchange rates is therefore recognized primarily in other comprehensive income. See note 30 of the RGHL Group's audited financial statements as of and for the year ended December 31, 2010, included elsewhere in this prospectus, for further information on the RGHL Group's financial assets and liabilities with foreign exchange risk, the potential impact on future payments and receipts and the sensitivity to changes in the applicable foreign exchange rates.

As of September 30, 2011, we continue to have foreign currency exposure on the net assets of the entities comprising the RGHL Group similar to that disclosed as of December 31, 2010.

We are also exposed to foreign exchange risk that impacts the reported financial income or financial expenses of the RGHL Group as a result of the remeasurement, at each balance sheet date, of indebtedness that is denominated in currencies other than the functional currencies of the respective issuers or borrowers. As of September 30, 2011, we had dollar denominated external borrowings of \$1,582.7 million held by entities whose functional currency was the euro. As a result of the changes in the prevailing foreign exchange rates since December 31, 2010, we recognized a foreign exchange gain of \$29.5 million in connection with such borrowings. The continued change in the foreign exchange rate between the dollar and the euro will result in us recognizing either foreign exchange gains or losses on the translation of this indebtedness in the future. A 1% increase in the exchange rates, applied as of September 30, 2011, would have resulted in additional foreign currency gain of \$16.8 million, while a 1% decrease would have resulted in a reduction of \$16.8 million of the reported foreign currency gain.

In addition, we are also exposed to foreign currency risk on certain intercompany borrowings between certain of our entities with different functional currencies. Such exposures in aggregate are neither significant nor material.

Commodity Risk

We are exposed to commodity and other price risk principally from the purchase of resin, natural gas, electricity, raw cartonboard, aluminum and steel. We use various strategies to manage cost exposures on certain raw material purchases with the objective of obtaining more predictable costs for these commodities. We generally enter into commodity financial instruments or derivatives to hedge commodity prices related to resin, aluminum and natural gas.

We enter into resin futures, aluminum swaps and natural gas swaps to hedge our exposure to price fluctuations. We believe these contracts manage our price risk by reference to the difference between the fixed contract price and the market price. The following table provides the detail of our outstanding derivative contracts at September 30, 2011.

<u>Type</u>	<u>Unit of Measure</u>	<u>Contracted Volumes</u>	<u>Contracted Price Range</u>	<u>Contracted Date of Maturity</u>
Resin futures	LB	6,000,000	\$0.96	Oct 2011 - Dec 2011
Resin futures	KL	6,850	JPY 45,300 - 51,700	Oct 2011 - Aug 2012
Aluminum swaps	MT	40,363	\$1,962 - \$2,816	Oct 2011 - Jan 2013
Natural Gas swaps	MMBTU	2,775,365	\$4.16 - \$4.88	Oct 2011 - Aug 2012
Ethylene swaps	LB	4,730,000	\$0.43 - \$0.4425	Mar 2012
Benzene swaps	GAL	1,732,002	\$3.35 - \$3.835	Mar 2012

The fair values of the derivative contracts are based on quoted market prices or traded exchange market prices and represent the estimated amounts that we would pay or receive to terminate the contracts. At September 30, 2011 and at December 31, 2010, the estimated fair values of the outstanding commodity derivative contracts were a net liability of \$14.0 million and a net asset of \$10.6 million, respectively. During the nine months ended September 30, 2011, we recognized a \$25.0 million unrealized loss in other expenses in the profit and loss component of the statement of comprehensive income related to the outstanding commodity derivatives.

Recently Issued Accounting Pronouncements

IFRS 9 “Financial Instruments” is the replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. We are currently evaluating the impact of IFRS 9 on our financial statements.

On May 12, 2011, the IASB released IFRS 10 “Consolidated Financial Statements,” IFRS 11 “Joint Arrangements,” IFRS 12 “Disclosure of Interests in Other Entities” and IFRS 13 “Fair Value Measurement” as part of its new suite of consolidation and related standards, replacing and amending a number of existing

standards and pronouncements. Each of these standards is effective for annual reporting periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 10 introduces a new approach to determining which investments should be consolidated and supersedes the requirements of IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation — Special Purpose Entities”. Under the requirements of this new standard, the IASB has provided a series of indicators to determine control (replacing the existing hierarchy approach) which requires judgment to be exercised in making the assessment of control. The new standard also introduces the concept of de facto control, provides greater guidance on the assessment of potential voting rights, while also requiring control to be assessed on a continuous basis where changes arise that do not merely result from a change in market conditions.

IFRS 11 overhauls the accounting for joint arrangements (previously known as joint ventures) and directly supersedes IAS 31 “Interests in Joint Ventures” while amending IAS 28 (2011) “Investments in Associates and Joint Ventures”. Under the requirements of the new standard, jointly controlled entities can be accounted for using either the equity or proportional consolidation method, whereas joint ventures (previously referred to as jointly controlled operations and jointly controlled assets) must be accounted for using the proportional consolidation method.

IFRS 12 combines into a single standard the disclosure requirements for subsidiaries, associated and joint arrangements and unconsolidated structure entities. Under the expanded and new disclosure requirements, information is required to be provided to enable users to evaluate the nature of the risks associated with a reporting entity’s interest in other entities and the effect those interests can have on the reporting entity’s financial position, performance and cash flow. In addition, the standard introduces new disclosures about unconsolidated structure entities.

IFRS 13 defines the concept of fair value and establishes a framework for measuring fair value, while setting the disclosure requirement for fair value measurement. The new standard focuses on explaining how to measure fair value when required by other IFRS’s. Prior to the introduction of IFRS 13 there was no single source of guidance on fair value measurement.

We are currently evaluating the effects of IFRS 10, IFRS 11, IFRS 12 and IFRS 13 on our financial statements.

On June 16, 2011 the IASB published an amendment to IAS 19 “Employee Benefits” which removes certain options in respect of the accounting for defined benefit employment plans, while introducing certain other new measurement and disclosure requirements. Under the amended standard, the IASB now requires the immediate recognition of all actuarial gains and losses as a component of other comprehensive income, effectively removing the ability to defer and leave unrecognized those amounts that were previously permitted under the corridor method. In connection with this amendment, the IASB has also provided additional guidance on the level of aggregated disclosure permitted when plans with differing criteria are presented on a consolidated basis, while also revising the basis under which finance costs are to be determined in connection with defined benefit plans. In addition to these changes the new standard has also introduced further measures to distinguish between short and long term employee benefits while providing additional guidance on the recognition of termination benefits.

In addition on June 16, 2011 the IASB also published an amendment to IAS 1 “Presentation of Financial Statements”. Under the amended standard, the IASB requires an entity to present separately amounts recognized in other comprehensive income that are expected to be reclassified to the profit or loss in the future (even if contingent on future events) from those amounts that would never be reclassified. In addition the amendment proposes a change in the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income but allows entities the ability to use other titles.

The requirements of the amended IAS 1 and IAS 19 must be applied to the financial year beginning January 1, 2013, with early adoption permitted. We currently account for our defined benefit post-employment plans using the corridor method. We are currently evaluating the effects of the amendment to IAS 1 and IAS 19 on our financial statements.