BWAY Holding CO
Form 10-Q
August 14, 2007
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As Filed with the Securities and Exchange Commission on August 14, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the quarterly period ended:

July 1, 2007

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
001-33527	**BWAY Holding Company** **(A Delaware Corporation)** **8607 Roberts Drive Suite 250 Atlanta,** **Georgia 30350-2237 (770) 645-4800**	**55-0800054**
001-12415	**BWAY Corporation** **(A Delaware Corporation)** **8607 Roberts Drive Suite 250 Atlanta,** **Georgia 30350-2237 (770) 645-4800**	**36-3624491**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Registrant	
BWAY Holding Company	**Yes ¨ No x**
BWAY Corporation	**Yes x No ¨**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Registrant	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer
BWAY Holding Company			x
BWAY Corporation			x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

(Response applicable to all registrants).

Registrant	Description of Common Stock	Shares Outstanding at August 10, 2007
BWAY Holding Company	Par Value $0.01 per share	**21,593,856**
BWAY Corporation	Par Value $0.01 per share	**1,000**

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BWAY HOLDING COMPANY

BWAY CORPORATION

Quarterly Report on Form 10-Q

For the quarterly period ended July 1, 2007

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BWAY HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)	July 1, 2007	October 1, 2006
Assets		
CURRENT ASSETS		
Cash and cash equivalents	**$ 10,048**	$ 50,979
Accounts receivable, net of allowance for doubtful accounts of $1,906 and $1,702	**136,544**	115,986
Inventories, net	**93,349**	80,441
Income taxes receivable	**8,969**	7,291
Deferred tax assets	**2,772**	4,038
Other	**7,060**	4,842
TOTAL CURRENT ASSETS	**258,742**	263,577
PROPERTY, PLANT AND EQUIPMENT, NET	**138,775**	142,944
OTHER ASSETS		
Goodwill	**251,585**	248,687
Other intangible assets, net	**161,405**	166,201
Deferred financing costs, net of accumulated amortization of $5,611 and $4,029	**9,527**	10,952
Other	**2,613**	1,384
TOTAL OTHER ASSETS	**425,130**	427,224
TOTAL ASSETS	**$ 822,647**	$ 833,745
Liabilities and Stockholders Equity		
CURRENT LIABILITIES		
Accounts payable	**$ 122,558**	$ 118,939
Accrued salaries and wages	**13,645**	13,856
Accrued interest	**5,845**	9,837
Accrued rebates	**10,252**	11,091
Current portion of long-term debt	**1,820**	20,506
Other	**18,153**	18,360
TOTAL CURRENT LIABILITIES	**172,273**	192,589
LONG-TERM DEBT	**427,396**	419,495
OTHER LIABILITIES		
Deferred tax liabilities	**60,350**	71,292
Other	**22,851**	22,886

TOTAL OTHER LIABILITIES	**83,201**	94,178
TOTAL LIABILITIES	**682,870**	706,262
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
STOCKHOLDERS EQUITY		
Preferred stock, $0.01 par value, 20,000,000 shares authorized at July 1, 2007; no shares issued		
Common stock, $0.01 par value, 200,000,000 and 23,995,088 shares authorized; 21,589,242 and 20,524,708 shares issued and outstanding	**216**	205
Additional paid-in capital	**119,000**	106,151
Retained earnings	**19,801**	21,624
Accumulated other comprehensive income (loss)	**760**	(497)
TOTAL STOCKHOLDERS EQUITY	**139,777**	127,483
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$ 822,647**	$ 833,745

The accompanying Notes to Unaudited Consolidated Financial Statements as they relate to BWAY Holding Company are an integral part of these statements.

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BWAY HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)	Three Months Ended July 1, 2007	Three Months Ended July 2, 2006	Nine Months Ended July 1, 2007	Nine Months Ended July 2, 2006
NET SALES	**$ 269,532**	$ 242,675	**$ 706,179**	$ 669,467
COSTS AND EXPENSES				
Cost of products sold *(excluding depreciation and amortization)*	**236,695**	204,889	**607,383**	583,891
Depreciation and amortization	**11,532**	10,112	**34,107**	30,449
Selling and administrative expense	**21,448**	4,833	**31,939**	14,391
Public offering expense (Note 1)	**9,210**		**9,527**	
Restructuring charge (adjustment)	**29**	338	**(135)**	533
Interest expense, net	**9,630**	8,441	**28,353**	24,952
Other expense, net	**369**	188	**956**	909
TOTAL COSTS AND EXPENSES	**288,913**	228,801	**712,130**	655,125
(LOSS) INCOME BEFORE INCOME TAXES	**(19,381)**	13,874	**(5,951)**	14,342
(Benefit from) provision for income taxes	**(9,744)**	4,564	**(4,128)**	4,721
NET (LOSS) INCOME	**$ (9,637)**	$ 9,310	**$ (1,823)**	$ 9,621
NET (LOSS) INCOME PER SHARE (NOTE 7)				
Basic	**$ (0.46)**	$ 0.45	**$ (0.09)**	$ 0.47
Diluted	**(0.46)**	0.37	**(0.09)**	0.38

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BWAY HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Nine Months Ended July 1, 2007	Nine Months Ended July 2, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	**$ (1,823)**	$ 9,621
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities		
Depreciation	**22,238**	20,696
Amortization of other intangible assets	**11,869**	9,753
Amortization of deferred financing costs	**1,585**	1,595
Provision for doubtful accounts	**209**	177
Loss on disposition of property, plant and equipment	**273**	358
Utilization of acquired deferred tax asset		1,659
Deferred income taxes	**(9,672)**	(7,290)
Stock-based compensation expense	**10,559**	914
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts receivable	**(17,593)**	(10,950)
Inventories	**(10,420)**	(4,584)
Other assets	**(3,464)**	(4,333)
Accounts payable	**2,012**	11,490
Accrued and other liabilities	**(8,929)**	(6,837)
Income taxes	**(2,808)**	(2,486)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(5,964)**	19,783
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(18,088)**	(20,342)
Business acquisitions	**(6,014)**	
Other	**76**	725
NET CASH USED IN INVESTING ACTIVITIES	**(24,026)**	(19,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings under revolving credit facility	**7,000**	
Repayments of term loans	**(20,402)**	(30,000)
Proceeds from stock option exercises	**2,839**	
Increase in unpresented bank drafts in excess of cash available for offset		735
Principal repayments under capital leases	**(154)**	(182)
Financing costs	**(99)**	
NET CASH USED IN FINANCING ACTIVITIES	**(10,816)**	(29,447)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(125)**	
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(40,931)**	(29,281)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**50,979**	51,889
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 10,048**	$ 22,608

SUPPLEMENTAL DISCLOSURES		
Cash paid during the period for:		
Interest	**$ 30,769**	$ 28,450
Income taxes	**8,084**	12,838
Detail of business acquisitions:		
Fair value of assets acquired	**10,850**	
Liabilities assumed	**(4,836)**	
Cash paid for business acquisitions	**6,014**	
Non-cash investing and financing activities Amounts owed for capital expenditures	**822**	1,261

The accompanying Notes to Unaudited Consolidated Financial Statements as they relate to BWAY Holding Company are an integral part of these statements.

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BWAY CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)	July 1, 2007	October 1, 2006
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TOTAL ASSETS	**$ 822,647**	$ 833,745
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Other	**22,851**	22,886
TOTAL OTHER LIABILITIES	**83,201**	94,178
TOTAL LIABILITIES	**682,870**	706,262
COMMITMENTS AND CONTINGENCIES (NOTE 9)		

STOCKHOLDER S EQUITY		
Preferred stock, $0.01 par value, 500 and 5,000,000 shares authorized; no shares issued		
Common stock, $0.01 par value, 2,500 and 24,000,000 shares authorized; 1,000 shares issued and outstanding		
Additional paid-in capital	**125,742**	112,882
Retained earnings	**13,275**	15,098
Accumulated other comprehensive income (loss)	**760**	(497)
TOTAL STOCKHOLDER S EQUITY	**139,777**	127,483
TOTAL LIABILITIES AND STOCKHOLDER S EQUITY	**$ 822,647**	$ 833,745

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BWAY CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
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BWAY HOLDING COMPANY AND SUBSIDIARIES

BWAY CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared without audit. The statements for BWAY Holding Company (BWAY Holding) include the accounts of BWAY Holding and its wholly owned subsidiary, BWAY Corporation and its subsidiaries (BWAY). The statements for BWAY include the accounts of BWAY and its subsidiaries (BWAY). In these notes, BWAY Holding and BWAY are collectively referred to as the Company , we or our .

BWAY Holding has registered equity securities and BWAY has registered debt securities, each registered with the United States Securities and Exchange Commission (the SEC). Certain information and footnote disclosures, including critical and significant accounting policies, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

These statements and the accompanying notes should be read in conjunction with BWAY s Annual Report on Form 10-K for the year ended October 1, 2006 (the Annual Report) and BWAY Holding s Registration Statement on Form S-1 dated June 12, 2007 (the Registration Statement). The unaudited consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the financial position and results of operations for the periods presented.

These Notes to Unaudited Consolidated Financial Statements apply equally to BWAY Holding and BWAY with the exception of Notes 7 and 12, which are only applicable to BWAY Holding and BWAY, respectively.

Results of operations for the three and nine months ended July 1, 2007 are not necessarily indicative of the results that may be expected for the entire fiscal year.

Unless otherwise stated, references to years herein relate to fiscal years.

Initial Public Offering of BWAY Holding

In March 2007, BWAY Holding filed with the SEC a registration statement on Form S-1 under the Securities Act related to its common stock. The SEC declared the registration statement effective on June 12, 2007 and on June 13, 2007, BWAY Holding common stock began trading on the New York Stock Exchange under the ticker symbol BWY . In this initial public offering of BWAY Holding common stock, certain selling stockholders, including Kelso (as defined below), our executive chairman and another member of the board, offered 10,039,216 shares at an issue price of $15.00 per share to the public, which represented a portion of their BWAY Holding common stock (the IPO or the public offering). We did not receive any proceeds from the offering.

We paid approximately $2.5 million in offering costs related to the transaction, a $2.0 million fee to Deutsche Bank for advisory services, a $5.0 million fee to Kelso in consideration for termination of payment of annual financial advisory fees, a $10.0 million bonus to certain members of management and $0.5 million in taxes and benefits related to the management bonus. The selling stockholders paid the underwriting discounts and commissions.

As further described in Note 8, Stock-Based Compensation , we incurred a non-cash stock-based compensation charge of approximately $9.6 million related to the accelerated vesting of certain stock options concurrently with and contingent upon the IPO. In addition, we expect to incur additional non-cash stock-based compensation expense of $2.2 million, $7.0 million and $2.1 million in 2007, 2008 and 2009, respectively, related to other modifications to outstanding stock options concurrently with and contingent upon the IPO.

These expenses and the applicable line items are summarized as follows:

For the nine months ended July 1, 2007 (Dollars in millions)	Financial Statement Line Item Cost of Products Sold(1)	Selling and Administrative Expense	Public Offering Expense	Total
IPO RELATED EXPENSES				
Offering costs	$	$	$ 2.5	$ 2.5
Deutsche Bank advisory fee			2.0	2.0
Kelso fee termination payment			5.0	5.0
Management bonus(2)	2.5	8.0		10.5
Stock-based compensation related to accelerated vesting	1.8	7.8		9.6
TOTALS	$ 4.3	$ 15.8	$ 9.5	$ 29.6

(1) excluding depreciation and amortization
(2) including $0.5 million in related taxes and benefits

Of the total $29.6 million in expenses, $0.3 million and $29.3 million were recorded in the second quarter and third quarter of 2007, respectively.

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Business and Segment Information

BWAY Holding is a holding company without independent operations that was created in 2002 to effectuate the Transaction (as defined below). BWAY is the operating subsidiary of BWAY Holding, and it manufactures and distributes metal and rigid plastic containers that are used primarily by manufacturers of industrial and consumer products for packaging. We have operations in the United States and Canada and sell primarily to customers located in these geographic markets. We report two segments metal packaging and plastics packaging. See Note 10, Business Segments , for a discussion of our business segments.

Prior to the IPO, BWAY Holding common stock was privately held by affiliates of Kelso & Company, L.P. (Kelso), certain members of management and certain other parties, as a result of a leveraged buyout completed on February 7, 2003 (the Transaction). Pursuant to the Transaction, BWAY Holding purchased all of the issued and outstanding shares of BWAY, which, at the time, was publicly traded on the New York Stock Exchange. Any reference herein to Predecessor refers to BWAY prior to the Transaction. BWAY is a wholly-owned subsidiary of BWAY Holding.

Our fiscal year ends on the Sunday closest to September 30. Our North America Packaging Corporation (NAMPAC) and ICL Industrial Containers ULC (ICL) subsidiaries report their financial position and results of operations on a calendar month basis with fiscal years ending on September 30. There were no significant or unusual transactions between the calendar month and fiscal month ending dates that should have been considered in the consolidated financial statements.

Acquisitions

Industrial Containers

On July 17, 2006, we acquired substantially all of the assets and assumed certain of the liabilities of Industrial Containers, Ltd., (ICL Ltd.) a Toronto based manufacturer of rigid plastic containers and steel pails for industrial packaging markets (the ICL Acquisition). The assets were acquired by our subsidiary, ICL. The results of operations related to this acquisition are included from the acquisition date.

Vulcan Containers

On January 30, 2007, we acquired substantially all of the assets and assumed certain of the liabilities of Vulcan Containers, Ltd. (Vulcan) for a purchase price of approximately CDN$7.1 million, including transaction costs, (approximately $6.0 million U.S. dollars at the closing date) (the Vulcan Acquisition). We funded the acquisition using available cash on hand. Vulcan is headquartered in Toronto and produces steel pails for distribution primarily in Canada. The acquired business is included in our metal packaging segment.

The Vulcan acquisition further expands our presence in Canada, a market we believe will be important for our future growth, and provides an opportunity to leverage the manufacturing capacity of ICL. In February 2007, we committed to a plan to consolidate the Vulcan business with and into our ICL operations. As a result, we closed the Vulcan manufacturing facilities and terminated approximately 100 employees. In connection with the preliminary purchase price allocation pursuant to EITF Issue 95-3, *Reorganization of Liabilities in Connection with a Purchase Business Combination* (EITF 95-3), we recorded a reorganization liability of approximately $3.4 million, which consists of severance payments and facility closure costs.

The acquisition was accounted for as a purchase in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141). As such, the assets and liabilities have been recorded at estimated fair value at the date of acquisition. We allocated the purchase price based on our estimates of fair value.

The following is a summary of the fair value of the assets acquired and liabilities assumed as of the date of acquisition based on a preliminary purchase price allocation. The finalization of certain transaction costs, among other things, could result in an adjustment to the allocation.

(Dollars in thousands)	
Current assets	$ 4,300
Intangible assets subject to amortization	5,391
Goodwill	1,104
Other	33

Total assets	10,828
Current liabilities	1,406
Reorganization liability	3,431
Total liabilities	4,837
PURCHASE PRICE	$ 5,991

The life of the acquired intangible assets subject to amortization, which consist solely of customer relationships, is included in our metal packaging segment and is approximately 14 years. Goodwill resulting from this acquisition is not deductible for income tax purposes.

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Stock Split and Shares Authorized BWAY Holding Company

On May 23, 2007, the Board declared a stock split of BWAY Holding common stock by means of a stock dividend in the amount of 0.87081603410564 shares of common stock for each share of common stock issued and held by stockholders of record as of the close of business on May 23, 2007 payable on May 25, 2007. The Board also adjusted each outstanding option to purchase one share of common stock under our stock-based compensation plans as of the close of business on May 23, 2007 to be an option to purchase 1.87081603410564 shares of common stock at an exercise price equal to 53.452610078685% of the original exercise price for that option. All share and per share amounts (except par value) have been adjusted to reflect the effect of the stock split for all periods presented.

On May 25, 2007, we filed an amendment to BWAY Holding s certificate of incorporation to increase its authorized share capital to 200,000,000 shares of common stock, par value $0.01 per share, and 20,000,000 shares of preferred stock, par value $0.01 per share. There was no preferred stock outstanding at July 1, 2007.

Shares Authorized BWAY Corporation

On May 25, 2007, we filed an amendment to BWAY s certificate of incorporation to decrease its authorized share capital to 2,500 shares of common stock, par value $0.01 per share, and 500 shares of preferred stock, par value $0.01 per share.

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS 158). This Statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability on its statement of financial position. SFAS 158 also requires an employer to recognize changes in that funded status in the year in which the changes occur through comprehensive income. In addition, this statement requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. SFAS 158 is effective for us at the end of fiscal 2007, which ends September 30, 2007. We are currently evaluating the impact of SFAS 158 on our consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48). This interpretation clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return and requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements for uncertain tax positions. The provisions of FIN 48 are effective for us at the beginning of 2008 (October 2007). We are currently evaluating the impact of FIN 48 on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for us at the beginning of fiscal 2009 (October 2008). We have not decided if we will early adopt SFAS No. 159 or if we will choose to measure any eligible financial assets and liabilities at fair value.

Income Taxes

Our effective tax rate for the third quarter and first nine months of fiscal 2007 has been impacted by the loss before income taxes as a result of the $29.6 million in IPO related expenses (as discussed above), the non-deductibility of a portion of such expenses and, in part, expiration at the end of 2006 of a federal tax credit for possession corporations, which provided a benefit related to our operations in Puerto Rico.

2. INVENTORIES

(Dollars in thousands)	July 1, 2007	October 1, 2006
Raw materials	**$ 31,639**	$ 26,212

Work-in-progress	**41,749**	39,181
Finished goods	**36,912**	32,894
Inventories at FIFO cost	**110,300**	98,287
LIFO reserve	**(16,951)**	(17,846)
INVENTORIES	**$ 93,349**	$ 80,441

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We intend to change our method of accounting for the cost of inventories for our U.S. subsidiaries from the last-in, first-out (LIFO) method of inventory valuation to the first-in, first-out (FIFO) method, effective upon the approval by the Internal Revenue Service (the IRS) of the FIFO method of accounting for income tax purposes, which we expect to receive in the fourth quarter of fiscal 2007. The inventories of our non-U.S. subsidiaries will continue to be valued using the FIFO method. After this change, all of our inventories will be valued using the FIFO method.

We believe that the FIFO method is preferable to the LIFO method because it (1) will better match revenues and expenses for financial and tax reporting purposes; (2) will provide a consistent valuation method for all of our inventories; (3) provides for period-end FIFO inventory values, which will be more current in rising price environments, and, as such, will better approximate replacement cost; and (4) will reduce the administrative burden of calculating LIFO reserve adjustments.

3. GOODWILL AND OTHER INTANGIBLES

Change in the net carrying amount of goodwill by reportable segment during the first nine months of 2007:

(Dollars in thousands)	Metal Packaging	Plastics Packaging	Total
BALANCE, OCTOBER 1, 2006	$ 120,328	$ 128,359	$ 248,687
Additions related to the Vulcan Acquisition	1,104		1,104
Adjustment to the NAMPAC Acquisition		113	113
Adjustment to the ICL Acquisition	5	18	23
Currency translation adjustment	530	1,128	1,658
BALANCE, JULY 1, 2007	**$ 121,967**	**$ 129,618**	**$ 251,585**

During the second quarter of 2007, the IRS concluded an audit related to certain preacquisition net operating loss (NOL) carryforwards we acquired in the NAMPAC Acquisition. In the purchase price allocation for the NAMPAC Acquisition, we accrued a contingent liability of approximately $0.9 million as an estimate of NOL carryforwards that would be disallowed following the IRS audit. We recorded an adjustment to goodwill of $0.1 million in the second quarter of 2007 to adjust our estimate to the actual amount disallowed by the IRS.

Identifiable intangible assets by major asset class:

	July 1, 2007			October 1, 2006		
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
AMORTIZABLE INTANGIBLE ASSETS						
Customer relationships	**$ 184,911**	**$ (44,062)**	**$ 140,849**	$ 177,873	$ (33,601)	$ 144,272
Tradenames	**26,147**	**(6,204)**	**19,943**	25,984	(4,809)	21,175
Noncompetition agreements	**401**	**(401)**		401	(260)	141
	211,459	**(50,067)**	**160,792**	204,258	(38,670)	165,588
UNAMORTIZABLE INTANGIBLE ASSETS						
Technology	**613**		**613**	613		613
TOTAL OTHER INTANGIBLE ASSETS	**$ 212,073**	**$ (50,067)**	**$ 161,405**	$ 204,871	$ (38,670)	$ 166,201

The useful lives of customer relationships, tradenames and noncompetition agreements range from 14 to 18 years, 10 to 15 years and 3 to 4 years, respectively.

Expected amortization expense is as follows:

(Dollars in thousands)	
FISCAL YEAR ENDING	
2007 *(remaining quarter)*	$ 4,001
2008	15,696
2009	15,118
2010	15,020
2011	14,356
Thereafter	96,601
	$ 160,792

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4. LONG-TERM DEBT

(Dollars in thousands)	July 1, 2007	October 1, 2006
LONG TERM DEBT		
10% USD senior subordinated notes due October 2010	**$ 200,000**	$ 200,000
Variable rate USD term loan maturing July 2013	**169,500**	189,500
Variable rate CAD term loan maturing July 2013	**52,716**	50,501
Variable rate USD revolving loan maturing July 2012	**7,000**	
	429,216	440,001
Less: Current portion	**(1,820)**	(20,506)
LONG TERM DEBT, NET OF CURRENT PORTION	**$ 427,396**	$ 419,495

The current portion of long-term debt at October 1, 2006 reflects a voluntary prepayment of the USD term loan of $20.0 million made in the first quarter of 2007. Prepayments on the term loan reduce future scheduled payments.

The weighted-average interest rate on variable rate credit facility borrowings at July 1, 2007 and October 1, 2006 was approximately 7.0%.

Scheduled maturities of long-term debt:

(Dollars in thousands)	
FISCAL YEAR ENDING	
2007 *(remaining quarter)*	$ 133
2008	1,820
2009	2,678
2010	2,249
2011	202,249
Thereafter	220,087
	$ 429,216

Of the $1.8 million current portion of long-term debt, $0.1 million is scheduled to be repaid in the last quarter of 2007 and the remaining $1.7 million is scheduled to be repaid in the first nine months of 2008.

Senior Subordinated Notes

10% Senior Notes Due 2010

The $200.0 million principal amount of 10% Senior Subordinated Notes due 2010 (the Senior Notes) are unsecured senior subordinated obligations of BWAY and are effectively subordinated to all senior debt obligations of BWAY. Interest on the Senior Notes is payable semi-annually in arrears on April 15 and October 15. The interest rate is fixed at 10% per annum. All of BWAY s U.S. based subsidiaries have fully and unconditionally guaranteed the Senior Notes.

The Senior Notes are governed by an Indenture dated November 27, 2002 with The Bank of New York, as trustee, as assumed by BWAY on February 7, 2003 and as amended from time to time (the Indenture).

The Senior Notes are subject to covenants that, among other things, limit BWAY s ability (and the ability of some or all of its subsidiaries) to: incur additional indebtedness, pay dividends or distributions on its capital stock or to repurchase its capital stock, make certain investments, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company and transfer and sell assets. These covenants are subject to a number of important limitations and exceptions. At July 1, 2007, BWAY was in compliance with all applicable covenants related to the Senior Notes.

BWAY may redeem some or all of these notes at redemption prices specified in the Indenture (105% on October 15, 2006 declining annually to 100% on October 15, 2009). Upon the occurrence of a Change in Control, as defined in the Indenture, the holders of the Senior Notes could require BWAY to repurchase the notes at 101% of the principal amount.

We are amortizing approximately $8.0 million in deferred financing costs related to the underwriting and registration of these notes to interest expense over the term of the notes on a straight-line basis, which approximates the effective yield method. At July 1, 2007 and October 1, 2006, approximately $3.4 million and $4.2 million, respectively, of the deferred costs were unamortized.

Credit Facility

On July 17, 2006, in conjunction with the ICL Acquisition, we entered into a new credit facility with various lenders, Deutsche Bank Trust Company Americas, as administrative agent, LaSalle Bank, N.A., as documentation agent and Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc., as joint arrangers. The credit facility consists of a $190.0 million B Term Loan (the US Term Loan) and a $50.0 million revolving credit facility (the US Revolver) and a Cdn$56.41 million (US$50.0 million equivalent at the borrowing date) C Term Loan (the Canadian Term Loan) and a US$5.0 million equivalent revolving credit facility (the Canadian Revolver).

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BWAY is the borrower of the US Term Loan and only BWAY can borrow on the US Revolver. ICL is the borrower of the Canadian Term Loan and only ICL can borrow on the Canadian Revolver.

The term loans mature July 17, 2013 and the revolving loans mature July 17, 2012. In the event the Senior Notes are not refinanced prior to April 15, 2010, the US Term Loan and the US and Canadian Revolvers mature April 15, 2010 and the Canadian Term Loan matures July 18, 2011.

The US Term Loan is denominated in U.S. dollars and, at the option of the borrower, may consist of a Base Rate Loan or a Eurodollar Loan, each as defined in the credit agreement. Interest accrues on Base Rate Loans at a fixed margin of 0.75% plus the greater of the federal funds rate plus .5% or the Prime Lending Rate and on Eurodollar Loans at a Eurodollar Rate (as defined in the credit agreement) plus a fixed margin of 1.75%. At July 1, 2007, the effective interest rate on outstanding US Term Loan borrowings was approximately 7.1%.

Due to a $20.0 million voluntary prepayment on the US Term Loan in December 2006, scheduled quarterly repayments of approximately $0.4 million do not resume until December 31, 2007 and will continue through March 31, 2013. The remaining unpaid balance is due on the maturity date. Once repaid, the term loan may not be reborrowed.

The US Revolver is denominated in U.S. dollars and, at the option of the borrower, may consist of a Base Rate Loan or a Eurodollar Loan, each as defined in the credit agreement. Any outstanding borrowings are due at maturity. Interest accrues on Base Rate Loans at a variable margin ranging from 0.25% to 1.00% plus the greater of either the federal funds rate plus .5% or the administrative agent s prime lending rate. Interest accrues on Eurodollar Loans at a Eurodollar Rate plus a variable margin ranging from 1.25% to 2.00%. The applicable margin for either the Base Rate or Eurodollar loans is based on a Consolidated Total Leverage Ratio, as defined in the credit agreement. At July 1, 2007, the effective interest rate on outstanding US Revolver borrowings was approximately 9.3%.

The Canadian Term Loan is denominated in Canadian dollars and, at the option of the borrower, may consist of a Canadian Prime Rate Loan or a B/A Discount Rate Loan, each as defined in the credit agreement. Interest accrues on Canadian Prime Rate Loans at the greater of DB Canada s prime rate or CDOR plus .75% plus a fixed margin of 1.0% and on B/A Discount Rate Loans at CDOR plus a fixed margin of 2.0%. At July 1, 2007, the effective interest rate on outstanding Canadian Term Loan borrowings was approximately 6.4%.

Scheduled quarterly repayments on the Canadian Term Loan of approximately Cdn$141 thousand (approximately US$133 thousand equivalent at July 1, 2007) began September 30, 2006 and will continue through March 31, 2013. The remaining unpaid balance is due on the maturity date. Once repaid, the term loan may not be reborrowed.

The Canadian Revolver can be drawn in either U.S. or Canadian dollars, at the option of the borrower, and, at the option of the borrower, may consist of a Base Rate Loan or a Eurodollar Loan for U.S. dollar denominated loans or Canadian Prime Rate Loan or a B/A Discount Rate Loan for Canadian dollar denominated loans, each as defined in the credit agreement. Any outstanding borrowings are due at maturity. Interest accrues on Base Rate Loans or Canadian Prime Rate Loans at the applicable base (as discussed above) plus a variable margin ranging from 0.25% to 1.00%. Interest accrues on Eurodollar Loans or B/A Discount Rate Loans at the applicable base (as discussed above) plus a variable margin ranging from 1.25% to 2.00%. The applicable margin for either the Base Rate or Eurodollar loans is based on a Consolidated Total Leverage Ratio, as defined in the credit agreement.

BWAY Holding and each of our U.S. subsidiaries have guaranteed the US Term Loan and US Revolver, each of which is secured by substantially all of our U.S. assets and the assets of BWAY Holding. In addition, we have pledged as collateral all of the issued and outstanding stock of our U.S. subsidiaries, which are wholly-owned, and, subject to certain limitations, the outstanding stock of ICL. ICL has guaranteed the Canadian Term Loan and Canadian Revolver, each of which is secured by all of the assets of ICL.

A portion of the term loan proceeds was used to finance the ICL Acquisition.

At July 1, 2007, we had $7.0 million in US Revolver borrowings and $6.6 million in standby letter of credit commitments that reduced our available borrowings under the US Revolver to $36.4 million. There were no outstanding Canadian Revolver borrowings at July 1, 2007.

The credit agreement contains covenants that, among other things, limit our ability (and the ability of some or all of our subsidiaries) to: incur additional debt, pay dividends or distributions on our capital stock or to repurchase our capital stock, make certain investments, loans or advances, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company, transfer and sell assets and make acquisitions. We are also required to maintain a minimum Consolidated Interest Coverage Ratio and to not exceed a Maximum Consolidated Total Leverage Ratio (each as defined in the credit agreement). These covenants are subject to a number of important limitations and exceptions. At July 1, 2007, we were in compliance will all applicable covenants contained in the credit agreement.

We are amortizing approximately $5.9 million in deferred financing costs related to the Term Loans to interest expense over the term of the loans in proportion to the outstanding principal, which approximates the effective yield method. We are amortizing approximately $1.3 million in deferred financing costs related to the Revolvers on a straight-line basis over the term of the Revolvers,

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which approximates the effective yield method. At July 1, 2007 and October 1, 2006, approximately $6.1 million and $6.8 million of deferred costs associated with the credit facility were unamortized.

The credit agreement was amended on May 10, 2007 to allow the IPO and related transactions. We paid approximately $0.1 million in fees associated with the amendment, which are deferred and will be amortized to interest expense over the term of the loans, as discussed above.

5. EMPLOYMENT BENEFIT OBLIGATIONS

Employee benefit obligation liabilities:

(Dollars in thousands)	July 1, 2007	October 1, 2006
Defined benefit pension liability	**$ 3,136**	$ 3,730
Retiree medical and other postretirement benefits	**4,966**	5,006
Deferred compensation	**6,796**	6,570
EMPLOYEE BENEFIT OBLIGATION LIABILITIES	**$ 14,898**	$ 15,306

At July 1, 2007, approximately $0.7 million and $14.2 million of the employee benefit obligation liabilities were recorded in current liabilities and other long-term liabilities, respectively. At October 1, 2006, approximately $0.5 million and $14.8 million of the employee benefit obligation liabilities were recorded in current liabilities and other long-term liabilities, respectively.

Components of net periodic benefit cost:

	Defined Benefit Pension Plan				Other Postretirement Benefits			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
(Dollars in thousands)	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
COMPONENTS OF NET PERIODIC BENEFIT COST								
Service cost	**$**	$	**$**	$	**$ 2**	$ 2	**$ 5**	$ 5
Interest cost	**169**	150	**506**	449	**99**	88	**297**	266
Expected return on plan assets	**(170)**	(151)	**(511)**	(452)				
Recognized net actuarial loss	**1**		**4**		**18**	14	**53**	40
NET PERIODIC BENEFIT COST	**$**	$ (1)	**$ (1)**	$ (3)	**$ 119**	$ 104	**$ 355**	$ 311

6. RESTRUCTURING AND REORGANIZATION LIABILITIES

The following table sets forth changes in our restructuring liability from October 1, 2006 to July 1, 2007. The nature of the liability has not changed from that previously reported in the Annual Report. The restructuring liability is included in other current liabilities and relates to the Plastics Packaging segment.

(Dollars in millions)	Balance October 1, 2006	Adjustments	Expenditures	Balance July 1, 2007
RESTRUCTURING LIABILITY				
Severance costs	$ 0.2	$	$ (0.2)	$

Facility closure costs	1.4	(0.1)	(0.6)	0.7
TOTALS	$ 1.6	$ (0.1)	$ (0.8)	$ 0.7

In conjunction with the Vulcan Acquisition, we committed to a plan to consolidate the Vulcan business with and into our ICL operations. As a result, we closed the Vulcan manufacturing facilities and terminated approximately 100 employees. As part of the preliminary purchase price allocation, we recorded a reorganization liability pursuant to EITF 95-3 of approximately $3.4 million, which consists of severance payments and facility closure costs. The liability is included in other current liabilities and relates to the Metal Packaging segment.

(Dollars in millions)	Purchase Accounting January 30, 2007	Expenditures	Translation Adjustments	Balance July 1, 2007
REORGANIZATION LIABILITY				
Severance costs	$ 1.7	$ (1.9)	$ 0.2	$
Facility closure costs	1.7	(0.2)	0.2	1.7
TOTALS	$ 3.4	$ (2.1)	$ 0.4	$ 1.7

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7. NET (LOSS) INCOME PER SHARE

The following table shows the computation of basic and diluted net (loss) income per share for the periods presented:

(Amounts in thousands except per share amounts)	Three Months Ended July 1, 2007	Three Months Ended July 2, 2006	Nine Months Ended July 1, 2007	Nine Months Ended July 2, 2006
BASIC NET (LOSS) INCOME PER SHARE				
Net (loss) income	**$ (9,637)**	$ 9,310	**$ (1,823)**	$ 9,621
Weighted-average number of shares outstanding	**20,733**	20,610	**20,594**	20,610
BASIC NET (LOSS) INCOME PER SHARE	**$ (0.46)**	$ 0.45	**$ (0.09)**	$ 0.47
DILUTED NET (LOSS) INCOME PER SHARE				
Net (loss) income	**$ (9,637)**	$ 9,310	**$ (1,823)**	$ 9,621
Weighted-average number of shares outstanding	**20,733**	20,610	**20,594**	20,610
Dilutive effect of stock options		4,855		4,841
Weighted-average number of shares outstanding assuming dilution	**20,733**	25,465	**20,594**	25,451
DILUTED NET (LOSS) INCOME PER SHARE	**$ (0.46)**	$ 0.37	**$ (0.09)**	$ 0.38

All common stock equivalents have been excluded in the computation of diluted earnings per share for the three and nine months ended July 1, 2007 because their effect would have been antidilutive. There were no shares that would have been antidilutive for the three and nine months ended July 2, 2006.

8. STOCK-BASED COMPENSATION

We adopted SFAS No. 123 (revised 2004), *Share-Based Payment,* (SFAS No. 123R) as of October 2, 2006 using the prospective transition method. Under this method of adoption, compensation cost is recognized in the financial statements beginning with the effective date for all new awards and for awards outstanding at the effective date that are subsequently modified, repurchased or cancelled. As further discussed below, upon the consummation of the IPO, all awards, including those outstanding at the effective date of SFAS 123R, were modified. As such, we discontinued accounting for those awards outstanding as of October 2, 2006 using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion 25, *Accounting for Stock Issued to Employees*, and related interpretations ("APB 25"), which we used for such awards prior to the modification.

SFAS No. 123R amends SFAS No. 95, *Statement of Cash Flows*, requiring the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow as previously required.

For purposes of determining the grant date fair value of share-based payment awards, we use the Black-Scholes option-pricing model (the Black-Scholes Model) for options without market conditions and Monte Carlo simulation, a lattice model, for options with vesting criteria tied to the market price of BWAY Holding s common stock. Each model requires the input of certain assumptions that involve judgment.

Stock-Based Compensation Expense

The following table summarizes non-cash stock-based compensation expense included in the statements of operations by line item. All amounts are reported as undistributed corporate expenses for segment disclosure (see Note 10).

(Amounts in thousands except per share amounts)	Three Months Ended July 1, 2007	Three Months Ended July 2, 2006	Nine Months Ended July 1, 2007	Nine Months Ended July 2, 2006
STOCK BASED COMPENSATION EXPENSE INCLUDED IN:				
Cost of products sold *(excluding depreciation and amortization)*	**$ 1,910**	$ 75	**$ 1,999**	$ 170
Selling and administrative expense	**8,172**	329	**8,560**	744
	$ 10,082	404	**10,559**	914

In the third quarter of fiscal 2007, we recorded stock-based compensation expense related to the accelerated vesting of certain stock options concurrently with the IPO (as discussed below). The expense related to the accelerated vesting included in cost of products sold (excluding depreciation and amortization) and selling and administrative expense is $1.8 million and $7.8 million, respectively. In addition, as further descried below, we recorded approximately $0.3 million in the three months ended July 1, 2007 related to certain exit options as a result of vesting condition modifications as a result of the public offering.

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Summary of Stock-Based Compensation Plans

BWAY Holding Company 2007 Annual Incentive Plan. On May 23, 2007, the Board approved, upon the recommendation of the Compensation Committee, the BWAY Holding Company 2007 Annual Incentive Plan (the Annual Incentive Plan). The plan provides for awards of up to 2,057,898 shares of BWAY Holding common stock. The plan allows for stock options, stock appreciation rights, performance-based awards, restricted stock, restricted stock units and deferred stock. There have been no grants under the plan, and there were no awards outstanding under the Annual Incentive Plan at July 1, 2007.

BCO Holding Company Stock Incentive Plan. In February 2000, Predecessor adopted the Fourth Amendment and Restatement of BWAY s 1995 Long-Term Incentive Plan (the "Predecessor Incentive Plan"). As a result of the Transaction, which was a change in control event under the plan, all outstanding options immediately vested and became exercisable. Certain members of management entered into Exchange Agreements with BWAY Holding whereby their Predecessor Incentive Plan options were exchanged for new options to acquire BWAY Holding common stock (the Exchange Options). The Exchange Options were fully vested as of the closing of the Transaction and were issued with substantially the same terms and conditions in effect immediately before the exchange.

Effective with the closing of the Transaction, BWAY Holding assumed the Predecessor Incentive Plan, which was replaced in July 2004 with the Amended and Restated BCO Holding Stock Incentive Plan (the Holding Incentive Plan). Under the Holding Incentive Plan, 4,480,797 shares of BWAY Holding s common stock is subject to options.

There are currently three types of stock options outstanding under the Holding Incentive Plan: Service Options, Performance Options and Exit Options. Prior to the IPO, service options generally became exercisable in three annual installments, performance options generally became exercisable in five annual installments if certain performance benchmarks were achieved, and exit options generally became exercisable upon a change in equity control event (as defined in the plan and subject to certain limitations).

On May 23, 2007, the Board amended the Holding Incentive Plan to provide that all outstanding unvested Service Options and Performance Options and 43% of Exit Options became fully vested concurrently with the completion of the IPO. In addition, the Board amended the vesting criteria for the remaining 57% of Exit Options to become vested in three equal tranches based on an average per share closing price of BWAY Holding Company common stock over a consecutive 45 day period with a minimum closing price on the 45th day for each tranche, as follows:

$^1/_3$ will vest if the average per share closing price of BWAY Holding s common stock over any consecutive 45 days during which the stock trades is at least $19.26 and the closing price on the 45th such day is at least $16.37;

$^1/_3$ would vest if the average per share closing price of BWAY Holding s common stock over any consecutive 45 days during which the stock trades is at least $21.52 and the closing price on the 45th such day is at least $18.29; and

$^1/_3$ would vest if the average per share closing price of BWAY Holding s common stock over any consecutive 45 days during which the stock trades is at least $23.78 and the closing price on the 45th such day is at least $20.21.

The accelerated vesting of options concurrently with the public offering, as discussed below, constituted a modification of previously issued awards. As such, we recognized stock-based compensation expense in the third quarter of fiscal 2007 of approximately $9.6 million. The charge represents the unrecognized stock-based compensation as determined under APB 25 related to the modified options and any incremental fair value as a result of the modification as determined under SFAS 123R using a Black-Scholes option-pricing model.

In addition, the modification of exit options to enable vesting based on certain market conditions, as discussed above, required us to determine the fair value of such options on the modification date using the guidance of SFAS 123R. The fair value will be recognized as stock-based compensation expense over the derived service period from the date of the modification.

Because the vesting of the unvested exit options is based on certain market conditions, the fair value of the options was determined using a Monte Carlo simulation model. The derived service period for these exit options is the median period of time until the market condition is met, as determined by the simulation model. We determined a modification date fair value of approximately $11.3 million and expect to recognize non-cash stock-based compensation expense of $11.3 million as follows:

(Dollars in millions)	Fiscal 2007	Fiscal 2008	Fiscal 2009
Quarter 1	$	$ 1.9	$ 1.0
Quarter 2		1.9	0.7
Quarter 3	0.3	1.8	0.4
Quarter 4	1.9	1.4	
TOTALS	$ 2.2	$ 7.0	$ 2.1

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The following inputs were used in the Monte Carlo simulation model to determine fair value: risk-free interest rate ranging from 4.6% to 5.4%%, no dividends, and expected volatility ranging from 38.5% to 49.1%.

The following table presents the changes in our stock-based compensation plans from October 1, 2006 to July 1, 2007:

	Exchange Options	Service Options	Performance Options	Exit Options	Total Options
EMPLOYEE STOCK OPTIONS					
Options outstanding at October 1, 2006	2,319,055	1,679,114	419,006	2,105,628	6,522,803
Options granted		70,982	17,745	88,727	177,454
Options exercised	(1,015,818)				(1,015,818)
Options forfeited		(14,860)	(3,714)	(18,572)	(37,146)
OPTIONS OUTSTANDING AT JULY 1, 2007	**1,303,237**	**1,735,236**	**433,037**	**2,175,783**	**5,647,293**
VESTED OR EXPECTED TO VEST AT JULY 1, 2007	1,303,237	1,735,236	433,037	935,557	4,407,067
EXERCISABLE AT JULY 1, 2007	1,303,237	1,735,236	433,037	935,557	4,407,067

The following table summarizes information about stock options outstanding and exercisable at July 1, 2007:

	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-Average Remaining Term	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
RANGE OF EXERCISE PRICES					
$1.19 to 2.96	1,303,237	4.4 years	$ 2.79	1,303,237	$ 2.79
$5.35	3,116,411	5.6 years	5.35	2,226,087	5.35
$8.82 to 11.76	826,153	7.2 years	9.20	590,687	9.20
$14.10 to 16.68	401,492	9.1 years	15.54	287,056	15.54
	5,647,293	5.8 years	$ 6.05	4,407,067	$ 5.77

At July 1, 2007, the weighted-average remaining contractual life of options outstanding and exercisable was 5.8 years and 5.7 years, respectively. At July 1, 2007, the aggregate intrinsic value of options outstanding and exercisable was approximately $49.9 million and $40.1 million, respectively. The weighted-average fair value at the grant date for options granted during the first nine months of 2007 was $19.50 per option, which was estimated utilizing the Black-Scholes Model with the following weighted-average assumptions: (1) no dividend yield on BWAY Holding s common stock, (2) expected stock price volatility of 55.5%, (3) a risk-free interest rate of 4.5%, and (4) an expected option term of 8.1 years.

9. COMMITMENTS AND CONTINGENCIES

Environmental

We are subject to a broad range of federal, state, provincial and local environmental, health and safety laws, including those governing discharges to air, soil and water, the handling and disposal of hazardous substances and the investigation and remediation of contamination resulting from the release of hazardous substances. We believe that we are currently in material compliance with all applicable environmental, health and safety laws, though future expenditures may be necessary in order to maintain such compliance, including compliance with air emission control requirements for volatile organic compounds. In addition, in the course of our operations we use, store and dispose of hazardous substances. Some of our current and former facilities are currently involved in environmental investigations, remediations and claims resulting from the release of hazardous substances or the presence of other contaminants. Except to the extent otherwise disclosed herein, we believe it is remote that any material losses may have resulted from identified environmental remediation matters or environmental investigations relating to our current or former facilities. While we do not believe that any identified investigation or remediation obligations will have a material adverse effect on our financial position, results of operations or cash flows, there are no assurances that such obligations will not arise in the future. Many of our facilities have a history of industrial usage for which investigation and remediation obligations could arise in the future and which could have a material adverse effect on our financial position, results of operations or cash flows.

We incurred capital expenditures of approximately $0.8 million in the nine months of 2007 to comply with federal Maximum Achievable Control Technology (MACT) regulations related to air emission control requirements for Hazardous Air Pollutants (HAP) and volatile organic compounds. In addition, we expect to incur approximately $1.3 million in capital expenditures in the remainder of 2007 to comply with certain environmental laws at a facility related to the ICL Acquisition.

We received a letter dated March 14, 2007 from the EPA stating that corrective action is required at our Cincinnati facility to address documented releases of hazardous substances at the site. The releases referenced by the EPA occurred prior to our ownership of the site. The EPA has requested that we enter into an Administrative Order on Consent under the Resource Conservation and Recovery Act with respect to corrective action obligations. We are working with the EPA to address their concerns and have notified a former owner of the site that we believe has indemnity obligations to us with respect to the EPA s claim.

We are a member of a potentially responsible party (PRP) group related to a waste disposal site in Georgia. Our status as a PRP is based on documents indicating that waste materials were transported to the site from our Homerville, Georgia facility prior to our acquisition of the facility in 1989. We estimate our exposure related to this site will approximate $0.1 million.

From time to time, we receive requests for information or are identified as a PRP pursuant to the Federal Comprehensive Environmental Response, Compensation and Liability Act or analogous state laws with respect to off-site waste disposal sites utilized by our current or former facilities or our predecessors in interest. We do not believe that any of these identified matters will have a material adverse effect on our financial condition, results of operations or cash flows. We cannot, however, provide assurance that such obligations will not arise in the future.

We record reserves for environmental liabilities when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. We had accrued liabilities of approximately $0.3 million at July 1, 2007 and October 1, 2006. However, our future expenditures related to these matters may exceed the amounts accrued.

Self-Insurance

The majority of our medical and workers compensation benefits are under high-deductible plans with certain stop loss arrangements. We determine our liability related to workers compensation using actuarial data based on filed claims, and we determine our liability related to medical claims based on our analysis of actual claims. The amounts related to these claims are included in other current liabilities and were approximately $7.2 million and $7.0 million at July 1, 2007 and October 1, 2006, respectively.

Litigation

We are involved in legal proceedings from time to time in the ordinary course of business. We believe that the outcome of these proceedings will not have a material effect on our financial condition, results of operations or cash flows. We had an accrued liability of approximately $0.3 million at July 1, 2007 and October 1, 2006 related to pending litigation matters, other than as discussed below.

Lead Paint Litigation

Our Armstrong Containers, Inc. subsidiary (Armstrong) has been named as a defendant in various complaints related to the sale of lead pigment for use in lead-based paint based on the grounds that Armstrong is an alleged successor in interest to the John R. MacGregor Company and/or the MacGregor Lead Company (collectively, MacGregor). MacGregor was involved in the manufacture and sale of lead pigment until mid-1971, when MacGregor sold its lead and lead-paint businesses to third parties.

The allegations in these cases are similar to those that have been made against leading paint manufacturers in the United States. Plaintiffs in certain of the cases, based upon theories of public nuisance, indemnity, unjust enrichment and concert of action, seek compensatory and punitive damages, including the cost of abating the alleged nuisance. Plaintiffs in certain of the cases, based upon a theory of personal injury, seek unspecified monetary damages in excess of the statutory minimum for personal injuries due to alleged exposure to lead paint. We expect that additional lead pigment/lead-based paint litigation may be filed against Armstrong (or that Armstrong may be added to existing litigation against other defendants) in the future asserting similar or different claims and seeking similar or different types of damages or relief.

While we believe that we have valid defenses to the personal injury and public nuisance cases and plan to vigorously defend them, we can neither predict the outcome at this time due to the uncertainties involved nor can we reasonably determine the scope or amount of the potential costs and liabilities related to these matters. We have, therefore, not reserved any amounts in respect of potential payments of damages. Any potential liability arising out of these matters may have a material adverse effect on our financial position, results of operations and/or cash flows. At October 1, 2006, we had accrued approximately $0.5 million in legal fees and expenses related to these matters. There was no accrual for legal fees and expenses related to these matters at July 1, 2007. We have notified our general liability insurers, some of whom are participating in the defense of the claims, subject to reservations of rights.

One of these insurers, Liberty Mutual Insurance Company (Liberty), filed a declaratory judgment action against BWAY and Armstrong in state court in Wisconsin on May 21, 2007. That case is styled as Liberty Mutual Insurance Company v. BWAY Corporation, et al., Circuit of Milwaukee County, State of Wisconsin, Case No. 07-CV-005625 (Wisconsin Declaratory Judgment Action). In the Wisconsin Declaratory Judgment Action, Liberty seeks a declaration that Liberty is not required to defend or indemnify BWAY or Armstrong, under two insurance policies that Liberty issued to BWAY, in connection with the following three personal injury lead paint lawsuits: (1) Anthony Johnson v. SJM Properties, LLC, et al., Case No. 07-CV-0000343, in the Circuit Court of Milwaukee County, Wisconsin; (2) Demond Dre Myers v. Brenda Scott, et al., Case No. 06-CV-012658, in the Circuit Court of Milwaukee County, Wisconsin; and (3) Perrion Ruffin, et al. v. Perry Gladney, et al., Case No. 06-CV-012650, in the Circuit Court of Milwaukee County, Wisconsin. The policy period for the Liberty Mutual policies at issue begins on October 1, 2004 and ends on

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October 1, 2006, and those policies may represent our only potentially available coverage for that period. At this time, Liberty continues to participate in the defense of the other personal injury cases. Our current insurance policy for the 2006-2007 policy year, also issued by Liberty, contains a lead exclusion that may exclude coverage for claims arising from the sale of lead pigment and/or lead-based paint.

In its complaint, Liberty argues that there are a number of reasons why it is not obligated to defend or indemnify BWAY or Armstrong under the subject policies, including on the ground that the pollution exclusion clause contained in these policies bars coverage for lead paint claims under Wisconsin law. The courts in Wisconsin have held in other cases that certain pollution exclusion clauses do bar coverage for lead paint claims. We believe, however, that these cases do not apply to our insurance policies. The other insurance policies pursuant to which our insurers currently are participating in the defense of lead paint-related personal injury cases against us contain pollution exclusion clauses.

Armstrong and BWAY have removed the Wisconsin Declaratory Judgment Action to federal court. Liberty has filed a motion to remand, seeking to have this case returned to state court. The parties have briefed the motion to remand. Armstrong and BWAY also have filed a motion to dismiss this action due to lack of personal jurisdiction over Armstrong and BWAY.

In addition, Armstrong filed a declaratory judgment action against Liberty and certain individuals on or about June 6, 2007 in the Superior Court for Gwinnett County, State of Georgia (Georgia Declaratory Judgment Action). Armstrong is seeking a determination that there is coverage under its 2004-2005 and 2005-2006 policies with Liberty and that Liberty be required to indemnify it for any losses and reimburse it for defense costs, in accordance with the terms of such policies. In the Georgia Declaratory Judgment Action. Liberty Mutual has answered the Complaint, asserting numerous defenses. Liberty Mutual has filed a motion to stay discovery based upon the pendency of the Wisconsin Declaratory Judgment Action. Liberty Mutual also has filed a motion seeking to dismiss the Georgia Declaratory Judgment Action on the ground that the Georgia Court lacks subject matter jurisdiction over this matter. Armstrong is in the process of responding to these motions.

Armstrong intends to litigate these actions vigorously. However, given that these actions are in a very early stage, Armstrong cannot at this time predict the outcome of this litigation or what the impact of an adverse judgment might be with respect to these policies, or any other policies issued by Liberty or our other insurers that may potentially provide for coverage for the claims asserted in the personal injury lead paint cases referenced above, the other personal injury lawsuits pending against Armstrong in Wisconsin, or any other current or future lead paint related claims against Armstrong.

Letters of Credit

At July 1, 2007, a bank had issued standby letters of credit on our behalf in the aggregate amount of $6.6 million primarily in favor of our workers compensation insurers.

Commodity Risk

We are subject to various risks and uncertainties related to changing commodity prices for, and the availability of, the raw materials we use in our manufacturing processes (primarily steel and resin), as well as for unfavorable changes in energy costs (primarily electricity and natural gas).

Other

At October 1, 2006, we had accrued approximately $1.2 million related to a voluntary product recall by one of our customers due to potential leaks in certain of the containers that we likely manufactured. The accrual was reduced in the first quarter of 2007 to $0.7 million and we settled for and paid this amount in the third quarter of fiscal 2007.

10. BUSINESS SEGMENTS

Our operations are organized and reviewed by management along our product lines in two reportable segments Metal Packaging and Plastics Packaging. We differentiate the segments based on the nature of the products they offer. The primary raw material and manufacturing process are unique for each segment. A further description of each business segment and of our Corporate services area follows:

Metal Packaging. Metal Packaging includes our metal packaging products, such as paint cans, aerosol containers, ammunition boxes and other general line containers made from steel. Metal Packaging is a separate reportable segment of the Company with production facilities and processes distinct from our Plastics Packaging segment.

Plastics Packaging. Plastics Packaging includes the plastics packaging products manufactured and distributed by NAMPAC and ICL. Principal products in this segment include open- and tight-head pails and drums and other multi-purpose rigid industrial plastic packaging. Plastics Packaging is a separate reportable segment of the Company with production facilities and processes distinct from our Metal Packaging segment.

Corporate. Corporate includes executive management, accounting and finance, information technology, payroll and human resources and various other overhead charges, each to the extent not allocated to the divisions.

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Segment assets include, among other things, inventories, property, plant and equipment, goodwill and other intangible assets. The accounting policies of our segments have not changed from those described in the Annual Report. There were no inter-segment sales reported in the periods presented. Management s evaluation of segment performance is principally based on a measure of segment earnings, which we calculate as segment gross profit (excluding depreciation and amortization) less selling expenses (Segment Earnings).

The following sets forth certain financial information attributable to our business segments for the three and nine months ended July 1, 2007 and July 2, 2006:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
NET SALES				
Metal packaging	**$ 162,626**	$ 153,687	**$ 422,061**	$ 405,984
Plastics packaging	**106,906**	88,988	**284,118**	263,483
CONSOLIDATED NET SALES	**269,532**	242,675	**706,179**	669,467
(LOSS) INCOME BEFORE INCOME TAXES				
Metal packaging	**19,405**	26,106	**52,310**	58,567
Plastics packaging	**15,223**	9,273	**43,186**	19,511
SEGMENT EARNINGS	**34,628**	35,379	**95,496**	78,078
Corporate undistributed expense	**(23,239)**	(2,426)	**(28,639)**	(6,893)
Public offering expense	**(9,210)**		**(9,527)**	
Depreciation and amortization (see below)	**(11,532)**	(10,112)	**(34,107)**	(30,449)
Restructuring (charge) adjustment	**(29)**	(338)	**135**	(533)
Interest expense, net	**(9,630)**	(8,441)	**(28,353)**	(24,952)
Other expense, net	**(369)**	(188)	**(956)**	(909)
CONSOLIDATED (LOSS) INCOME BEFORE INCOME TAXES	**$ (19,381)**	$ 13,874	**$ (5,951)**	$ 14,342
DEPRECIATION AND AMORTIZATION				
Metal packaging	**$ 5,700**	$ 5,149	**$ 16,818**	$ 15,809
Plastics packaging	**5,666**	4,508	**16,442**	13,209
Segment depreciation and amortization	**11,366**	9,657	**33,260**	29,018
Corporate depreciation and amortization	**166**	455	**847**	1,431
CONSOLIDATED DEPRECIATION AND AMORTIZATION	**$ 11,532**	$ 10,112	**$ 34,107**	$ 30,449

The following table sets forth total assets attributable to our business segments at July 1, 2007 and October 1, 2006.

(Dollars in thousands)	July 1, 2007	October 1, 2006
TOTAL ASSETS		
Metal packaging assets	**$ 324,803**	$ 318,699
Plastics packaging assets	**322,494**	322,540
Segment assets	**647,297**	641,239

Corporate	**175,350**	192,506
CONSOLIDATED TOTAL ASSETS	**$ 822,647**	$ 833,745

In the third quarter and first nine months of 2007, approximately 90% of our net sales were in the United States, approximately 9% of our net sales were in Canada and the remaining 1% was to other foreign countries. In the third quarter and first nine months of 2006, net sales outside the United States were less than 5%. In the third quarter and first nine months of 2007, approximately 92% and 87% of our metal packaging net sales and plastics packaging net sales, respectively, were in the United States with the remainder for each primarily in Canada (non-Canadian foreign sales were less than 1.0%). Geographic net sales information is based on the destination of our shipments.

Long-lived assets located in Canada at July 1, 2007 and October 1, 2006 were approximately $5.1 million and $4.0 million, respectively. At July 1, 2007 and October 1, 2006, all other long-lived assets were located in the United States.

11. COMPREHENSIVE INCOME (LOSS) INFORMATION

During the first nine months of 2007, our comprehensive income was comprised of net income and adjustments for foreign currency translation.

The components of accumulated other comprehensive income (loss): are as follows:

(Dollars in thousands)	Minimum Pension Liability Adjustment (net of tax)	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME			
Balance, October 1, 2006	$ (748)	$ 251	$ (497)
Change		1,257	1,257
BALANCE, JULY 1, 2007	$ (748)	$ 1,508	$ 760

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The components of total comprehensive (loss) income are as follows:

(Dollars in thousands)	Three Months Ended July 1, 2007	Three Months Ended July 2, 2006	Nine Months Ended July 1, 2007	Nine Months Ended July 2, 2006
COMPREHENSIVE (LOSS) INCOME				
Net (loss) income	**$ (9,637)**	$ 9,310	**$ (1,823)**	$ 9,621
Foreign currency translation adjustment	**1,982**		**1,257**	
TOTAL COMPREHENSIVE (LOSS) INCOME	**$ (7,655)**	$ 9,310	**$ (566)**	$ 9,621

12. SUPPLEMENTAL GUARANTOR SUBSIDIARIES INFORMATION

The Senior Notes are guaranteed on a full, unconditional joint and several basis by BWAY s U.S. based subsidiaries, each of which is wholly owned. The following condensed, consolidating financial information presents the unaudited consolidating financial statements of BWAY and its subsidiaries. We have not presented separate guarantor subsidiary financial statements because we do not believe they would provide materially useful information to investors.

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BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information (unaudited)

July 1, 2007

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
Assets					
CURRENT ASSETS					
Cash and cash equivalents	$ 5,147	$ 936	$ 3,965	$	$ 10,048
Accounts receivable, net	71,519	49,219	15,806		136,544
Inventories	59,319	25,855	8,175		93,349
Income taxes receivable	32,091	(22,783)	(339)		8,969
Deferred tax assets	(1,165)	3,937			2,772
Other	5,505	1,198	357		7,060
TOTAL CURRENT ASSETS	172,416	58,362	27,964		258,742
PROPERTY, PLANT AND EQUIPMENT, NET	80,811	52,818	5,146		138,775
OTHER ASSETS					
Goodwill	120,259	99,008	32,318		251,585
Other intangible assets, net	46,793	86,867	27,745		161,405
Deferred financing costs, net	8,410		1,117		9,527
Other	2,288	325			2,613
Investment in subsidiaries	261,905	22,110	5,739	(289,754)	
TOTAL OTHER ASSETS	439,655	208,310	66,919	(289,754)	425,130
TOTAL ASSETS	$ 692,882	$ 319,490	$ 100,029	$ (289,754)	$ 822,647
Liabilities and Stockholder s Equity					
CURRENT LIABILITIES					
Accounts payable	$ 58,460	$ 52,232	$ 11,866	$	$ 122,558
Accrued salaries and wages	6,051	6,497	1,097		13,645
Accrued interest	5,480		365		5,845
Accrued rebates	8,597	1,458	197		10,252
Current portion of long-term debt	1,287		533		1,820
Other	14,946	1,175	2,032		18,153
TOTAL CURRENT LIABILITIES	94,821	61,362	16,090		172,273
LONG-TERM DEBT	375,213		52,183		427,396
OTHER LIABILITIES					
Deferred tax liabilities	16,822	42,551	977		60,350
Intercompany	47,018	(47,775)	757		
Other	19,231	3,557	63		22,851
TOTAL OTHER LIABILITIES	83,071	(1,667)	1,797		83,201

TOTAL LIABILITIES	553,105	59,695	70,070		682,870
COMMITMENTS AND CONTINGENCIES					
STOCKHOLDER'S EQUITY					
Preferred stock					
Common stock		1		(1)	
Additional paid-in capital	125,742	233,190	25,699	(258,889)	125,742
Retained earnings	13,275	27,352	2,752	(30,104)	13,275
Accumulated other comprehensive income	760	(748)	1,508	(760)	760
TOTAL STOCKHOLDER'S EQUITY	139,777	259,795	29,959	(289,754)	139,777
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 692,882	$ 319,490	$ 100,029	$ (289,754)	$ 822,647

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BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information (unaudited)

October 1, 2006

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
Assets					
CURRENT ASSETS					
Cash and cash equivalents	$ 43,617	$ 1,458	$ 5,904	$	$ 50,979
Accounts receivable, net	61,279	44,520	10,187		115,986
Inventories	53,426	19,944	7,071		80,441
Income taxes receivable	18,757	(11,201)	(265)		7,291
Deferred tax assets	451	3,587			4,038
Other	3,420	1,291	131		4,842
TOTAL CURRENT ASSETS	180,950	59,599	23,028		263,577
PROPERTY, PLANT AND EQUIPMENT, NET	83,955	54,952	4,037		142,944
OTHER ASSETS					
Goodwill	120,259	98,895	29,533		248,687
Other intangible assets, net	51,483	92,265	22,453		166,201
Deferred financing costs, net	9,774		1,178		10,952
Other	1,026	358			1,384
Investment in subsidiaries	244,960	19,557		(264,517)	
TOTAL OTHER ASSETS	427,502	211,075	53,164	(264,517)	427,224
TOTAL ASSETS	$ 692,407	$ 325,626	$ 80,229	$ (264,517)	$ 833,745
Liabilities and Stockholder s Equity					
CURRENT LIABILITIES					
Accounts payable	$ 56,027	$ 54,805	$ 8,107	$	$ 118,939
Accrued salaries and wages	10,233	3,096	527		13,856
Accrued interest	9,748		89		9,837
Accrued rebates	9,453	1,537	101		11,091
Current portion of long-term debt	20,000		506		20,506
Other	16,616	1,264	480		18,360
TOTAL CURRENT LIABILITIES	122,077	60,702	9,810		192,589
LONG-TERM DEBT	369,500		49,995		419,495
OTHER LIABILITIES					
Deferred tax liabilities	24,984	46,308			71,292
Intercompany	29,593	(29,658)	65		
Other	18,770	4,116			22,886
TOTAL OTHER LIABILITIES	73,347	20,766	65		94,178

TOTAL LIABILITIES	564,924	81,468	59,870		706,262
COMMITMENTS AND CONTINGENCIES					
STOCKHOLDER EQUITY					
Preferred stock					
Common stock		1		(1)	
Additional paid-in capital	112,882	233,190	19,634	(252,824)	112,882
Retained earnings	15,098	11,715	474	(12,189)	15,098
Accumulated other comprehensive loss	(497)	(748)	251	497	(497)
TOTAL STOCKHOLDER EQUITY	127,483	244,158	20,359	(264,517)	127,483
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	$ 692,407	$ 325,626	$ 80,229	$ (264,517)	$ 833,745

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BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information (unaudited)

Three Months Ended July 1, 2007

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
NET SALES	$ 153,006	$ 93,425	$ 23,101	$	$ 269,532
COSTS AND EXPENSES					
Cost of products sold *(excluding depreciation and amortization)*	137,901	79,648	19,324	(178)	236,695
Depreciation and amortization	5,384	5,366	782		11,532
Selling and administrative expense	20,201	845	402		21,448
Public offering expense	9,210				9,210
Restructuring charge	29				29
Interest expense, net	8,769	(3)	864		9,630
Other expense (income), net	190	(148)	149	178	369
TOTAL COSTS AND EXPENSES	181,684	85,708	21,521		288,913
(LOSS) INCOME BEFORE INCOME TAXES	(28,678)	7,717	1,580		(19,381)
(Benefit from) provision for income taxes	(13,153)	2,886	523		(9,744)
Equity in income (loss) of subsidiaries	5,888	1,057	(175)	(6,770)	
NET (LOSS) INCOME	$ (9,637)	$ 5,888	$ 882	$ (6,770)	$ (9,637)

BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information (unaudited)

Three Months Ended July 2, 2006

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
NET SALES	$ 153,687	$ 88,988	$	$	$ 242,675
COSTS AND EXPENSES					
Cost of products sold *(excluding depreciation and amortization)*	126,298	78,769		(178)	204,889
Depreciation and amortization	5,431	4,681			10,112
Selling and administrative expense	3,894	939			4,833
Restructuring charge	338				338
Interest expense, net	8,446	(5)			8,441
Other expense, net	188	(178)		178	188
TOTAL COSTS AND EXPENSES	144,595	84,206			228,801

INCOME BEFORE INCOME TAXES	9,092	4,782			13,874
Provision for income taxes	3,025	1,539			4,564
Equity in income of subsidiaries	3,243			(3,243)	
NET INCOME	$ 9,310	$ 3,243	$	$ (3,243)	$ 9,310

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BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information (unaudited)

Nine Months Ended July 1, 2007

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
NET SALES	$ 401,712	$ 248,527	$ 55,940	$	$ 706,179
COSTS AND EXPENSES					
Cost of products sold *(excluding depreciation and amortization)*	352,251	209,523	46,143	(534)	607,383
Depreciation and amortization	16,430	15,557	2,120		34,107
Selling and administrative expense	28,344	2,250	1,345		31,939
Public offering expense	9,527				9,527
Restructuring adjustment	(135)				(135)
Interest expense, net	25,905	(3)	2,451		28,353
Other expense (income), net	819	(390)	(7)	534	956
TOTAL COSTS AND EXPENSES	433,141	226,937	52,052		712,130
(LOSS) INCOME BEFORE INCOME TAXES	(31,429)	21,590	3,888		(5,951)
(Benefit from) provision for income taxes	(13,969)	8,483	1,358		(4,128)
Equity in income (loss) of subsidiaries	15,637	2,530	(252)	(17,915)	
NET (LOSS) INCOME	$ (1,823)	$ 15,637	$ 2,278	$ (17,915)	$ (1,823)

BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information (unaudited)

Nine Months Ended July 2, 2006

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
NET SALES	$ 405,982	$ 263,485	$	$	$ 669,467
COSTS AND EXPENSES					
Cost of products sold *(excluding depreciation and amortization)*	343,219	241,205		(533)	583,891
Depreciation and amortization	16,721	13,728			30,449
Selling and administrative expense	11,639	2,752			14,391
Restructuring charge	533				533
Interest expense, net	24,964	(12)			24,952
Other expense (income), net	665	(289)		533	909
TOTAL COSTS AND EXPENSES	397,741	257,384			655,125

INCOME BEFORE INCOME TAXES	8,241	6,101			14,342
Provision for income taxes	2,759	1,962			4,721
Equity in income of subsidiaries	4,139			(4,139)	
NET INCOME	$ 9,621	$ 4,139	$	$ (4,139)	$ 9,621

BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows Information (unaudited)

Nine Months Ended July 1, 2007

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (19,418)	$ 7,577	$ 5,877	$	$ (5,964)
CASH FLOW FROM INVESTING ACTIVITIES					
Capital expenditures	(8,715)	(8,075)	(1,298)		(18,088)
Business acquisitions	(23)		(5,991)		(6,014)
Other	76				76
NET CASH USED IN INVESTING ACTIVITIES	(8,662)	(8,075)	(7,289)		(24,026)
CASH FLOW FROM FINANCING ACTIVITIES					
Net borrowings under revolving credit facility	7,000				7,000
Repayments of term loan	(20,000)		(402)		(20,402)
Proceeds from stock option exercise	2,839				2,839
Other	(229)	(24)			(253)
NET CASH USED IN FINANCING ACTIVITIES	(10,390)	(24)	(402)		(10,816)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			(125)		(125)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(38,470)	(522)	(1,939)		(40,931)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	43,617	1,458	5,904		50,979
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 5,147	$ 936	$ 3,965	$	$ 10,048

BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows Information (unaudited)

Nine Months Ended July 2, 2006

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 8,633	$ 11,150	$	$	$ 19,783
CASH FLOW FROM INVESTING ACTIVITIES					
Capital expenditures	(7,318)	(13,024)			(20,342)
Other	725				725
NET CASH USED IN INVESTING ACTIVITIES	(6,593)	(13,024)			(19,617)

CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of term loan	(30,000)				(30,000)
Other	(182)	735			553
NET CASH USED IN FINANCING ACTIVITIES	(30,182)	735			(29,447)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,142)	(1,139)			(29,281)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	50,161	1,728			51,889
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 22,019	$ 589	$	$	$ 22,608

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Our unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, which often require the judgment of management in the selection and application of certain accounting principles and methods. We believe that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, investors are cautioned that the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions. The following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes included under Part I, Item 1, of this report.

Unless otherwise indicated, references to years in our discussion and analysis relate to fiscal years.

Segments

We report our results of operations in two segments: metal packaging and plastics packaging. Our products within each of these segments include:

Metal packaging: general line rigid metal containers made from steel, including paint cans and components, aerosol cans, ammunition boxes, steel pails, oblong cans and a variety of other specialty cans that our customers use to package paint, household and personal care products, automotive after-market products, paint thinners, driveway and deck sealants and other end-use products.

Plastics packaging: injection-molded plastic pails and blow-molded tight-head containers, bottles and drums that our customers use to package petroleum, oils, lubricants, pharmaceuticals, agricultural chemicals, other chemical applications, paint, ink, edible oils, high-tech coatings, high-solid coatings, roofing mastic and adhesives and driveway sealants.

Factors Affecting Our Results of Operations

Net Sales

Net Sales are our revenues generated from the sales of general line rigid metal and plastic containers, reduced for customer credits, sales returns and allowances, and earned quantity discounts.

Our net sales depend in large part on the varying economic and other conditions of the end-markets that we serve. Demand for our products correlates positively with the overall U.S. economy. Most of the end-markets we serve, including our largest market, the home improvement and repair market, have historically shown steady growth. Demand for our products may change due to changes in general and regional economic conditions, consumer confidence, weather, commodity prices, employment and personal income growth, each of which is beyond our control.

Metal segment pricing is based on the cost of steel, coatings, inks, labor, rent, freight, utilities and operating supplies, volume, order size, length of production runs and competition. Pricing for our metal segment products generally changes around January 1 of each year. Typically, the price of our manufactured metal segment products is higher for larger, more complex products.

Plastics segment pricing is based on the cost of resin, colorant, fittings, labeling, labor, rent, freight, utilities and operating supplies, volume, order size, length of production runs and competition. Pricing for our plastic segment fluctuates periodically as the cost of resin fluctuates. Typically, the price of our manufactured plastic segment products is higher for larger, more complex products.

Revenues in each of our segments are seasonal, reflecting a general pattern of lower sales and earnings in the metal and plastics packaging industry during the first quarter of our fiscal year when activity in several of our end markets, most notably the home improvement and repair sector, is generally slower. These seasonal patterns cause our quarterly operating results and working capital requirements to fluctuate.

Our net sales are also impacted by the pass-through of price changes for steel and plastic resin as permitted in our sales agreements. Our metal segment selling prices generally increase around January 1st of each year. Our plastics segment selling prices change periodically throughout the year based on fluctuations in the cost of resin. We have generally been able to recover raw material price increases through pass-through mechanisms in our sales agreements.

The general line rigid metal and plastics industries have historically exhibited growth in volume as the markets for our products have expanded.

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Expenses

Our expenses primarily consist of:

Cost of products sold (excluding depreciation and amortization), which includes raw materials, labor, rent, freight, utilities and operating supplies. Cost of products sold is primarily driven by the preceding conversion costs, production volume and the mix of the products that we manufacture. Moreover, we account for our inventories on a last-in-first out, or LIFO, basis and as a result our cost of products sold can vary significantly by period if there are fluctuations in the cost of our key raw materials, steel and plastic resin.

Depreciation and amortization, which includes depreciation of property, plant and equipment and amortization of identifiable intangible assets. Depreciation expense is primarily driven by capital expenditures, offset by the reduction of assets that become fully depreciated and disposals of equipment. Amortization expense is primarily driven by the valuation of intangible assets resulting from acquisitions.

Restructuring (adjustment) charge, which includes costs related to closing previously acquired facilities. Restructuring charges are typically driven by our initiatives to reduce our overall operating costs through consolidation of facilities and headcount reductions and include severance, rent on vacated facilities and equipment removal costs. Impairment charges result whenever the carrying amount of an asset may not be recoverable.

Selling and administrative expense, which includes corporate and sales salaries and incentive compensation, professional fees, insurance, stock based compensation, rent, bad debt expense and other corporate administrative costs. The primary drivers for selling and administrative expense are wage increases, inflation, regulatory compliance costs, changes to stock based compensation based on stock valuation and changes in incentive compensation expense.

Interest expense, net, which includes interest payments on our indebtedness. Changes in the amount of our indebtedness and fluctuations in interest rates can drive changes in these costs.

Other expense (income), net, includes foreign currency transaction gains and losses, gains and losses on sales of fixed assets, Kelso financial advisory fees and other non-operating costs.

Raw materials for the metal segment include tinplate, blackplate and cold rolled steel, various fittings, coatings, inks and compounds. Steel producers have historically raised prices annually around January 1st of each year. Over the last four years there has been consolidation in the steel industry, and as a result our steel raw material purchases have been concentrated with the largest suppliers. In fiscal 2004, steel pricing increased more than historical levels due to increases in our steel producers cost of raw materials, primarily coke used to produce iron ore, and strong global demand. We have historically been able to secure steel to meet our customers requirements even during periods of high demand.

Raw materials for the plastics segment include resins, fittings and inks. Resin prices fluctuate periodically throughout the year and have increased approximately 68% over the last three years. We have generally been able to recover these raw material price increases through pass-through mechanisms in our sales agreements. We have historically been able to secure resin to meet our customers requirements even during periods of tight supply.

To reduce our overall cost of raw materials, we have periodically supplemented our steel and resin raw material supply with purchases on the spot market and additional purchases in advance of price increases.

Initial Public Offering

In March 2007, BWAY Holding filed with the SEC a registration statement on Form S-1 under the Securities Act related to its common stock. The SEC declared the registration statement effective on June 12, 2007 and on June 13, 2007, BWAY Holding common stock began trading on the New York Stock Exchange under the ticker symbol BWY . In this initial public offering of BWAY Holding common stock, certain selling stockholders, including Kelso (as defined below), our executive chairman and another member of the board, offered 10,039,216 shares at an issue price of $15.00 per share to the public, which represented a portion of their BWAY Holding common stock (the IPO or the public offering). We did not receive any proceeds from this offering.

Included in the nine months ended July 1, 2007, is approximately $29.6 million in expenses related to the IPO. The $29.6 million consists of approximately $2.5 million in offering costs, a $2.0 million fee to Deutsche Bank for advisory services, a $5.0 million fee to Kelso in consideration for termination of payment of annual financial advisory fees, a $10.0 million bonus to certain members of management , $0.5 million in taxes and benefits related to the management bonus and non-cash stock-based compensation of $9.6 million related to the accelerated vesting of certain stock options concurrently with the IPO.

Accounting for Inventory

We currently use the last-in, first-out method of accounting (LIFO) for the cost of inventories for our U.S. subsidiaries. We intend to change from LIFO to the first-in, first-out method of accounting (FIFO), upon the approval by the Internal Revenue Service (the IRS) of the FIFO method of accounting for income tax purposes, which we expect to receive in the fourth quarter of fiscal 2007. The inventories of our non-U.S. subsidiaries will continue to be valued using FIFO. After this change, all of our inventories will be valued using FIFO

Section 4. *Indemnification Where Not Wholly Successful*. Any eligible person who has been partially unsuccessful and any other eligible person not described in Section 3 of this Article V shall be reimbursed by the Company for such person s reasonable expense and for any liability if a Referee shall deliver to the Company the written finding of such Referee that such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Company, and in addition with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. Where such person is found by the Referee to have met the foregoing standards of conduct with respect to one or more but not all the claims made against such person, such person shall be entitled to indemnification for such expense and liability in such proportion as the Referee shall determine. The termination of any claim by judgment, order, settlement (whether with or without court approval), adverse decision, or conviction after trial or upon a plea of guilty or of nolo contendere or its equivalent, shall not of itself create a presumption that an eligible person did not meet the foregoing standards of conduct. The person claiming indemnification shall, at the request of the Referee, appear before the Referee and answer questions which the Referee deems relevant and shall be given ample opportunity to present to the Referee evidence upon which such person relies for indemnification; and the Company shall at the request of the Referee, make available to the Referee facts, opinions or other evidence in any way relevant for the Referee s finding which are within the possession or control of the Company. As used in this Article V, the term Referee shall mean independent legal counsel (who may be regular independent legal counsel of the Company), or other disinterested person or persons, selected to act as such hereunder by the board of directors of the Company, whether or not a disinterested quorum exists.

Section 5. *Advancement of Expenses*. Any expense incurred with respect to any claim may be advanced by the Company prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that such recipient is not to be indemnified under this Article V.

Section 6. *Article V Not Exclusive; Survival of Rights*. The rights of indemnification provided in this Article V shall be in addition to any rights to which any eligible person may otherwise be entitled by contract or as a matter of law; and in the event of such person s death, such rights shall extend to the heirs and legal representatives of such person.

ARTICLE VI - SHARE CERTIFICATES AND TRANSFERS

Section 1. *Share Certificates*. Share certificates shall be in such form as the board of directors may from time to time determine. Each certificate shall be signed by the chairman of the board, the president, the treasurer or the secretary of the Company, by manual or facsimile signature.

Section 2. *Transfer Agent and Registrar*. The board of directors may from time to time appoint one or more transfer agents and may appoint one or more registrars of transfer, each to act with respect to such preferred and common shares of the Company as the board of directors may designate. No share certificate of the Company shall be valid or binding unless countersigned, manually or by facsimile signature, by a transfer agent if one has been appointed to act with respect to the shares evidenced by such certificate, and registered before issue by a registrar if one has been appointed to act with respect to the shares evidenced by such certificate.

Section 3. *Signatures by Former Corporate Officers or Agents*. In case any officer of the Company, or any authorized signatory of any transfer agent or registrar, who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer or authorized signatory because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer or authorized signatory had not ceased to be such at the date of its issue.

ARTICLE VII - AMENDMENTS

These By-laws may be altered, amended, added to or repealed by the board of directors at any meeting of the board duly convened with or without notice of that purpose, subject to the power of the shareholders to change such action.

ARTICLE VIII - INDEMNIFICATION FOR DIRECTORS

Section 1. *Right to Indemnification*. Except as prohibited by law, every director of the Company shall be entitled as of right to be indemnified by the Company against expenses and any liability paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the Company or otherwise, in which he or she may be involved, as a party or otherwise, by reason of such person being or having been a director of the Company or by reason of the fact that such person is or was serving at the request of the Company as a director, officer, employee, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other entity (such claim, action, suit or proceeding hereinafter being referred to as a claim); provided, that no such right of indemnification shall exist with respect to a claim brought by a director against the Company except as provided in the last sentence of this Section 1. Indemnification hereunder shall include the right to have expenses incurred by such person in connection with a claim paid in advance by the Company prior to final disposition of such claim, subject to any obligation which may be imposed by law, By-law, agreement or otherwise to reimburse the Company in certain events. As used herein, expenses shall include fees and expenses of counsel selected by any such director and liability shall include amounts of judgments, excise taxes, fines, penalties and amounts paid in settlement. With respect to any claim brought by a director or other person against the Company, the director or other person shall be entitled to be indemnified for expenses incurred in connection with such claim pursuant to this Section 1 only (i) if the claim is a suit brought as a claim for indemnity under Section 2 of this Article VIII or otherwise, (ii) if the director or other person is successful in whole or in part in the claim for which expenses are claimed or (iii) if the indemnification for expenses is included in a settlement of the claim or is awarded by a court.

Section 2. *Right of Claimant to Bring Suit*. If a claim under Section 1 of this Article VIII is not paid in full by the Company within thirty days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such suit to recover indemnification that the claimant s conduct was such that under Pennsylvania law the Company is prohibited from indemnifying the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including its board of directors, legal counsel and its shareholders) to have made a determination prior to the commencement of such suit that indemnification of the claimant is proper in the circumstances, nor an actual determination by the Company (including its board of directors, legal counsel or its shareholders) that the claimant s conduct was such that indemnification is prohibited by law, shall be a defense to the suit to recover indemnification or create a presumption that the claimant s conduct was such that indemnification is prohibited by law. The only defense to any such suit to receive payment of expenses in advance shall be failure to make an undertaking to reimburse if such an undertaking is required by law, By-law, agreement or otherwise.

Section 3. *Insurance and Funding*. The Company may purchase and maintain insurance to protect itself and any person eligible to be indemnified hereunder against any liability or expense asserted or incurred by such person in connection with any claim, whether or not the Company would have the power to indemnify such person against such liability or expense by law or under the provisions of this Article. The Company may create a trust fund, grant a security interest, cause a letter of credit to be issued or use other means (whether or not similar to the foregoing) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

Section 4. *Non-Exclusivity; Nature and Extent of Rights*. The right of indemnification provided for in this Article VIII (i) shall not be deemed exclusive of any other rights, whether now existing or hereafter created, to which those seeking indemnification hereunder may be entitled under any provision of the Articles or By-laws, or any agreement, vote of shareholders or directors or otherwise, (ii) shall be deemed to create contractual rights in favor of persons entitled to indemnification hereunder, (iii) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were denominated as entitled to indemnification hereunder and shall inure to the benefit of the heirs and legal representatives of persons entitled to indemnification hereunder and (iv) shall be applicable to claims commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The right of indemnification provided for herein may not be amended or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to any such amendment or repeal.

(Amended January 20, 2012)

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ATTACHMENT E

RECONCILIATION OF METRICS IN CD&A TO GAAP

	ADJUSTED FREE CASH FLOW Year ended December 31, 2011					
(in millions)	**Alumina**	**Primary Metals**	**Flat-Rolled Products**	**Engineered Products and Solutions**	**Corporate**	**Alcoa**
Cash provided from operations	$ 847	$ 1,591	$ 292	$ 522	$ (1,059)	$ 2,193
Capital expenditures	(371)	(463)	(157)	(173)	(123)	(1,287)
Free cash flow	476	1,128	135	349	(1,182)	906
Adjustments for incentive compensation [1]	177	(389)	159	113	119	179
Free cash flow as adjusted for incentive compensation	$ 653	$ 739	$ 294	$ 462	$ (1,063)	$ 1,085

Free Cash Flow is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures due to the fact that these expenditures are considered necessary to maintain and expand Alcoa s asset base and are expected to generate future cash flows from operations. It is important to note that Free Cash Flow does not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

(1) This line item includes three types of adjustments as follows: (i) changes in accrued expenses, non-current assets and liabilities, certain non-cash components of net income, and various other items that are reflected in the determination of cash provided from operations under accounting principles generally accepted in the United States of America; (ii) amounts related to the normalization of the effects of changes in the London Metal Exchange aluminum prices and foreign currency exchange rates contemplated in the targets for 2011 as compared to actual results; and (iii) special items (defined as restructuring and other charges, discrete tax items, and other special items) that resulted in cash in flows or out flows during 2011. All of these adjustments are being made for incentive compensation purposes only.

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(in millions)	ADJUSTED INCOME Year ended December 31, 2011	December 31, 2010
Net income attributable to Alcoa	$ 611	$ 254
Loss from discontinued operations	(3)	(8)
Income from continuing operations attributable to Alcoa	614	262
Restructuring and other charges	181	130
Discrete tax items [(1)]	2	40
Other special items [(2)]	15	127
Income from continuing operations attributable to Alcoa as adjusted	812	559
Adjustments for incentive compensation [(3)]	71	(21)
Income from continuing operations attributable to Alcoa as adjusted for incentive compensation	$ 883	$ 538

Income from continuing operations attributable to Alcoa as adjusted is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews the operating results of Alcoa excluding the impacts of restructuring and other charges, discrete tax items, and other special items (collectively, special items). There can be no assurances that additional special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Income from continuing operations attributable to Alcoa determined under GAAP as well as Income from continuing operations attributable to Alcoa as adjusted.

(1) Discrete tax items include the following:

for the year ended December 31, 2011, charges for a tax rate change in Hungary and a tax law change regarding the utilization of net operating losses in Italy ($8), a charge related to the 2010 change in the tax treatment of federal subsidies received related to prescription drug benefits provided under certain retiree health benefit plans ($7), a net benefit for adjustments made related to the filing of 2010 tax returns in various jurisdictions ($5), and a net benefit for other miscellaneous items ($8); and

for the year ended December 31, 2010, a charge for a change in the tax treatment of federal subsidies received related to prescription drug benefits provided under certain retiree health benefit plans ($79), a benefit for the reversal of a valuation allowance related to net operating losses of an international subsidiary that are now realizable due to a settlement with a tax authority ($57), a benefit for a change in a Canadian provincial tax law permitting tax returns to be filed in U.S. dollars ($24), a charge based on settlement discussions of several matters with international taxing authorities ($18), a charge for a tax rate change in Brazil ($11), a charge for interest due to the IRS related to a previously deferred gain associated with the 2007 formation of the former soft alloy extrusions joint venture ($6), a charge for a change in the anticipated sale structure of the Transportation Products Europe business ($5), a charge for unbenefitted losses in Russia, China, and Italy ($4), and a net benefit for other small items ($2).

(2) Other special items include the following:

for the year ended December 31, 2011, favorable mark-to-market changes in certain power derivative contracts ($36), a net charge comprised of expenses for the early repayment of Notes set to mature in 2013 due to the premiums paid under the tender offers and call option and gains from the termination of related in-the-money interest rate swaps ($32), uninsured losses, including costs related to flood damage to a plant in Pennsylvania caused by Hurricane Irene, ($25), a gain on the sale of land in Australia ($18), costs related to acquisitions of the aerospace fastener business of TransDigm Group Inc. and full ownership of carbothermic smelting

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technology from ORKLA ASA ($8), and the write off of inventory related to the permanent closure of a smelter in the U.S ($4); and for the year ended December 31, 2010, unfavorable mark-to-market changes in certain power derivative contracts ($29), recovery costs associated with the São Luís, Brazil facility due to a power outage and failure of a ship unloader in the first half of 2010 ($23), a charge related to power outages at the Rockdale, TX and São Luís, Brazil facilities ($17), restart costs and lost volumes related to a June 2010 flood at the Avilés smelter in Spain ($13), a charge for costs associated with the potential strike and successful execution of a new agreement with the United Steelworkers ($13), a charge for an additional environmental accrual for the Grasse River remediation in Massena, NY ($11), a net charge comprised of expenses for the early repayment of Notes set to mature in 2011 through 2013 due to the premiums paid under the tender offers and call option and gains from the termination of related in-the-money interest rate swaps ($9), a charge related to an unfavorable decision in Alcoa s lawsuit against Luminant related to the Rockdale, TX facility ($7), and the write off of inventory related to the permanent closures of certain U.S. facilities ($5).

(3) Adjustments for incentive compensation represent amounts related to the normalization of the effects of changes in the London Metal Exchange aluminum prices and foreign currency exchange rates contemplated in the targets for both 2011 and 2010 as compared to actual results. Additionally, for the year ended December 31, 2010, this line item includes a reversal of the add-back included in the Other special items line above for the recovery costs associated with the São Luís, Brazil facility due to a power outage and failure of a ship unloader in the first half of 2010 ($23), a charge related to power outages at the Rockdale, TX and São Luís, Brazil facilities ($17), and a charge related to an unfavorable decision in Alcoa s lawsuit against Luminant related to the Rockdale, TX facility ($7). All of these adjustments are being made for incentive compensation purposes only.

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RECONCILIATION OF ALUMINA ADJUSTED EBITDA

n millions, except per metric ton amounts)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	201
r-tax operating income (ATOI)	$ 471	$ 315	$ 415	$ 632	$ 682	$ 1,050	$ 956	$ 727	$ 112	$ 301	$ 6
:											
reciation, depletion, and amortization	144	139	147	153	172	192	267	268	292	406	4
ity (income) loss	(1)	(1)	-	(1)	-	2	(1)	(7)	(8)	(10)	(
me taxes	184	130	161	240	246	428	340	277	(22)	60	1
er	(17)	(14)	(55)	(46)	(8)	(6)	2	(26)	(92)	(5)	(
usted EBITDA	$ 781	$ 569	$ 668	$ 978	$ 1,092	$ 1,666	$ 1,564	$ 1,239	$ 282	$ 752	$ 1,1
luction (thousand metric tons) (kmt)	12,527	13,027	13,841	14,343	14,598	15,128	15,084	15,256	14,265	15,922	16,4
usted EBITDA/Production ($ per metric	$ 62	$ 44	$ 48	$ 68	$ 75	$ 110	$ 104	$ 81	$ 20	$ 47	$

Alcoa s definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. The Other line in the table above includes gains/losses on asset sales and other nonoperating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa s operating performance and the Company s ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

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RECONCILIATION OF PRIMARY METALS ADJUSTED EBITDA

($ in millions, except per metric ton amounts)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
After-tax operating income (ATOI)	$ 905	$ 650	$ 657	$ 808	$ 822	$ 1,760	$ 1,445	$ 931	$ (612)	$ 488	$ 481
Add:											
Depreciation, depletion, and amortization	327	300	310	326	368	395	410	503	560	571	556
Equity (income) loss	(52)	(44)	(55)	(58)	12	(82)	(57)	(2)	26	(1)	7
Income taxes	434	266	256	314	307	726	542	172	(365)	96	92
Other	(8)	(47)	12	20	(96)	(13)	(27)	(32)	(176)	(7)	2
Adjusted EBITDA	$ 1,606	$ 1,125	$ 1,180	$ 1,410	$ 1,413	$ 2,786	$ 2,313	$ 1,572	$ (567)	$ 1,147	$ 1,138
Production (thousand metric tons) (kmt)	3,488	3,500	3,508	3,376	3,554	3,552	3,693	4,007	3,564	3,586	3,775
Adjusted EBITDA/Production ($ per metric ton)	$ 460	$ 321	$ 336	$ 418	$ 398	$ 784	$ 626	$ 392	$ (159)	$ 320	$ 301

Alcoa s definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. The Other line in the table above includes gains/losses on asset sales and other nonoperating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa s operating performance and the Company s ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

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RECONCILIATION OF FLAT-ROLLED PRODUCTS ADJUSTED EBITDA

($ in millions, except per metric ton amounts)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
After-tax operating income (ATOI)	$ 253	$ 225	$ 222	$ 254	$ 278	$ 233	$ 178	$ (3)	$ (49)	$ 220	$ 266
Add:											
Depreciation, depletion, and amortization	167	184	190	200	220	223	227	216	227	238	237
Equity loss	2	4	1	1	-	2	-	-	-	-	3
Income taxes	124	90	71	75	121	58	92	35	48	92	104
Other	(5)	(8)	(5)	1	1	20	1	6	(2)	1	1
Adjusted EBITDA	$ 541	$ 495	$ 479	$ 531	$ 620	$ 536	$ 498	$ 254	$ 224	$ 551	$ 611
Total shipments (thousand metric tons) (kmt)	1,863	1,814	1,893	2,136	2,250	2,376	2,482	2,361	1,888	1,755	1,866
Adjusted EBITDA/Total shipments ($ per metric ton)	$ 290	$ 273	$ 253	$ 249	$ 276	$ 226	$ 201	$ 108	$ 119	$ 314	$ 327

Alcoa s definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. The Other line in the table above includes gains/losses on asset sales and other nonoperating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa s operating performance and the Company s ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

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RECONCILIATION OF ENGINEERED PRODUCTS AND SOLUTIONS ADJUSTED EBITDA

($ in millions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
After-tax operating income (ATOI)	$ 189	$ 63	$ 124	$ 156	$ 271	$ 365	$ 435	$ 533	$ 315	$ 415	$ 539
Add:											
Depreciation, depletion, and amortization	186	150	166	168	160	152	163	165	177	154	158
Equity loss (income)						6			(2)	(2)	(1)
Income taxes	61	39	55	65	116	155	192	222	139	195	260
Other		35	11	106	(11)	(2)	(7)	2	1		(1)
Adjusted EBITDA	$ 436	$ 287	$ 356	$ 495	$ 536	$ 676	$ 783	$ 922	$ 630	$ 762	$ 955
Total sales	$ 4,141	$ 3,492	$ 3,905	$ 4,283	$ 4,773	$ 5,428	$ 5,834	$ 6,199	$ 4,689	$ 4,584	$ 5,345
Adjusted EBITDA Margin	11%	8%	9%	12%	11%	12%	13%	15%	13%	17%	18%

Alcoa s definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. The Other line in the table above includes gains/losses on asset sales and other nonoperating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa s operating performance and the Company s ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

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(in millions)	ADJUSTED EBITDA MARGIN Year ended December 31, 2011	
Net income attributable to Alcoa	$	611
Add:		
Net income attributable to noncontrolling interests		194
Loss from discontinued operations		3
Provision for income taxes		255
Other income, net		(87)
Interest expense		524
Restructuring and other charges		281
Provision for depreciation, depletion and amortization		1,479
Adjusted EBITDA		3,260
Add: adjustments for incentive compensation [1]		282
Adjusted EBITDA as adjusted for incentive compensation	$	3,542
Sales	$	24,951
Add: adjustments for incentive compensation [2]		(214)
Sales as adjusted for incentive compensation	$	24,737
Adjusted EBITDA Margin as adjusted for incentive compensation		14.3%

Alcoa s definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation, depletion, and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation, depletion, and amortization. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Alcoa s operating performance and the Company s ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

(1) These adjustments include special items reflected in Adjusted EBITDA on a pre-tax basis as follows: uninsured losses, including costs related to flood damage to a plant in Pennsylvania caused by Hurricane Irene, ($35), the write off of inventory related to the permanent closure of a smelter in the U.S ($6), and costs related to an acquisition of the aerospace fastener business of TransDigm Group Inc. ($5). Additionally, this line item includes amounts related to the normalization of the effects of changes in the London Metal Exchange aluminum prices and foreign currency exchange rates contemplated in the targets for 2011 as compared to actual results. All of these adjustments are being made for incentive compensation purposes only.

(2) These adjustments represent amounts related to the normalization of the effects of changes in the London Metal Exchange aluminum prices and foreign currency exchange rates contemplated in the targets for 2011 as compared to actual results and are being made for incentive compensation purposes only.

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Form A07-15054

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Alcoa Annual Meeting of Shareholders
9:30 a.m. Friday, May 4, 2012
Fairmont Hotel
510 Market Street
Pittsburgh, PA 15222

c/o Corporate Election Services
P. O. Box 1150
Pittsburgh PA 15230-1150

Admission Ticket

This ticket is not transferable.

Please keep this ticket to be

admitted to the annual meeting.

h Fold and detach here h

VOTE BY MAIL

Return your proxy in the

postage-paid envelope provided.

VOTE BY INTERNET

Access this **Web site** to cast your vote.

www.cesvote.com

VOTE BY TELEPHONE

Call toll-free using a touch-tone telephone.

1-888-693-8683

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THREE WAYS TO VOTE

Vote By Mail Please mark, sign and date your proxy card and return it in the postage-paid envelope provided.

Vote By Internet Have your proxy card available when you access the Web site **www.cesvote.com** and follow the simple directions presented to record your vote.

Vote By Telephone Have your proxy card available when you call toll-free **1-888-693-8683** using a touch-tone phone and follow the simple directions presented to record your vote.

Vote 24 hours a day, 7 days a week. Your telephone or Internet vote must be received by 6:00 a.m. EDT on May 4, 2012, to be counted. If you vote by Internet or by telephone, please do *not* mail your proxy card. If you vote by mail, your proxy card must be *received* before the meeting for your vote to be counted.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on May 4, 2012 the proxy statement and the annual report are available at www.ViewMaterial.com/AA.

Alcoa Inc.
390 Park Avenue
New York, NY 10022-4608

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

I authorize Graeme Bottger, Julie A. Caponi and Janet Duderstadt, together or separately, to represent me at the Annual Meeting of Shareholders of Alcoa Inc. scheduled for Friday, May 4, 2012, and at any adjournment of the meeting. I authorize them to vote the shares of stock that I could vote if attending the meeting, in accordance with the instructions on the reverse side of this card. The representatives are authorized in their discretion to vote upon other business that might properly come before the meeting, and they may name others to take their place.

As described more fully in the proxy statement, this card votes or provides voting instructions for shares of common stock held under the same registration in any one or more of the following: as a shareholder of record, in the Alcoa Dividend Reinvestment and Stock Purchase Plan and in employee savings plans sponsored by Alcoa, its subsidiaries or affiliates.

Comments:

(Vote on the other side)

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ê **Please fold and detach card at perforation before mailing.** ê

(continued from the other side) (RETURN IN THE ENCLOSED ENVELOPE IF VOTING BY MAIL) (fold and detach here)

P R O X Y

Please mark your choices clearly in the appropriate boxes. **Unless specified, the proxy committee will vote FOR Items 1, 2, 3, 4. 5, 6, 7 and 8.**

DIRECTORS RECOMMEND A VOTE FOR ITEMS 1, 2, 3, 4, 5, 6, 7 AND 8.

1. Election of Directors Nominees to serve a three-year term: 1. Kathryn S. Fuller 2. Judith M. Gueron 3. Patricia F. Russo 4. Ernesto Zedillo

   q FOR all listed nominees q AGAINST all listed nominees q FOR all listed nominees except:____________________

2. Ratify the Independent Auditor q FOR q AGAINST q ABSTAIN

3. Advisory Approval of Executive Compensation q FOR q AGAINST q ABSTAIN

4. Eliminate Super-Majority Voting Requirement in the Articles of Incorporation Article SEVENTH (Fair Price Protection) q FOR q AGAINST q ABSTAIN

5. Eliminate Super-Majority Voting Requirement in the Articles of Incorporation Article EIGHTH (Director Elections) q FOR q AGAINST q ABSTAIN

6. Eliminate Super-Majority Voting Requirement in the Articles of Incorporation Article EIGHTH (Removal of Directors) q FOR q AGAINST q ABSTAIN

7. Phase Out the Classified Board by Approving Amendments to the Articles of Incorporation q FOR q AGAINST q ABSTAIN

8. Permit Shareholder Action by Written Consent by Approving Amendments to the Articles of Incorporation and By-Laws q FOR q AGAINST q ABSTAIN

If you plan to attend the annual meeting, please check the box on the right. q **I will attend the 2012 annual meeting.**

PLEASE VOTE, SIGN,

DATE AND RETURN u

Date

(Sign exactly as name appears on the reverse side, indicating position or representative capacity, where applicable)