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 June 30, 2018
Commission File Number 001-35672

BERRY GLOBAL GROUP, INC.

A Delaware corporation	101 Oakley Street, Evansville, Indiana, 47710 (812) 424-2904	IRS employer identification number 20-5234618

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the "Exchange Act"):

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.
Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐☐Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 12b-2 of the Exchange Act. Yes ☐ No ☐

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

Class	Outstanding at August 3, 2018
Common Stock, $.01 par value per share	131.8 million shares

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. The forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements contain words such as "believes," "expects," "may," "will," "should," "would," "could," "seeks," "approximately," "intends," "plans," "estimates," "outlook," "anticipates" or "looking forward" or similar expressions that relate to our strategy, plans, intentions, or expectations. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this Form 10-Q.

Readers should carefully review the factors discussed in our most recent Form 10-K in the section titled "Risk Factors" and other risk factors identified from time to time in our periodic filings with the Securities and Exchange Commission.

Berry Global Group, Inc.
Form 10-Q Index
For Quarterly Period Ended June 30, 2018

Part I. Financial Information

Item 1. Financial Statements

Berry Global Group, Inc.
Consolidated Statements of Income
(Unaudited)
(in millions of dollars, except per share amounts)

	Quarterly Period Ended		Three Quarterly Periods Ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Net sales	**$ 2,072**	$ 1,906	**$ 5,815**	$ 5,214
Costs and expenses:				
Cost of goods sold	**1,690**	1,518	**4,733**	4,177
Selling, general and administrative	**119**	128	**366**	373
Amortization of intangibles	**40**	40	**116**	113
Restructuring and impairment charges	**7**	8	**33**	18
Operating income	**216**	212	**567**	533
Other expense (income), net	**3**	(1)	**17**	18
Interest expense, net	**67**	68	**195**	203
Income before income taxes	**146**	145	**355**	312
Income tax expense (benefit)	**36**	38	**(8)**	82
Net income	**$ 110**	$ 107	**$ 363**	$ 230
Net income per share:				
Basic	**$ 0.84**	$ 0.82	**$ 2.76**	$ 1.82
Diluted	**0.81**	0.79	**2.67**	1.75
Outstanding weighted-average shares:				
Basic	**131.7**	129.9	**131.3**	126.6
Diluted	**135.4**	135.2	**135.8**	131.4

Consolidated Statements of Comprehensive Income
(Unaudited)
(in millions of dollars)

	Quarterly Period Ended		Three Quarterly Periods Ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Net income	**$ 110**	$ 107	**$ 363**	$ 230
Currency translation	**(92)**	24	**(109)**	4
Pension and other postretirement benefits	**—**	—	**(1)**	13
Interest rate hedges	**6**	(1)	**47**	23
Provision for income taxes	**(2)**	—	**(13)**	(8)
Other comprehensive income (loss), net of tax	**(88)**	23	**(76)**	32
Comprehensive income	**$ 22**	$ 130	**$ 287**	$ 262

See notes to consolidated financial statements.

Berry Global Group, Inc.
Consolidated Balance Sheets
(in millions of dollars)

	June 30, 2018	September 30, 2017
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	**$ 365**	$ 306
Accounts receivable (less allowance of $13)	**932**	847
Inventories:		
Finished goods	**557**	428
Raw materials and supplies	**398**	334
	955	762
Prepaid expenses and other current assets	**85**	89
Total current assets	**2,337**	2,004
Property, plant, and equipment, net	**2,507**	2,366
Goodwill and intangible assets, net	**4,157**	4,061
Other assets	**41**	45
Total assets	**$ 9,042**	$ 8,476
Liabilities		
Current liabilities:		
Accounts payable	**$ 726**	$ 638
Accrued expenses and other current liabilities	**401**	463
Current portion of long-term debt	**35**	33
Total current liabilities	**1,162**	1,134
Long-term debt, less current portion	**5,910**	5,608
Deferred income taxes	**334**	419
Other long-term liabilities	**297**	300
Total liabilities	**7,703**	7,461
Stockholders' equity		
Common stock (131.8 and 130.9 million shares issued, respectively)	**1**	1
Additional paid-in capital	**860**	823
Non-controlling interest	**3**	3
Retained earnings	**619**	256
Accumulated other comprehensive loss	**(144)**	(68)
Total stockholders' equity	**1,339**	1,015
Total liabilities and stockholders' equity	**$ 9,042**	$ 8,476

See notes to consolidated financial statements.

Berry Global Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(in millions of dollars)

	Three Quarterly Periods Ended	
	June 30, 2018	July 1, 2017
Cash Flows from Operating Activities:		
Net income	**$ 363**	$ 230
Adjustments to reconcile net cash provided by operating activities:		
Depreciation	**281**	270
Amortization of intangibles	**116**	113
Non-cash interest expense	**6**	6
Settlement of interest rate hedges	**30**	—
Deferred income tax	**(71)**	39
Stock compensation expense	**20**	16
Other non-cash operating activities, net	**15**	26
Changes in working capital	**(240)**	(113)
Changes in other assets and liabilities	**36**	(7)
Net cash from operating activities	**556**	580
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	**(270)**	(201)
Proceeds from sale of assets	**3**	4
Acquisition of business, net of cash acquired	**(474)**	(515)
Other investing activities, net	**—**	(1)
Net cash from investing activities	**(741)**	(713)
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings	**497**	545
Repayments on long-term borrowings	**(224)**	(427)
Proceeds from issuance of common stock	**17**	26
Payment of tax receivable agreement	**(37)**	(60)
Debt financing costs	**(1)**	(4)
Net cash from financing activities	**252**	80
Effect of exchange rate changes on cash	**(8)**	5
Net change in cash	**59**	(48)
Cash and cash equivalents at beginning of period	**306**	323
Cash and cash equivalents at end of period	**$ 365**	$ 275

See notes to consolidated financial statements.

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Berry Global Group, Inc. ("the Company," "we," or "Berry") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In preparing financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. Certain reclassifications have been made to prior periods to conform to current reporting. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included, and all subsequent events up to the time of the filing have been evaluated. For further information, refer to the Company's most recent Form 10-K filed with the Securities and Exchange Commission.

2. Recently Issued Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates to the FASB's Accounting Standards Codification. During fiscal 2018, with the exception of the below, there have been no developments to the recently adopted accounting pronouncements from those disclosed in the Company's 2017 Annual Report on Form 10-K that are considered to have a material impact on our unaudited consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued a final standard on revenue recognition. Under the new standard, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, the provisions of the new standard are effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. An entity can apply the new revenue standard on a full retrospective approach to each prior reporting period presented or on a modified retrospective approach with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings.

The Company has evaluated a substantial portion of its contracts with key customers and is evaluating the provisions under the five-step model specified by the new standard. While the Company continues to evaluate the potential impacts of the new standard, based on procedures to date we do not expect a material impact to the consolidated financial statements. Adoption of the new standard will result in expanded revenue disclosures. The Company plans to adopt the new standard which will be effective for the Company beginning in fiscal 2019 using the modified retrospective approach.

Hedges

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities in order to more closely align the results of hedge accounting with risk management activities through changes to the designation and measurement guidance. The new standard is effective for interim and annual periods beginning after December 15, 2018. The effect of adoption should be reflected on all active hedges as of the beginning of the fiscal year of adoption. The Company has chosen to early adopt this standard for fiscal 2018, and the adoption of this standard did not have a material impact on the consolidated financial statements.

Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income. The new standard allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The new standard is effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of this standard.

3. Acquisitions

AEP Industries Inc.

In January 2017, the Company acquired AEP Industries Inc. ("AEP") for a purchase price of $791 million, net of cash acquired. A portion of the purchase price consisted of issuing 6.4 million of Berry common shares which were valued at $324 million at the time of closing. AEP manufactures and markets an extensive and diverse line of polyethylene and polyvinyl chloride flexible plastic packaging products for consumer, industrial, and agricultural applications. The acquired business is operated in our Engineered Materials segment. To finance the purchase, the Company entered into an incremental assumption agreement to increase the commitments under the Company's existing term loan credit agreement by $500 million due 2024.

Unaudited pro forma net sales were $5.5 billion for the three quarterly periods ended July 1, 2017. The unaudited pro forma net income was $232 million for the three quarterly periods ended July 1, 2017. The unaudited pro forma net sales and net income assume that the AEP acquisition had occurred at the beginning of the period.

Adchem Corp.

In June 2017, the Company acquired Adchem Corp.'s ("Adchem") tapes business for a purchase price of $49 million, which the Company financed using existing liquidity. Adchem is a leader in the development of high performance adhesive tape systems for the automotive, construction, electronics, graphic arts, medical and general tape markets. The acquired business is operated in our Engineered Materials segment.

Clopay Plastic Products Company, Inc.

In February 2018, the Company acquired Clopay Plastic Products Company, Inc. ("Clopay") for a purchase price of $474 million, which is preliminary and subject to adjustment. Clopay is an innovator in the development of printed breathable films, elastic films, and laminates with product offerings uniquely designed for applications used in a number of markets including: hygiene, healthcare, construction and industrial protective apparel. The acquired business is operated within our Health, Hygiene & Specialties segment. To finance the purchase, the Company issued $500 million aggregate principal amount of 4.5% second priority notes through a private placement offering.

The acquisition has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities based on preliminary fair values at the acquisition date. The results of Clopay have been included in the consolidated results of the Company since the date of the acquisition. The Company has not finalized the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed. The Company has recognized Goodwill on this transaction primarily as a result of expected cost synergies, and expects Goodwill to be deductible for tax purposes. The following table summarizes the preliminary purchase price allocation and estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition:

Working capital (a)	$ 70
Property and equipment	164
Intangible assets	118
Goodwill	123
Other assets and long-term liabilities	(1)

(a) Includes a $3 million step up of inventory to fair value

4. Accounts Receivable Factoring Agreements

The Company has entered into various factoring agreements, both in the U.S. and at a number of foreign subsidiaries, to sell certain receivables to unrelated third-party financial institutions. The Company accounts for these transactions in accordance with ASC 860, "Transfers and Servicing" ("ASC 860"). ASC 860 allows for the ownership transfer of accounts receivable to qualify for sale treatment when the appropriate criteria is met, which permits the Company to present the balances sold under the program to be excluded from Accounts receivable, net on the Consolidated Balance Sheets. Receivables are considered sold when (i) they are transferred beyond the reach of the Company and its creditors, (ii) the purchaser has the right to pledge or exchange the receivables, and (iii) the Company has surrendered control over the transferred receivables. In addition, the Company provides no other forms of continued financial support to the purchaser of the receivables once the receivables are sold.

There were no amounts outstanding from financial institutions related to U.S. based programs at June 30, 2018 or September 30, 2017. Gross amounts factored under these U.S. based programs at June 30, 2018 and September 30, 2017 were $108 million and $129 million, respectively. The fees associated with transfer of receivables for all programs were not material for any of the periods presented.

5. Restructuring and Impairment Charges

The Company incurred restructuring costs related to severance charges associated with acquisition integrations and facility exit costs. The tables below set forth the significant components of the restructuring charges recognized, by segment:

	Quarterly Period Ended		Three Quarterly Periods Ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Engineered Materials	**$ 2**	$ 2	**$ 4**	$ 4
Health, Hygiene & Specialties	**4**	4	**26**	8
Consumer Packaging	**1**	2	**3**	6
Consolidated	**$ 7**	$ 8	**$ 33**	$ 18

The table below sets forth the activity with respect to the restructuring accrual at June 30, 2018:

	Employee Severance and Benefits	**Facility Exit Costs**	**Total**
Balance at September 30, 2017	$ 14	$ 5	$ 19
Charges	**31**	**2**	**33**
Cash payments	**(30)**	**(3)**	**(33)**
Balance at June 30, 2018	**$ 15**	**$ 4**	**$ 19**

6. Accrued Expenses, Other Current Liabilities and Other Long-Term Liabilities

The following table sets forth the totals included in Accrued expenses and other current liabilities on the Consolidated Balance Sheets:

	June 30, 2018	September 30, 2017
Employee compensation	**$ 109**	$ 147
Accrued taxes	**73**	90
Rebates	**54**	58
Interest	**38**	36
Tax receivable agreement obligation	**24**	35
Restructuring	**19**	19
Accrued operating expenses	**84**	78
	$ 401	$ 463

The following table sets forth the totals included in Other long-term liabilities on the Consolidated Balance Sheets:

	June 30, 2018	September 30, 2017
Pension liability	**$ 53**	$ 56
Lease retirement obligation	**43**	37
Deferred purchase price	**41**	46
Transition tax	**36**	—
Sale-lease back deferred gain	**22**	24
Derivative instruments	**16**	27
Tax receivable agreement obligation	**13**	34
Other	**73**	76
	$ 297	$ 300

7. Long-Term Debt

Long-term debt consists of the following:

	Maturity Date	**June 30, 2018**	September 30, 2017
Term loan	February 2020	**$ 800**	$ 1,000
Term loan	January 2021	**814**	814
Term loan	October 2022	**1,645**	1,645
Term loan	January 2024	**494**	498
Revolving line of credit	May 2020	**—**	—
5 1/2% Second Priority Senior Secured Notes	May 2022	**500**	500
6% Second Priority Senior Secured Notes	October 2022	**400**	400
5 1/8% Second Priority Senior Secured Notes	July 2023	**700**	700
4 1/2% Second Priority Senior Secured Notes	February 2026	**500**	—
Debt discounts and deferred fees		**(46)**	(48)
Capital leases and other	Various	**138**	132
Total long-term debt		**5,945**	5,641
Current portion of long-term debt		**(35)**	(33)
Long-term debt, less current portion		**$ 5,910**	$ 5,608

The Company was in compliance with all debt covenants for all periods presented.

Debt discounts and deferred financing fees are presented net of Long-term debt, less the current portion on the Consolidated Balance Sheets and are amortized to Interest expense through maturity.

4 1/2% Second Priority Senior Secured Notes

In January 2018, the Company issued $500 million aggregate principal amount of 4.50% second priority senior secured notes due 2026. Interest on these notes is due semiannually in February and August. The Company recognized $4 million of debt discount related to this offering. The net proceeds were used to fund the Clopay acquisition.

Term Loans

In November 2017, February 2018, and May 2018, the Company executed agreements to reduce interest rates under certain term loans. The term loans with a maturity date of February 2020 and January 2021 bear interest at LIBOR plus 1.75%. The term loans with a maturity date of October 2022 and January 2024 bear interest at LIBOR plus 2.00%.

During fiscal 2018, the Company has made $224 million of repayments on long-term borrowings using existing liquidity.

8. Financial Instruments and Fair Value Measurements

In the normal course of business, the Company is exposed to certain risks arising from business operations and economic factors. The Company may use derivative financial instruments to help manage market risk and reduce the exposure to fluctuations in interest rates and foreign currencies. These financial instruments are not used for trading or other speculative purposes. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

To the extent hedging relationships are found to be effective, as determined by FASB guidance, changes in the fair value of the derivatives are offset by changes in the fair value of the related hedged item and recorded to Accumulated other comprehensive loss. Any identified ineffectiveness, or changes in the fair value of a derivative not designated as a hedge, is recorded to the Consolidated Statements of Income.

Cross-Currency Swaps

In November 2017, the Company entered into certain cross-currency swap agreements with a notional amount of 250 million euro to effectively convert a portion of our fixed-rate U.S. dollar denominated term loans, including the monthly interest payments, to fixed-rate euro-denominated debt. The swap agreements mature in May 2022. The risk management objective is to manage foreign currency risk relating to net investments in certain European subsidiaries denominated in foreign currencies and reduce the variability in the functional currency cash flows of a portion of the Company's term loans. Changes in fair value of the derivative instruments are recognized in a component of Accumulated other comprehensive loss, to offset the changes in the values of the net investments being hedged.

Interest Rate Swaps

The primary purpose of the Company's interest rate swap activities is to manage cash flow variability associated with our outstanding variable rate term loan debt.

In February 2013, the Company entered into a $1 billion interest rate swap transaction with an effective date of May 2016 and expiration in May 2019. In June 2013, the Company elected to settle this derivative instrument and received $16 million as a result of this settlement. The offset is included in Accumulated other comprehensive loss and is being amortized to Interest expense through the original term of the swap agreement.

During fiscal 2017 the Company modified various term loan rates and maturities. In conjunction with these modifications the Company realigned existing swap agreements which resulted in the de-designation of the original hedge and re-designation of the modified swaps as effective cash flow hedges. The amounts included in Accumulated other comprehensive loss at the date of de-designation are being amortized to Interest expense through the terms of the original swaps.

In June 2018, the Company elected to settle two of its derivative instruments with expiration dates in June 2019 and September 2021, and received $9 million and $21 million, respectively. The offset is included in Accumulated other comprehensive loss and is being amortized to Interest expense through the original expiration dates for of each of the swap agreements. The Company also entered into a $1 billion interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 2.808% with an effective date of June 2018 and expiration in September 2021.

At June 30, 2018, the Company effectively had (i) a $450 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 2.000%, with an effective date in May 2017 and expiration in May 2022 and (ii) a $1 billion interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 2.808% with an effective date in June 2018 and expiration in September 2021.

The Company records the fair value positions of all derivative financial instruments on a net basis by counterparty for which a master netting arrangement is utilized. When valuing swaps the Company utilizes Level 2 inputs (substantially observable). Balances on a gross basis as of the current period are as follows:

Derivative Instruments	**Hedge Designation**	**Balance Sheet Location**	**June 30, 2018**	September 30, 2017
Cross-currency swaps	Designated	Other long-term liabilities	**$ 10**	$ —
Interest rate swaps	Designated	Other assets	**12**	1
Interest rate swaps	Not designated	Other assets	**1**	13
Interest rate swaps	Designated	Other long-term liabilities	**4**	15
Interest rate swaps	Not designated	Other long-term liabilities	**2**	13

The effect of the Company's derivative instruments on the Consolidated Statements of Income is as follows:

		Quarterly Period Ended		**Three Quarterly Periods Ended**	
Derivative Instruments	**Statements of Income Location**	**June 30, 2018**	July 1, 2017	**June 30, 2018**	July 1, 2017
Cross-currency swaps	Interest expense, net	**$ (2)**	$ —	**$ (4)**	$ —
Foreign currency swaps	Other expense, net	**—**	1	**—**	—
Interest rate swaps	Interest expense, net	**(1)**	5	**2**	15

The amortization related to unrealized Interest rate swap interest income within Accumulated other comprehensive loss is expected to be $13 million in the next 12 months.

Non-recurring Fair Value Measurements

The Company has certain assets that are measured at fair value on a non-recurring basis when impairment indicators are present. The assets are adjusted to fair value only when the carrying values exceed the fair values. The categorization of the framework used to price the assets is considered Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value. These assets include primarily our definite lived and indefinite lived intangible assets, including Goodwill and our property, plant, and equipment. The Company reviews Goodwill and other indefinite lived assets for impairment as of the first day of the fourth fiscal quarter each year, and more frequently if impairment indicators exist. The Company determined Goodwill and other indefinite lived assets were not impaired in our annual fiscal 2017 assessment. However, as a result of the existence of impairment indicators in our Health, Hygiene & Specialties - South America ("HHS-SA") reporting unit during the quarter, we concluded that an interim impairment test was necessary. The reporting unit's fair value is estimated based on a market approach and a discounted cash flow analysis and is reconciled back to the current market capitalization for Berry Global Group, Inc. to ensure that the implied control premium is reasonable. Our forecasts assumed overall revenue growth of 2% increasing to 4% in the terminal year, margins consistent with historical results, a discount rate of 14% applied to the forecasted cash flows, and capital expenditure levels consistent with historical spend. The fair value of the HHS-SA reporting unit exceeded its carrying value by 5%. However, future declines in valuation market multiples, sustained lower earnings, or macroeconomic challenges could impact future impairment tests. The goodwill balance for the HHS-SA reporting unit as of June 30, 2018 was $92 million.

Included in the following table are the major categories of assets measured at fair value on a non-recurring basis as of June 30, 2018 and September 30, 2017, along with the impairment loss recognized on the fair value measurement during the period:

	As of June 30, 2018				
	Level 1	**Level 2**	**Level 3**	**Total**	**Impairment**
Indefinite-lived trademarks	**$ —**	**$ —**	**$ 248**	**$ 248**	**$ —**
Goodwill	**—**	**—**	**2,880**	**2,880**	**—**
Definite lived intangible assets	**—**	**—**	**1,029**	**1,029**	**—**
Property, plant, and equipment	**—**	**—**	**2,507**	**2,507**	**—**
Total	**$ —**	**$ —**	**$ 6,664**	**$ 6,664**	**$ —**

	As of September 30, 2017				
	Level 1	Level 2	Level 3	Total	Impairment
Indefinite-lived trademarks	$ —	$ —	$ 248	$ 248	$ —
Goodwill	—	—	2,775	2,775	—
Definite lived intangible assets	—	—	1,038	1,038	—
Property, plant, and equipment	—	—	2,366	2,366	2
Total	$ —	$ —	$ 6,427	$ 6,427	$ 2

The Company's financial instruments consist primarily of cash and cash equivalents and long-term debt. The book value of our marketable long-term indebtedness exceeded fair value by $22 million as of June 30, 2018. The Company's long-term debt fair values were determined using Level 2 inputs as other significant observable inputs were not available.

9. Income Taxes

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates. As the Company has a September fiscal year-end, the lower corporate income tax rate will be phased in during fiscal 2018 and will be 21% in subsequent years. Partially offsetting the lower corporate income tax, the Tax Act also eliminates certain domestic deductions that were previously included in our estimated annual tax rate. As part of the transition to the new tax system, the Tax Act (i) imposes a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries and (ii) requires the Company revalue our U.S. net deferred tax liability position to the lower federal base rate of 21%. These transitional impacts resulted in a provisional transition benefit of $95 million for the first fiscal quarter, comprised of an estimated repatriation tax charge of $44 million (comprised of the U.S. repatriation taxes and foreign withholding taxes) and an estimated net deferred tax revaluation benefit of $139 million. The estimated impact of the corporate income tax net reduction along with the transitional taxes were recorded to the Consolidated Statements of Income in the Company's first fiscal quarter.

The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts. The Securities and Exchange Commission has issued guidance that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments by the end of fiscal 2018.

The effective tax rate was 25% for the Quarter and was positively impacted by 1% from the share-based compensation excess tax benefit deduction, 1% from research and development credits, and a 2% benefit from the domestic manufacturing deduction. These favorable items were partially offset by increases of 3% from U.S. state income taxes, 2% from foreign valuation allowance, and other discrete items.

10. Operating Segments

The Company's operations are organized into three operating segments: Engineered Materials, Health, Hygiene & Specialties, and Consumer Packaging. The structure is designed to align us with our customers, provide optimal service, and drive future growth in a cost efficient manner. Selected information by reportable segment is presented in the following tables:

	Quarterly Period Ended		Three Quarterly Periods Ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Net sales:				
Engineered Materials	**$ 687**	$ 686	**$ 1,990**	$ 1,689
Health, Hygiene & Specialties	**726**	606	**2,009**	1,773
Consumer Packaging	**659**	614	**1,816**	1,752
Total net sales	**$ 2,072**	$ 1,906	**$ 5,815**	$ 5,214
Operating income:				
Engineered Materials	**$ 94**	$ 99	**$ 276**	$ 219
Health, Hygiene & Specialties	**62**	53	**140**	164
Consumer Packaging	**60**	60	**151**	150
Total operating income	**$ 216**	$ 212	**$ 567**	$ 533
Depreciation and amortization:				
Engineered Materials	**$ 26**	$ 30	**$ 82**	$ 73
Health, Hygiene & Specialties	**51**	46	**146**	136
Consumer Packaging	**59**	56	**169**	174
Total depreciation and amortization	**$ 136**	$ 132	**$ 397**	$ 383

	June 30, 2018	September 30, 2017
Total assets:		
Engineered Materials	**$ 1,795**	$ 1,803
Health, Hygiene & Specialties	**3,963**	3,496
Consumer Packaging	**3,284**	3,177
Total assets	**$ 9,042**	$ 8,476
Total goodwill:		
Engineered Materials	**$ 550**	$ 545
Health, Hygiene & Specialties	**921**	819
Consumer Packaging	**1,409**	1,411
Total goodwill	**$ 2,880**	$ 2,775

Selected information by geographical region is presented in the following tables:

	Quarterly Period Ended		Three Quarterly Periods Ended	
	June 30, 2018	July 1, 2017	**June 30, 2018**	July 1, 2017
Net sales:				
North America	**$ 1,636**	$ 1,591	**$ 4,703**	$ 4,289
South America	**193**	85	**347**	246
Europe	**181**	165	**577**	482
Asia	**62**	65	**188**	197
Total net sales	**$ 2,072**	$ 1,906	**$ 5,815**	$ 5,214

	June 30, 2018	September 30, 2017
Long-lived assets:		
North America	**$ 5,598**	$ 5,350
South America	**343**	371
Europe	**459**	467
Asia	**305**	284
Total Long-lived assets	**$ 6,705**	$ 6,472

Selected information by product line is presented in the following tables:

(in percentages)	Quarterly Period Ended June 30, 2018	Quarterly Period Ended July 1, 2017	Three Quarterly Periods Ended June 30, 2018	Three Quarterly Periods Ended July 1, 2017
Net sales:				
Performance Materials	**46%**	46%	**46%**	46%
Engineered Products	**54**	54	**54**	54
Engineered Materials	**100%**	100%	**100%**	100%
Health	**16%**	22%	**17%**	22%
Hygiene	**52**	44	**48**	44
Specialties	**32**	34	**35**	34
Health, Hygiene & Specialties	**100%**	100%	**100%**	100%
Rigid Open Top	**45%**	44%	**43%**	42%
Rigid Closed Top	**55**	56	**57**	58
Consumer Packaging	**100%**	100%	**100%**	100%

11. Contingencies and Commitments

The Company is party to various legal proceedings involving routine claims which are incidental to its business. Although the Company's legal and financial liability with respect to such proceedings cannot be estimated with certainty, management believes that any ultimate liability would not be material to its financial statements.

The Company has various purchase commitments for raw materials, supplies, and property and equipment incidental to the ordinary conduct of business.

12. Basic and Diluted Net Income Per Share

Basic net income per share is calculated by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. Diluted net income per share is calculated by dividing the net income attributable to common stockholders by the weighted-average number of common share equivalents outstanding for the period determined using the treasury-stock method and the if-converted method. For purposes of this calculation, stock options are considered to be common stock equivalents and are only included in the calculation of diluted net income per share when their effect is dilutive. There were no shares excluded from the calculations as the effect of their conversion into shares of our common stock would be antidilutive.

The following tables provide a reconciliation of the numerator and denominator of the basic and diluted net income per share calculations.

(in millions, except per share amounts)	Quarterly Period Ended June 30, 2018	Quarterly Period Ended July 1, 2017	Three Quarterly Periods Ended June 30, 2018	Three Quarterly Periods Ended July 1, 2017
Numerator				
Net income	**$ 110**	$ 107	**$ 363**	$ 230
Denominator				
Weighted average common shares outstanding - basic	**131.7**	129.9	**131.3**	126.6
Dilutive shares	**3.7**	5.3	**4.5**	4.8
Weighted average common and common equivalent shares outstanding - diluted	**135.4**	135.2	**135.8**	131.4
Per common share income				
Basic	**$ 0.84**	$ 0.82	**$ 2.76**	$ 1.82
Diluted	**$ 0.81**	$ 0.79	**$ 2.67**	$ 1.75

13. Accumulated Other Comprehensive Loss

The components and activity of Accumulated other comprehensive loss are as follows:

	Currency Translation	Defined Benefit Pension and Retiree Health Benefit Plans	Interest Rate Swaps	Accumulated Other Comprehensive Loss
Balance at September 30, 2017	$ (48)	$ (16)	$ (4)	$ (68)
Other comprehensive income (loss) before reclassifications	**(109)**	**(1)**	**42**	**(68)**
Net amount reclassified from accumulated other comprehensive income (loss)	**—**	**—**	**5**	**5**
Provision for income taxes	**—**	**—**	**(13)**	**(13)**
Balance at June 30, 2018	**$ (157)**	**$ (17)**	**$ 30**	**$ (144)**

	Currency Translation	Defined Benefit Pension and Retiree Health Benefit Plans	Interest Rate Swaps	Accumulated Other Comprehensive Loss
Balance at October 1, 2016	$ (82)	$ (44)	$ (22)	$ (148)
Other comprehensive income (loss) before reclassifications	**4**	**13**	**5**	**22**
Net amount reclassified from accumulated other comprehensive income (loss)	**—**	**—**	**18**	**18**
Provision for income taxes	**—**	**—**	**(8)**	**(8)**
Balance at July 1, 2017	**$ (78)**	**$ (31)**	**$ (7)**	**$ (116)**

14. Guarantor and Non-Guarantor Financial Information

Berry Global, Inc. ("Issuer") has notes outstanding which are fully, jointly, severally, and unconditionally guaranteed by its parent, Berry Global Group, Inc. (for purposes of this Note, "Parent") and substantially all of Issuer's domestic subsidiaries. Separate narrative information or financial statements of the guarantor subsidiaries have not been included because they are 100% owned by Parent and the guarantor subsidiaries unconditionally guarantee such debt on a joint and several basis. A guarantee of a guarantor subsidiary of the securities will terminate upon the following customary circumstances: the sale of the capital stock of such guarantor if such sale complies with the indentures, the designation of such guarantor as an unrestricted subsidiary, the defeasance or discharge of the indenture or in the case of a restricted subsidiary that is required to guarantee after the relevant issuance date, if such guarantor no longer guarantees certain other indebtedness of the issuer. The guarantees of the guarantor subsidiaries are also limited as necessary to prevent them from constituting a fraudulent conveyance under applicable law and any guarantees guaranteeing subordinated debt are subordinated to certain other of the Company's debts. Parent also guarantees the Issuer's term loans and revolving credit facilities. The guarantor subsidiaries guarantee our term loans and are co-borrowers under our revolving credit facility. Presented below is condensed consolidating financial information for the Parent, Issuer, guarantor subsidiaries and non-guarantor subsidiaries. The Issuer and guarantor financial information includes all of our domestic operating subsidiaries; our non-guarantor subsidiaries include our foreign subsidiaries, certain immaterial domestic subsidiaries and the unrestricted subsidiaries under the Issuer's indentures. The Parent uses the equity method to account for its ownership in the Issuer in the Condensed Consolidating Supplemental Financial Statements. The Issuer uses the equity method to account for its ownership in the guarantor and non-guarantor subsidiaries. All consolidating entries are included in the eliminations column along with the elimination of intercompany balances.

Condensed Supplemental Consolidated Balance Sheet

	June 30, 2018					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Current assets	$ —	$ 311	$ 1,270	$ 756	$ —	$ 2,337
Intercompany receivable	332	2,101	—	—	(2,433)	—
Property, plant, and equipment, net	—	79	1,688	740	—	2,507
Other assets	1,378	5,995	4,713	497	(8,385)	4,198
Total assets	$ 1,710	$ 8,486	$ 7,671	$ 1,993	$ (10,818)	$ 9,042
Current liabilities	$ 24	$ 253	$ 580	$ 305	$ —	$ 1,162
Intercompany payable	—	—	2,373	60	(2,433)	—
Other long-term liabilities	347	6,049	85	60	—	6,541
Stockholders' equity	1,339	2,184	4,633	1,568	(8,385)	1,339
Total liabilities and stockholders' equity	$ 1,710	$ 8,486	$ 7,671	$ 1,993	$ (10,818)	$ 9,042

	September 30, 2017					
	Parent	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Total**
Current assets	$ —	$ 116	$ 1,113	$ 775	$ —	$ 2,004
Intercompany receivable	512	2,217	—	—	(2,729)	—
Property, plant and equipment, net	—	80	1,564	722	—	2,366
Other assets	992	5,335	4,583	533	(7,337)	4,106
Total assets	$ 1,504	$ 7,748	$ 7,260	$ 2,030	$ (10,066)	$ 8,476
Current liabilities	$ 36	$ 243	$ 537	$ 318	$ —	$ 1,134
Intercompany payable	—	—	2,667	62	(2,729)	—
Other long-term liabilities	453	5,707	99	68	—	6,327
Stockholders' equity	1,015	1,798	3,957	1,582	(7,337)	1,015
Total liabilities and stockholders' equity	$ 1,504	$ 7,748	$ 7,260	$ 2,030	$ (10,066)	$ 8,476

Condensed Supplemental Consolidated Statements of Income

	Quarterly Period Ended June 30, 2018					
	Parent	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Total**
Net sales	**$ —**	**$ 147**	**$ 1,452**	**$ 473**	**$ —**	**$ 2,072**
Cost of goods sold	**—**	**121**	**1,173**	**396**	**—**	**1,690**
Selling, general and administrative	**—**	**14**	**70**	**35**	**—**	**119**
Amortization of intangibles	**—**	**—**	**34**	**6**	**—**	**40**
Restructuring and impairment charges	**—**	**—**	**4**	**3**	**—**	**7**
Operating income	**—**	**12**	**171**	**33**	**—**	**216**
Other expense (income), net	**—**	**—**	**1**	**2**	**—**	**3**
Interest expense, net	**—**	**5**	**46**	**16**	**—**	**67**
Equity in net income of subsidiaries	**(146)**	**(128)**	**—**	**—**	**274**	**—**
Income before income taxes	**146**	**135**	**124**	**15**	**(274)**	**146**
Income tax expense	**36**	**25**	**3**	**8**	**(36)**	**36**
Net income	**$ 110**	**$ 110**	**$ 121**	**$ 7**	**$ (238)**	**$ 110**
Comprehensive net income	**$ 110**	**$ 133**	**$ 121**	**$ (104)**	**$ (238)**	**$ 22**

	Quarterly Period Ended July 1, 2017					
	Parent	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Total**
Net sales	$ —	$ 152	$ 1,325	$ 429	$ —	$ 1,906
Cost of goods sold	—	100	1,059	359	—	1,518
Selling, general and administrative	—	14	89	25	—	128
Amortization of intangibles	—	2	31	7	—	40
Restructuring and impairment charges	—	—	-	8	—	8
Operating income	—	36	146	30	—	212
Other expense (income), net	—	1	(1)	(1)	—	(1)
Interest expense, net	—	5	47	16	—	68
Equity in net income of subsidiaries	(145)	(109)	—	—	254	—
Income before income taxes	145	139	100	15	(254)	145
Income tax expense	38	32	—	6	(38)	38
Net income	$ 107	$ 107	$ 100	$ 9	$ (216)	$ 107
Comprehensive net income	$ 107	$ 102	$ 100	$ 37	$ (216)	$ 130

	Three Quarterly Periods Ended June 30, 2018					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$ 424	$ 4,026	$ 1,365	$ —	$ 5,815
Cost of goods sold	—	322	3,265	1,146	—	4,733
Selling, general and administrative	—	44	233	89	—	366
Amortization of intangibles	—	—	96	20	—	116
Restructuring and impairment charges	—	—	20	13	—	33
Operating income	—	58	412	97	—	567
Other expense (income), net	—	5	8	4	—	17
Interest expense, net	—	14	134	47	—	195
Equity in net income of subsidiaries	(355)	(287)	—	—	642	—
Income before income taxes	355	326	270	46	(642)	355
Income tax expense	(8)	(37)	4	25	8	(8)
Net income	$ 363	$ 363	$ 266	$ 21	$ (650)	$ 363
Comprehensive net income	$ 363	$ 387	$ 266	$ (79)	$ (650)	$ 287
Consolidating Statement of Cash Flows						
Cash Flow from Operating Activities	$ —	$ 29	$ 480	$ 47	$ —	$ 556
Cash Flow from Investing Activities						
Additions to property, plant, and equipment	—	(5)	(194)	(71)	—	(270)
Proceeds from sale of assets	—	—	—	3	—	3
Contributions (to)/from subsidiaries	(17)	(457)	—	—	474	—
Intercompany	—	314	—	—	(314)	—
Acquisition of business, net of cash acquired	—	—	(404)	(70)	—	(474)
Other investing activities, net	—	—	—	—	—	—
Net cash from investing activities	(17)	(148)	(598)	(138)	160	(741)
Cash Flow from Financing Activities						
Proceeds from long-term debt	—	497	—	—	—	497
Repayments on long-term borrowings	—	(219)	(5)	—	—	(224)
Proceeds from issuance of common stock	17	—	—	—	—	17
Payment of tax receivable agreement	(37)	—	—	—	—	(37)
Contribution from Parent	—	—	404	70	(474)	—
Debt financing costs	—	(1)	—	—	—	(1)
Changes in intercompany balances	37	—	(291)	(60)	314	—
Net cash from financing activities	17	277	108	10	(160)	252
Effect of exchange rate changes on cash	—	—	—	(8)	—	(8)
Net change in cash	—	158	(10)	(89)	—	59
Cash and cash equivalents at beginning of period	—	18	12	276	—	306
Cash and cash equivalents at end of period	$ —	$ 176	$ 2	$ 187	$ —	$ 365

	Three Quarterly Periods Ended July 1, 2017					
	Parent	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Total**
Net sales	$ —	$ 441	$ 3,556	$ 1,217	$ —	$ 5,214
Cost of goods sold	—	333	2,860	984	—	4,177
Selling, general and administrative	—	45	251	77	—	373
Amortization of intangibles	—	5	87	21	—	113
Restructuring and impairment charges	—	—	10	8	—	18
Operating income	—	58	348	127	—	533
Other expense (income), net	—	15	1	2	—	18
Interest expense, net	—	17	138	48	—	203
Equity in net income of subsidiaries	(312)	(252)	—	—	564	—
Income before income taxes	312	278	209	77	(564)	312
Income tax expense	82	48	—	34	(82)	82
Net income	$ 230	$ 230	$ 209	$ 43	$ (482)	$ 230
Comprehensive net income	$ 230	$ 245	$ 209	$ 60	$ (482)	$ 262
Consolidating Statement of Cash Flows						
Cash Flow from Operating Activities	$ —	$ 31	$ 420	$ 129	$ —	$ 580
Cash Flow from Investing Activities						
Additions to property, plant, and equipment	—	(11)	(160)	(30)	—	(201)
Proceeds from sale of assets	—	1	3	—	—	4
Contributions (to)/from subsidiaries	(26)	(489)	—	—	515	—
Intercompany	—	280	—	—	(280)	—
Acquisition of business, net of cash acquired	—	—	(515)	—	—	(515)
Other investing activities, net	—	(1)	—	—	—	(1)
Net cash from investing activities	(26)	(220)	(672)	(30)	235	(713)
Cash Flow from Financing Activities						
Proceeds from long-term debt	—	545	—	—	—	545
Repayments on long-term borrowings	—	(423)	(3)	(1)	—	(427)
Proceeds from issuance of common stock	26	—	—	—	—	26
Payment of tax receivable agreement	(60)	—	—	—	—	(60)
Debt financing costs	—	(4)	—	—	—	(4)
Contribution from parent	—	—	515	—	(515)	—
Changes in intercompany balances	60	—	(255)	(85)	280	—
Net cash from financing activities	26	118	257	(86)	(235)	80
Effect of exchange rate changes on cash	—	—	—	5	—	5
Net change in cash	—	(71)	5	18	—	(48)
Cash and cash equivalents at beginning of period	—	102	5	216	—	323
Cash and cash equivalents at end of period	$ —	$ 31	$ 10	$ 234	$ —	$ 275

15. Subsequent Events

In August 2018, the Company announced that its Board has authorized a $500 million share repurchase program. Share repurchases, if any, will be made through open market purchases, privately negotiated transactions, Rule 10b5-1 plans, or other transactions in accordance with applicable securities laws and in such amounts at such times as we deem appropriate based upon prevailing market and business conditions and other factors. The share repurchase program has no expiration date and may be suspended at any time.

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

This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in our most recent Form 10-K in the section titled "Risk Factors" and other risk factors identified from time to time in our periodic filings with the Securities and Exchange Commission. As a result, our actual results may differ materially from those contained in any forward-looking statements. The forward-looking statements referenced within this report should be read with the explanation of the qualifications and limitations included herein. Fiscal 2017 and fiscal 2018 are fifty-two week periods.

Executive Summary

Business. The Company's operations are organized into three operating segments: Engineered Materials, Health, Hygiene & Specialties, and Consumer Packaging. The structure is designed to align us with our customers, provide optimal service, and drive future growth in a cost efficient manner. The Engineered Materials segment primarily consists of tapes and adhesives, polyethylene based film products, can liners, printed films, and specialty coated, and laminated products. The Health, Hygiene & Specialties segment primarily consists of nonwoven specialty materials and films used in hygiene, healthcare, infection prevention, personal care, industrial, construction and filtration applications. The Consumer Packaging segment primarily consists of containers, foodservice items, closures, overcaps, bottles, prescription containers, and tubes.

Acquisitions. Our acquisition strategy is focused on improving our long-term financial performance, enhancing our market positions, and expanding our existing and complementary product lines. We seek to obtain businesses for attractive post-synergy multiples, creating value for our stockholders from synergy realization, leveraging the acquired products across our customer base, creating new platforms for future growth, and assuming best practices from the businesses we acquire. While the expected benefits on earnings is estimated at the commencement of each transaction, once the execution of the plan and integration occur, we are generally unable to accurately estimate or track what the ultimate effects have been due to system integrations and movements of activities to multiple facilities. As historical business combinations and restructuring plans have not allowed us to accurately separate realized synergies compared to what was initially identified, we attempt to measure the synergy realization based on the overall segment profitability post integration.

AEP Industries Inc.

In January 2017, the Company acquired AEP Industries Inc. ("AEP") for a purchase price of $791 million, net of cash acquired. A portion of the purchase price consisted of issuing 6.4 million of Berry common shares which were valued at $324 million at the time of closing. AEP manufactures and markets an extensive and diverse line of polyethylene and polyvinyl chloride flexible plastic packaging products for consumer, industrial, and agricultural applications. The acquired business is operated in our Engineered Materials segment. To finance the purchase, the Company entered into an incremental assumption agreement to increase the commitments under the Company's existing term loan credit agreement by $500 million due 2024. The Company expects annual cost synergies of approximately $80 million from the AEP transaction with full realization expected in fiscal 2018.

Adchem Corp.

In June 2017, the Company acquired Adchem Corp.'s ("Adchem") tapes business for a purchase price of $49 million. Adchem is a leader in the development of high performance adhesive tape systems for the automotive, construction, electronics, graphic arts, medical and general tape markets. The acquired business is operated in our Engineered Materials segment. To finance the purchase, the Company used existing liquidity.

Clopay Plastic Products Company, Inc.

In February 2018, the Company acquired Clopay Plastic Products Company, Inc. ("Clopay") for a purchase price of $474 million, which is preliminary and subject to adjustment. Clopay is an innovator in the development of printed breathable films, elastic films, and laminates with product offerings uniquely designed for applications used in a number of markets including: hygiene, healthcare, construction and industrial protective apparel. Clopay is operated in our Health, Hygiene & Specialties segment. The Company expects to realize annual cost synergies of approximately $40 million. To finance the purchase, the Company used the proceeds from the $500 million second priority senior secured notes (see Note 7).

Raw Material Trends. Our primary raw material is plastic resin consisting primarily of polyethylene and polypropylene. Plastic resins are subject to price fluctuations, including those arising from supply shortages and changes in the prices of natural gas, crude oil and other petrochemical intermediates from which resins are produced. The three month simple average price per pound, as published by U.S. market indexes, were as follows:

Fiscal quarter	Polyethylene Butene Film 2018	Polyethylene Butene Film 2017	Polypropylene 2018	Polypropylene 2017
1st quarter	**$ .68**	$ .56	**$ .71**	$ .56
2nd quarter	**.69**	.58	**.75**	.67
3rd quarter	**.68**	.60	**.76**	.61
4th quarter	**—**	.62	**—**	.62

Due to differences in the timing of passing through resin cost changes to our customers on escalator/de-escalator programs, segments are negatively impacted in the short term when plastic resin costs increase and are positively impacted when plastic resin costs decrease. This timing lag in passing through raw material cost changes could affect our results as plastic resin costs fluctuate.

Outlook. The Company is impacted by general economic and industrial growth, plastic resin availability and affordability, and general industrial production. Our business has both geographic and end-market diversity, which reduces the effect of any one of these factors on our overall performance. Our results are affected by our ability to pass through raw material cost changes to our customers, improve manufacturing productivity and adapt to volume changes of our customers. We believe there are long term growth opportunities within the health, pharmaceuticals, personal care and food packaging markets existing in developing countries, where expected per capita consumption increases should result in organic market growth. In addition, while we continue to believe that long term dynamics of the resin markets will be an advantage to Berry, the short term challenges to regional transportation systems and higher raw material prices in part as a result of resin supply disruptions, as well as macroeconomic pressures in South America have created headwinds during fiscal 2018. For fiscal 2018 we project an Adjusted free cash flow target of $630 million. This includes $987 million of cash flow from operations, partially offset by net capital expenditures of $320 million and the $37 million tax receivable payment that was made in the first fiscal quarter. This guidance includes reduced capital spending of $20 million along with $30 million of lower cash taxes and other cash costs. The implied earning reduction is being driven by the ongoing cost inflation vs. the timing lag of passing along these cost increases. For the definition of Adjusted free cash flow and further information related to Adjusted free cash flow as a non-GAAP financial measure, see "Liquidity and Capital Resources."

Results of Operations

Comparison of the Quarterly Period Ended June 30, 2018 (the "Quarter") and the Quarterly Period Ended July 1, 2017 (the "Prior Quarter")

Acquisition (Adchem and Clopay) sales and operating income disclosed within this section represents the results from acquisitions for the current period. Business integration expenses consist of restructuring and impairment charges, acquisition related costs, and other business optimization costs. Tables present dollars in millions.

Consolidated Overview

	Quarter	Prior Quarter	$ Change	% Change
Net sales	**$ 2,072**	$ 1,906	$ 166	9%
Operating income	**$ 216**	$ 212	$ 4	2%
Operating income percentage of net sales	**10%**	11%		

Net sales increased by $166 million from the Prior Quarter primarily attributed to acquisition net sales of $125 million, selling price increases of $37 million due to the pass through of higher resin prices, a $14 million favorable impact from foreign currency changes, and a 1% base volume improvement, partially offset by a core sales decline of $19 million in legacy AEP locations as a result of business rationalizations.

The operating income increase of $4 million from the Prior Quarter was primarily attributed to a $12 million decrease in selling, general and administrative expense due to synergies and cost reductions, acquisition operating income of $9 million, a $4 million decrease in depreciation and amortization, a $2 million impact from the base volume improvement, and a $3 million favorable impact from foreign currency changes, partially offset by a $20 million negative impact from under recovery of higher cost of goods sold, and a $7 million earnings decline from legacy AEP locations.

Engineered Materials

	Quarter	Prior Quarter	$ Change	% Change
Net sales	**$ 687**	$ 686	$ 1	0%
Operating income	**$ 94**	$ 99	$ (5)	(5)%
Percentage of net sales	**14%**	14%		

Net sales in the Engineered Materials segment increased by $1 million from the Prior Quarter primarily attributed to selling price increases of $8 million due to the pass through of higher resin prices, acquisition net sales of $7 million, a $2 million favorable impact from foreign currency changes, and a slight base volume improvement, partially offset by a core sales decline of $19 million in legacy AEP locations as a result of business rationalizations.

The operating income decrease of $5 million from the Prior Quarter was primarily attributed to a $7 million earnings decline from legacy AEP locations, and a $5 million increase in business integration expenses, partially offset by a $4 million decrease in depreciation and amortization, and a $3 million decrease in selling, general and administrative expense.

Health, Hygiene & Specialties

	Quarter	Prior Quarter	$ Change	% Change
Net sales	**$ 726**	$ 606	$ 120	20%
Operating income	**$ 62**	$ 53	$ 9	17%
Percentage of net sales	**9%**	9%		

Net sales in the Health, Hygiene & Specialties segment increased $120 million from the Prior Quarter primarily attributed to acquisition net sales of $118 million, selling price increases of $9 million due to the pass through of higher resin prices, and a $12 million favorable impact from foreign currency changes, partially offset by a 3% base volume decline.

The operating income increase of $9 million from the Prior Quarter was primarily attributed to acquisition operating income of $8 million, a $5 million decrease in selling, general, and administrative expense, a $5 million decrease in business integration expenses, a $3 million favorable impact from foreign currency changes, and a $2 million decrease in depreciation and amortization, partially offset by an $11 million negative impact from under recovery of higher cost of goods sold, and a $3 million negative impact from the base volume decline.

Consumer Packaging

	Quarter	Prior Quarter	$ Change	% Change
Net sales	**$ 659**	$ 614	$ 45	7%
Operating income	**$ 60**	$ 60	$ —	—
Percentage of net sales	**9%**	10%		

Net sales in the Consumer Packaging segment increased by $45 million from the Prior Quarter primarily attributed to a 4% base volume improvement and selling price increases of $20 million due to the pass through of higher resin prices.

Operating income was flat compared to the Prior Quarter and was positively impacted by a $4 million improvement in volume, and a $4 million decrease in selling, general and administrative expense, offset by a $7 million negative impact from under recovery of higher cost of goods sold.

Other expense (income), net

	Quarter	Prior Quarter	$ Change	% Change
Other expense (income), net	**$ 3**	$ (1)	$ 4	400%

The other expense increase of $4 million from the Prior Quarter was primarily attributed to unfavorable foreign currency changes related to the remeasurement of non-operating intercompany balances.

Interest expense, net

	Quarter	Prior Quarter	$ Change	% Change
Interest expense, net	**$ 67**	$ 68	$ (1)	(1%)

The interest expense decrease of $1 million from the Prior Quarter was primarily attributed to reduced interest rates resulting from the term loan modifications, partially offset by additional expense attributed to the $500 million 4.5% second priority senior secured notes (see Note 7).

Income tax expense (benefit)

	Quarter	Prior Quarter	$ Change	% Change
Income tax expense (benefit)	**$ 36**	$ 38	$ (2)	(5%)

The income tax expense decrease of $2 million from the Prior Quarter was primarily attributed to the lower statutory rate as a result of the recent U.S. tax legislation more fully described in Note 9, partially offset by a reduced share-based compensation excess tax benefit deduction. The effective tax rate was 25% for the Quarter and was positively impacted by 1% from the share-based compensation excess tax benefit deduction, 1% from research and development credits, and a 2% benefit from the domestic manufacturing deduction, and other discrete items. These favorable items were partially offset by increases of 3% from U.S. state income taxes, 2% from foreign valuation allowance, and other discrete items.

Changes in Comprehensive Income

The $108 million decline in comprehensive income from the Prior Quarter was primarily attributed to a $116 million unfavorable change in currency translation, partially offset by a $3 million improvement in net income and a $5 million favorable change in interest rate hedges, net of tax. Currency translation gains and losses are primarily related to non-U.S. subsidiaries with a functional currency other than U.S. dollars whereby assets and liabilities are translated from the respective functional currency into U.S. dollars using period-end exchange rates. The change in currency translation in the Quarter was primarily attributed to locations utilizing the euro, Brazilian real, Mexican peso, and renminbi as the functional currency. As part of the overall risk management, the Company uses derivative instruments to reduce exposure to changes in interest rates attributed to the Company's floating-rate borrowings and records changes to the fair value of these instruments in Accumulated other comprehensive loss. The favorable change in fair value of these instruments in the Quarter versus Prior Quarter is primarily attributed to an increase in the forward interest curve between measurement dates.

Comparison of the Three Quarterly Periods Ended June 30, 2018 (the "YTD") and the Three Quarterly Periods Ended July 1, 2017 (the "Prior YTD")

Acquisition sales and operating income disclosed within this section represents the results from acquisitions for the current period. Business integration expenses consist of restructuring and impairment charges, acquisition related costs, and other business optimization costs. Tables present dollars in millions.

Consolidated Overview

	YTD	Prior YTD	$ Change	% Change
Net sales	**$ 5,815**	$ 5,214	$ 601	12%
Operating income	**$ 567**	$ 533	$ 34	6%
Operating income percentage of net sales	**10%**	10%		

The net sales increase of $601 million from the Prior YTD was primarily attributed to acquisition net sales of $497 million, selling price increases of $100 million due to the pass through of higher resin prices, and a $66 million favorable impact from foreign currency changes, partially offset by a 1% base volume decline and a core sales decline of $19 million in legacy AEP locations as a result of business rationalization.

The operating income increase of $34 million from the Prior YTD was primarily attributed to acquisition operating income of $54 million, a $36 million decrease in selling, general and administrative expense related to synergies and cost reductions, an $18 million decrease in depreciation and amortization, and a $10 million favorable impact from foreign currency changes. These improvements were partially offset by a $63 million negative impact from under recovery of higher cost of goods sold, an $8 million increase in business integration, a $7 million earnings decline from legacy AEP locations, and a $6 million impact from the lower base volumes.

Engineered Materials

	YTD	Prior YTD	$ Change	% Change
Net sales	**$ 1,990**	$ 1,689	$ 301	18%
Operating income	**$ 276**	$ 219	$ 57	26%
Operating income percentage of net sales	**14%**	13%		

Net sales in the Engineered Materials segment increased by $301 million from the Prior YTD primarily attributed to acquisition net sales of $307 million, selling price increases of $33 million due to the pass through of higher resin prices, and a $7 million favorable impact from foreign currency changes, partially offset by a 2% base volume decline and a core sales decline of $19 million in legacy AEP locations as a result of business rationalization.

The operating income increase of $57 million from the Prior YTD was primarily attributed to acquisition operating income of $41 million, a $13 million decrease in depreciation and amortization, an $8 million decrease in selling, general and administrative expense, a $3 million improvement in our product mix and price/cost spread, and a $3 million decrease in business integration expenses, partially offset by a negative $5 million impact from lower base volumes, and a $7 million earnings decline from legacy AEP locations.

Health, Hygiene & Specialties

	YTD	Prior YTD	$ Change	% Change
Net sales	**$ 2,009**	$ 1,773	$ 236	13%
Operating income	**$ 140**	$ 164	$ (24)	(15%)
Operating income percentage of net sales	**7%**	9%		

Net sales in the Health, Hygiene & Specialties segment increased by $236 million from the Prior YTD primarily attributed to acquisition net sales of $190 million, a $59 million favorable impact from foreign currency changes, and selling price increases of $21 million due to the pass through of higher resin prices, partially offset by a 2% base volume decline.

The operating income decrease of $24 million from the Prior YTD was primarily attributed to a $41 million negative impact from under recovery of higher cost of goods sold and market pressure in South America, a $14 million increase in business integration expenses primarily attributed to the Clopay acquisition, and a $5 million negative impact from the base volume decline. These improvements were partially offset by a $14 million decrease in selling, general and administrative expense, acquisition operating income of $13 million, and a $9 million favorable impact from foreign currency changes.

Consumer Packaging

	YTD	Prior YTD	$ Change	% Change
Net sales	**$ 1,816**	$ 1,752	$ 64	4%
Operating income	**$ 151**	$ 150	$ 1	1%
Operating income percentage of net sales	**8%**	9%		

Net sales in the Consumer Packaging segment increased by $64 million from the Prior YTD primarily attributed to selling price increases of $46 million due to the pass through of higher resin prices and a 1% base volume improvement.

The operating income increase of $1 million from the Prior YTD was primarily attributed to a $14 million decrease in selling, general and administrative expense related to cost reductions, a $6 million decrease in depreciation and amortization, a $3 million decrease in business integration expenses, and a $3 million impact from the base volume improvement, partially offset by a negative $25 million impact from under recovery of higher cost of goods sold.

Other expense (income), net

	YTD	Prior YTD	$ Change	% Change
Other expense (income), net	**$ 17**	$ 18	$ (1)	6%

The other expense decrease of $1 million from the Prior YTD was primarily attributed to non-recurring prior year charges, partially offset by unfavorable foreign currency changes related to the remeasurement of non-operating intercompany balances and a tax receivable agreement revaluation recorded in the current year as a result of tax reform.

Interest expense, net

	YTD	Prior YTD	$ Change	% Change
Interest expense, net	**$ 195**	$ 203	$ (8)	(4%)

The interest expense decrease of $8 million from the Prior YTD was primarily attributed to reduced interest rates resulting from term loan modifications, partially offset by additional expense attributed to the $500 million 4.5% second priority senior secured notes (see Note 7).

Income tax expense (benefit)

	YTD	Prior YTD	$ Change	% Change
Income tax expense (benefit)	**$ (8)**	$ 82	$ (90)	(110%)

The income tax expense decrease of $90 million from the Prior YTD was primarily attributed to the $95 million provisional transition benefit recorded in the Company's first fiscal Quarter as a result of the recent U.S. tax legislation more fully described in Note 9. After the exclusion of the tax reform benefit, our year-to-date effective tax rate was 25% and was positively impacted by 2% from the share-based compensation excess tax benefit, 1% from research and development credits, and a 2% benefit from the domestic manufacturing deduction. These favorable items were partially offset by increases of 3% from U.S. state taxes, 2% from foreign valuation allowance, and other discrete items.

Changes in Comprehensive Income

The $25 million improvement in comprehensive income from the Prior YTD was primarily attributed to a $133 million improvement in net income, and a $19 million favorable change in the fair value of interest rate hedges, net of tax, partially offset by a $113 million unfavorable change in currency translation, and a $14 million change due to a non-cash defined benefit pension plan settlement in the Prior YTD. Currency translation gains and losses are primarily related to non-U.S. subsidiaries with a functional currency other than U.S. dollars whereby assets and liabilities are translated from the respective functional currency into U.S. dollars using period-end exchange rates. The change in currency translation in the YTD was primarily attributed to locations utilizing the euro, Brazilian real, Mexican peso and renminbi as the functional currency. As part of the overall risk management, the Company uses derivative instruments to reduce exposure to changes in interest rates attributed to the Company's floating-rate borrowings and records changes to the fair value of these instruments in Accumulated other comprehensive loss. The favorable change in fair value of these instruments in the YTD versus Prior YTD is primarily attributed to an increase in the forward interest curve between measurement dates.

Liquidity and Capital Resources

Senior Secured Credit Facility

We manage our global cash requirements considering (i) available funds among the many subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. We have a $750 million asset-based revolving line of credit that matures in May 2020. At the end of the Quarter, the Company had no outstanding balance on the revolving credit facility. The Company was in compliance with all debt covenants at the end of the Quarter (see Note 7).

Cash Flows

Net cash from operating activities decreased $24 million from the Prior YTD primarily attributed to an increase in working capital due to higher raw material costs, partially offset by the settlement of interest rate hedges and improved net income before depreciation, amortization and the net impact of the recently announced U.S. tax legislation.

Net cash from investing activities decreased $28 million from the Prior YTD primarily attributed to increased capital expenditures, partially offset by lower acquisition spending compared to the Prior YTD.

Net cash from financing activities increased $172 million from the Prior YTD primarily attributed to increased long-term borrowings, net of repayments, and lower tax receivable agreement payments.

Adjusted Free Cash Flow

We define "Adjusted free cash flow" as cash flow from operating activities less net additions to property, plant and equipment and payments of the tax receivable agreement.

Based on our definition, our YTD consolidated Adjusted free cash flow is summarized as follows:

	June 30, 2018	July 1, 2017
Cash flow from operating activities	**$ 556**	$ 580
Additions to property, plant and equipment, net	**(267)**	(197)
Payments of tax receivable agreement	**(37)**	(60)
Adjusted free cash flow	**$ 252**	$ 323

Adjusted free cash flow, as presented in this document, is a supplemental financial measure that is not required by, or presented in accordance with, generally accepted accounting principles in the U.S. ("GAAP"). Adjusted free cash flow is not a GAAP financial measure and should not be considered as an alternative to cash flow from operating activities or any other measure determined in accordance with GAAP. We use Adjusted free cash flow as a measure of liquidity because it assists us in assessing our company's ability to fund its growth through its generation of cash, and believe it is useful to investors for such purpose. In addition, Adjusted free cash flow and similar measures are widely used by investors, securities analysts and other interested parties in our industry to measure a company's liquidity. Adjusted free cash flow may be calculated differently by other companies, including other companies in our industry, limiting its usefulness as a comparative measure.

Share Repurchase Program

In August 2018, the Company announced that its Board has authorized a $500 million share repurchase program. Share repurchases, if any, will be made through open market purchases, privately negotiated transactions, Rule 10b5-1 plans, or other transactions in accordance with applicable securities laws and in such amounts at such times as we deem appropriate based upon prevailing market and business conditions and other factors. The share repurchase program has no expiration date and may be suspended at any time.

Liquidity Outlook

At June 30, 2018, our cash balance was $365 million, of which approximately 50% was located outside the U.S. We believe our existing U.S. based cash and cash flow from U.S. operations, together with available borrowings under our senior secured credit facilities, will be adequate to meet our liquidity needs over the next twelve months. We do not expect our free cash flow to be sufficient to cover all long-term debt obligations and intend to refinance these obligations prior to maturity. However, we cannot predict our future results of operations and our ability to meet our obligations involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of our most recent Form 10-K filed with the Securities and Exchange Commission and in this Form 10-Q, if any.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

We are exposed to market risk from changes in interest rates primarily through our senior secured credit facilities. At June 30, 2018, our senior secured credit facilities are comprised of (i) $3.8 billion term loans and (ii) a $750 million revolving credit facility with no borrowings outstanding. Borrowings under our senior secured credit facilities bear interest at a rate equal to an applicable margin plus LIBOR. The applicable margin for LIBOR rate borrowings under the revolving credit facility ranges from 1.25% to 1.75%, and the margin for the term loans range from 1.75% to 2.00% per annum with a 0% LIBOR floor. At June 30, 2018, the LIBOR rate of approximately 2.10% was applicable to the term loans. A 0.25% change in LIBOR would increase our annual interest expense by $6 million on variable rate term loans.

We seek to minimize interest rate volatility risk through regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. These financial instruments are not used for trading or other speculative purposes.
As of June 30, 2018, the Company effectively had (i) a $450 million interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 2.000%, with an effective date in May 2017 and expiration in May 2022 and (ii) a $1 billion interest rate swap transaction that swaps a one-month variable LIBOR contract for a fixed annual rate of 2.808% with an effective date in June 2018 and expiration in September 2021.

Foreign Currency Exchange Rates

As a global company, we face foreign currency risk exposure from fluctuating currency exchange rates, primarily the U.S. dollar against the euro, Brazilian real, Argentine peso, Chinese renminbi, Canadian dollar and Mexican peso. Significant fluctuations in currency rates can have a substantial impact, either positive or negative, on our revenue, cost of sales, and operating expenses. Currency translation gains and losses are primarily related to non-U.S. subsidiaries with a functional currency other than U.S. dollars whereby assets and liabilities are translated from the respective functional currency into U.S. dollars using period-end exchange rates and impact our Comprehensive income. A 10% decline in foreign currency exchange rates would have a negative $10 million impact on our annual Net income.

In November 2017, the Company entered into certain cross-currency swap agreements with a notional amount of 250 million euro to effectively convert a portion of our fixed-rate U.S. dollar denominated term loans, including the monthly interest payments, to fixed rate euro-denominated debt. The swap agreements mature May 2022. The risk management objective is to manage foreign currency risk relating to net investments in certain European subsidiaries denominated in foreign currencies and reduce the variability in the functional currency cash flows of a portion of the Company's term loans. In the future, we may attempt to manage our foreign currency risk on our anticipated cash movements by entering into foreign currency forward contracts to offset potential foreign exchange gains or losses.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Under applicable Securities and Exchange Commission regulations, management of a reporting company, with the participation of the principal executive officer and principal financial officer, must periodically evaluate the company's "disclosure controls and procedures," which are defined generally as controls and other procedures of a reporting company designed to ensure that information required to be disclosed by the reporting company in its periodic reports filed with the commission (such as this Form 10-Q) is recorded, processed, summarized, and reported on a timely basis.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2018. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, the design and operation of our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in internal controls.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

There have been no material changes in legal proceedings from the items disclosed in our Form 10-K filed with the Securities and Exchange Commission.

Item 1A. Risk Factors

Before investing in our securities, we recommend that investors carefully consider the risks described in our most recent Form 10-K filed with the Securities and Exchange Commission, including those under the heading "Risk Factors" and other information contained in this Quarterly Report. Realization of any of these risks could have a material adverse effect on our business, financial condition, cash flows and results of operations. In addition to the Company's risk factors described in our most recent Form 10-K filed with the Securities and Exchange Commission, investors should consider the following risk factor.

The final impacts of the Tax Cuts and Jobs Act could be materially different from our current estimates.

The Tax Cuts and Jobs Act was signed into law in December 2017. The new law made numerous changes to federal corporate tax law that we expect will significantly reduce our effective tax rate in future periods. The changes included in the Tax Act are broad and complex (See Note 9). The final transition impacts of the Tax Act may differ from our current estimates, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts.

Forward-looking Statements and Other Factors Affecting Future Results.

All forward-looking information and subsequent written and oral forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- risks associated with our substantial indebtedness and debt service;
- changes in prices and availability of resin and other raw materials and our ability to pass on changes in raw material prices on a timely basis;
- performance of our business and future operating results;
- risks related to our acquisition strategy and integration of acquired businesses;
- reliance on unpatented know-how and trade secrets;
- increases in the cost of compliance with laws and regulations, including environmental, safety, and production and product laws and regulations;
- risks related to disruptions in the overall economy and the financial markets that may adversely impact our business;
- catastrophic loss of one of our key manufacturing facilities, natural disasters, and other unplanned business interruptions;
- risks of competition, including foreign competition, in our existing and future markets;
- risks related to the market acceptance of our developing technologies and products;
- general business and economic conditions, particularly an economic downturn;
- risks that our restructuring program may entail greater implementation costs or result in lower cost savings than anticipated;
- the ability of our insurance to cover fully our potential exposures;
- new legislation or new regulations and the Company's corresponding interpretations of either may affect our business and consolidated financial condition and results of operations; and
- the other factors discussed in our most recent Form 10-K and in this Form 10-Q in the section titled "Risk Factors."

We caution readers that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-Q may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Item 6. Exhibits

10.1*	Incremental Assumption Agreement, dated as of May 16, 2018, by and among Berry Global Group, Inc., Berry Global, Inc. and certain of its subsidiaries referenced therein, Credit Suisse AG, Cayman Islands Branch, as administrative agent for the lenders under the term loan credit agreement referenced therein, Citibank, N.A., as initial Term S lender, and Citibank, N.A., as initial Term T lender.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32.1*	Section 1350 Certification of the Chief Executive Officer.
32.2*	Section 1350 Certification of the Chief Financial Officer.
101.	Interactive Data Files.

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Berry Global Group, Inc.
August 3, 2018	By: /s/ Mark W. Miles
	Mark W. Miles
	Chief Financial Officer

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Thomas E. Salmon, Chief Executive Officer of Berry Global Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Berry Global Group, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Thomas E. Salmon

Date: August 3, 2018

Thomas E. Salmon
Chief Executive Officer

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Mark W. Miles, Chief Financial Officer of Berry Global Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Berry Global Group, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Mark W. Miles

Date: August 3, 2018

Mark W. Miles
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Berry Global Group, Inc. (the "Registrant") on Form 10-Q for the quarter ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. Salmon, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Thomas E. Salmon
Thomas E. Salmon
Chief Executive Officer

Date: August 3, 2018

EXHIBIT 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Berry Global Group, Inc. (the "Registrant") on Form 10-Q for the quarter ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark W. Miles, the Chief Financial Officer and Treasurer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Mark W. Miles
Mark W. Miles
Chief Financial Officer

Date: August 3, 2018

INCREMENTAL ASSUMPTION AGREEMENT

Dated as of May 16, 2018,

among

BERRY GLOBAL GROUP, INC.,

BERRY GLOBAL, INC.

and

CERTAIN SUBSIDIARIES OF BERRY GLOBAL, INC.

as Loan Parties,

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH

as Administrative Agent,

CITIBANK, N.A.

as Initial Term S Lender,

and

CITIBANK, N.A.

as Initial Term T Lender

INCREMENTAL ASSUMPTION AGREEMENT

THIS INCREMENTAL ASSUMPTION AGREEMENT (this "Agreement"), dated as of May 16, 2018, is among BERRY GLOBAL, INC. (formerly known as Berry Plastics Corporation), a Delaware corporation (the "Borrower"), BERRY GLOBAL GROUP, INC. (formerly known as Berry Plastics Group, Inc.), a Delaware corporation ("Holdings"), each Subsidiary of the Borrower listed on the signature pages hereto (together with Holdings and Borrower, the "Loan Parties"), Citibank, N.A., as an Incremental Term Lender (as defined in the Credit Agreement referred to below) with respect to the Term S Loans (in such capacity, the "Initial Term S Lender"), Citibank, N.A., as an Incremental Term Lender with respect to the Term T Loans (in such capacity, the "Initial Term T Lender"), and Credit Suisse AG, Cayman Islands Branch (formerly known as Credit Suisse, Cayman Islands Branch), as administrative agent (in such capacity, the "Administrative Agent") for the Lenders under the Credit Agreement.

PRELIMINARY STATEMENTS:

(1) The Loan Parties, the Administrative Agent and the other agents and lenders party thereto are parties to the Second Amended and Restated Term Loan Credit Agreement dated as of April 3, 2007 (as modified by that certain Incremental Assumption Agreement, dated as of February 8, 2013, that certain Incremental Assumption Agreement, dated as of January 6, 2014, that certain Incremental Assumption Agreement and Amendment, dated as of October 1, 2015, that certain Incremental Assumption Agreement and Amendment, dated as of June 15, 2016, that certain Incremental Assumption Agreement, dated as of January 19, 2017, that certain Incremental Assumption Agreement, dated as of February 10, 2017, that certain Incremental Assumption Agreement, dated as of August 10, 2017, that certain Incremental Assumption Agreement, dated as of November 27, 2017 and that certain Incremental Assumption Agreement and Amendment dated as of February 12, 2018 (collectively, the "Prior Incremental Assumption Agreements"), the "Credit Agreement"). Capitalized terms not otherwise defined in this Agreement have the same meanings as specified in the Credit Agreement.

(2) The Borrower has requested that the Initial Term S Lender provide an Incremental Term Loan Commitment (and Incremental Term Loans consisting of Other Term Loans) in the amount of $800,000,000 (such commitment, the "Term S Loan Commitment" and such Incremental Term Loans, the "Term S Loans"), and the Initial Term S Lender is willing to provide the Term S Loan Commitment and Term S Loans, subject in each case to the terms and conditions set forth herein.

(3) The Borrower has requested that the Initial Term T Lender provide an Incremental Term Loan Commitment (and Incremental Term Loans consisting of Other Term Loans) in the amount of $814,375,000 (such commitment, the "Term T Loan Commitment" and such Incremental Term Loans, the "Term T Loans"), and the Initial Term T Lender is willing to provide the Term T Loan Commitment and Term T Loans, subject in each case to the terms and conditions set forth herein.

(4) The Loan Parties, the Initial Term S Lender, the Initial Term T Lender and the Administrative Agent are entering into this Agreement in order to evidence the Term S Loan Commitment and Term T Loans and the Term S Loan Commitment and Term T Loans in accordance with Section 2.21 of the Credit Agreement.

SECTION 1. New Commitments and New Loans

(a) Pursuant to Section 2.21 of the Credit Agreement, and subject to the satisfaction of the conditions set forth in Section 4 hereof:

(i) The Initial Term S Lender agrees to make a single loan to the Borrower on the Funding Date (as defined below) in a principal amount equal to the amount set forth with respect to the Initial Term S Lender on Schedule 1A hereto.

(ii) The Initial Term T Lender agrees to make a single loan to the Borrower on the Funding Date in a principal amount equal to the amount set forth with respect to the Initial Term T Lender on Schedule 1B hereto.

(b) The Administrative Agent hereby approves of each of the Initial Term S Lender and the Initial Term T Lender as Incremental Term Lenders under the Credit Agreement and approves of the terms of the Term S Loans as set forth in Section 2 hereof and the terms of the Term T Loans as set forth in Section 3 hereof.

(c) For purposes of this Agreement, the following terms have the meanings ascribed below:

(i) "Amendment Lead Arrangers" means Citibank, N.A., Barclays Bank PLC, Credit Suisse Loan Funding LLC, Deutsche Bank Securities Inc., Goldman Sachs Lending Partners (through itself or one of its affiliates), JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated (or any of its affiliates designated to act in such capacity) and Wells Fargo Securities, LLC.

SECTION 2. Terms of the Term S Loans

Pursuant to Section 2.21 of the Credit Agreement, the Term S Loans shall be Other Term Loans, the terms of which shall be as follows:

(a) The aggregate principal amount of the Term S Loans and Term S Loan Commitment shall be $800,000,000.00.

(b) The final maturity date of the Term S Loans shall be February 8, 2020.

(c) The Applicable Margin with respect to the Term S Loans shall be 1.75% per annum in the case of any Eurocurrency Loan that is a Term S Loan and shall be 0.75% for any ABR Loan that is a Term S Loan.

(d) Notwithstanding anything herein or in the Credit Agreement to the contrary, in the event that, on or prior to the six-month anniversary of the Funding Date, there occurs any Term S Loan Repricing Event (as defined below) or in connection with a Term S Loan Repricing Event constituting an amendment or conversion of Term S Loans, any Lender is required to assign its Term S Loans pursuant to Section 2.19(c) of the Credit Agreement, the Borrower shall on the date of such Term S Loan Repricing Event pay to the Administrative Agent, for the account of each Lender with such Term S Loans that are subject to such Term S Loan Repricing Event or are required to be so assigned, a fee equal to 1.00% of the principal amount of the Term S Loans subject to such Term S Loan Repricing Event or required to be so assigned; provided that any prepayment of any Term S Loans made in connection with a Change in Control shall not require the payment of the 1.00% premium otherwise provided for in this paragraph.

For purposes of this Section 2(d), "Term S Loan Repricing Event" shall mean any prepayment or repayment of Term S Loans with the proceeds of, or any conversion or amendment of Term S Loans into, any new or replacement tranche of term loans bearing interest with an "effective yield" (taking into account, for example, upfront fees, interest rate spreads, interest rate benchmarks floors and original interest discount, but excluding the effect of any arrangement, structuring, syndication or other fees payable in connection therewith that are not shared with all lenders or holders of such new or replacement loans and without taking into account any fluctuations in the Adjusted LIBO Rate or comparable rate) less than the "effective yield" applicable to the Term S Loans (as such comparative yields are determined consistent with generally accepted financial practices) (it being understood that (x) in each case, the yield shall exclude any structuring, commitment and arranger fees or other fees unless such similar fees are paid to all lenders generally in the primary syndication of such new or replacement tranche of term loans and shall include any rate floors and any upfront or similar fees paid to all lenders generally in the primary syndication of such new or replacement tranche of term loans or original issue discount payable with respect to such new or replacement tranche of term loans and (y) any such repayment, prepayment or conversion shall only constitute a Term S Loan Repricing Event to the extent the primary purpose of such repayment, prepayment, conversion or amendment, as reasonably determined by the Borrower in good faith, is to reduce the "effective yield" on the Term S Loans).

(e) All other terms not described herein and relating to the Term S Loans shall be the same as the terms of the Term O Loans in effect immediately prior to the Funding Date.

SECTION 3. Terms of the Term T Loans

Pursuant to Section 2.21 of the Credit Agreement, the Term T Loans shall be Other Term Loans, the terms of which shall be as follows:

(a) The aggregate principal amount of the Term T Loans and Term T Loan Commitment shall be $814,375,000.00.

(b) The final maturity date of the Term T Loans shall be January 6, 2021.

(c) The Applicable Margin with respect to the Term T Loans shall be 1.75% per annum in the case of any Eurocurrency Loan that is a Term T Loan and shall be 0.75% for any ABR Loan that is a Term T Loan.

(d) Notwithstanding anything herein or in the Credit Agreement to the contrary, in the event that, on or prior to the six-month anniversary of the Funding Date, there occurs any Term T Loan Repricing Event (as defined below) or in connection with a Term T Loan Repricing Event constituting an amendment or conversion of Term T Loans, any Lender is required to assign its Term T Loans pursuant to Section 2.19(c) of the Credit Agreement, the Borrower shall on the date of such Term T Loan Repricing Event pay to the Administrative Agent, for the account of each Lender with such Term T Loans that are subject to such Term T Loan Repricing Event or are required to be so assigned, a fee equal to 1.00% of the principal amount of the Term T Loans subject to such Term T Loan Repricing Event or required to be so assigned; provided that any prepayment of any Term T Loans made in connection with a Change in Control shall not require the payment of the 1.00% premium otherwise provided for in this paragraph.

For purposes of this Section 3(d), "Term T Loan Repricing Event" shall mean any prepayment or repayment of Term T Loans with the proceeds of, or any conversion or amendment of Term T Loans into, any new or replacement tranche of term loans bearing interest with an "effective yield" (taking into account, for example, upfront fees, interest rate spreads, interest rate benchmarks floors and original interest discount, but excluding the effect of any arrangement, structuring, syndication or other fees payable in connection therewith that are not shared with all lenders or holders of such new or replacement loans and without taking into account any fluctuations in the Adjusted LIBO Rate or comparable rate) less than the "effective yield" applicable to the Term T Loans (as such comparative yields are determined consistent with generally accepted financial practices) (it being understood that (x) in each case, the yield shall exclude any structuring, commitment and arranger fees or other fees unless such similar fees are paid to all lenders generally in the primary syndication of such new or replacement tranche of term loans and shall include any rate floors and any upfront or similar fees paid to all lenders generally in the primary syndication of such new or replacement tranche of term loans or original issue discount payable with respect to such new or replacement tranche of term loans and (y) any such repayment, prepayment or conversion shall only constitute a Term T Loan Repricing Event to the extent the primary purpose of such repayment, prepayment, conversion or amendment, as reasonably determined by the Borrower in good faith, is to reduce the "effective yield" on the Term T Loans).

(e) All other terms not described herein and relating to the Term T Loans shall be the same as the terms of the Term P Loans in effect immediately prior to the Funding Date.

SECTION 4. Conditions.

(a) Conditions to Effectiveness. This Agreement shall become effective on and as of the date (the "Effective Date") on which the following conditions shall have been satisfied:

(i) The Administrative Agent (or its counsel) shall have received from each party hereto prior to giving effect to this Agreement either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(ii) The Amendment Lead Arrangers shall have received, at least three business days prior to the Effective Date, all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the PATRIOT Act, to the extent requested in writing at least 10 days prior to the Effective Date.

(b) <u>Conditions to Funding</u>. The (x) Initial Term S Lender agrees to make its Term S Loans to the Borrower in an aggregate principal amount equal to its Term S Loan Commitment and (y) Initial Term T Lender agrees to make its Term T Loans to the Borrower in an aggregate principal amount equal to its Term T Loan Commitment, in each case on and as of the date (the "<u>Funding Date</u>") on which the following conditions shall have been satisfied:

(i) The Administrative Agent shall have received, on behalf of itself and the Lenders, a favorable written opinion of (i) Bryan Cave Leighton Paisner LLP, special counsel for the Loan Parties, (ii) Jason Greene, in-house counsel for the Loan Parties, and (iii) Godfrey & Kahn, S.C., Wisconsin counsel for certain of the Loan Parties, in each case, each (A) dated the Funding Date, (B) addressed to the Administrative Agent, the Collateral Agent and the Lenders and (C) customary in form and substance for transactions of the type contemplated hereby and reasonably satisfactory to the Administrative Agent and covering such matters as are customary for transactions of the type contemplated hereby and consistent with the opinions delivered in connection with the Prior Incremental Assumption Agreements (to the extent applicable).

(ii) The Administrative Agent shall have received in the case of each Loan Party each of the items referred to in clauses (A), (B), (C) and (D) below:

(A) a bringdown confirmation, dated not more than one Business Day prior to the Funding Date, as to the good standing (to the extent such concept or a similar concept exists under the laws of such jurisdiction) of each such Loan Party from the Secretary of State (or other similar official) of the jurisdiction of its organization;

(B) a certificate of the Secretary or Assistant Secretary or similar officer of each Loan Party dated the Funding Date and certifying,

(w) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors (or equivalent governing body) of such Loan Party (or its managing general partner or managing member) authorizing the execution, delivery and performance of this Agreement and, in the case of the Borrower, the borrowing of Term S Loans and Term T Loans, and that such resolutions have not been modified, rescinded or amended and are in full force and effect on the Funding Date,

(x) that (1) except as amended by any amendment attached to such Secretary's or Assistant Secretary's certificate, neither the certificate or articles of incorporation, certificate of limited partnership or certificate of formation (as applicable) of such Loan Party, nor the by-laws, limited liability company, partnership agreement or other equivalent governing documents (as applicable) of such Loan Party, has been amended since the date of the last amendment thereto attached to the Secretary's Certificate of Borrower and Guarantors dated as of November 27, 2017, or in the case of Holdings, attached to the Secretary's Certificate of Holdings dated as of November 27, 2017, in each case delivered to the Administrative Agent in connection with the consummation of the financing transactions described in the Incremental Assumption Agreement dated as of November 27, 2017 (as so amended, collectively, the "Loan Party Organizational Documents"), and (2) the Loan Party Organizational Documents have been in effect at all times since the date of the resolutions described in clause (A) above, and remain in effect on the Funding Date,

(y) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of such Loan Party; and

(z) as to the absence of any pending proceeding for the dissolution or liquidation of such Loan Party or, to the knowledge of such person, threatening the existence of such Loan Party;

(C) certification of a director or another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary or similar officer executing the certificate delivered pursuant to Section 4(c)(ii); and

(D) a certificate of a Responsible Officer of the Borrower as to satisfaction of the condition set forth in Section 4(f) hereof.

(iii) the Administrative Agent, Amendment Lead Arrangers, the Initial Term S Lender and the Initial Term T Lender shall have received, to the extent invoiced at least three business days prior to the Funding Date, reimbursement or payment of (i) all reasonable expenses related to syndication of this Agreement, the Term S Loans and the Term T Loans and (ii) the reasonable fees, charges and disbursements of Cahill Gordon & Reindel LLP, counsel to the Administrative Agent and Amendment Lead Arrangers (subject to any applicable limitations in the Engagement Letter (as defined below)), in each case, required to be reimbursed or paid by the Loan Parties on or prior to the Funding Date, whether hereunder, under that certain Engagement Letter, dated as of May 7, 2018 (the "Engagement Letter"), among the Borrower, Citibank, N.A., Barclays Bank PLC, Credit Suisse Loan Funding LLC, Deutsche Bank Securities Inc., Goldman Sachs Lending Partners (through itself or one of its affiliates), JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated (or any of its affiliates designated to act in such capacity) and Wells Fargo Securities, LLC, or under any Loan Document.

(iv) [Reserved].

(v) The representations and warranties set forth in Article III of the Credit Agreement shall be true and correct in all material respects as of the Funding Date, in each case, with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date), and immediately after giving effect to the Borrowing of the Term S Loans and the Term T Loans, no Event of Default or Default shall have occurred and be continuing or would result therefrom.

(vi) The Administrative Agent shall have received a certificate from the chief financial officer of the Borrower in the form attached as Annex A hereto certifying that the Borrower and its subsidiaries, on a consolidated basis after giving effect to the transactions contemplated hereby, are solvent.

(vii) The Administrative Agent shall have received a Borrowing Request in respect of each of the Term S Loans and the Term T Loans as required by Section 2.03 of the Credit Agreement.

(viii) The Administrative Agent shall have received a "Life-of-Loan" flood hazard determination notice for each real property encumbered by a Mortgage, and if such real property is located in a special flood hazard area, (x) a notice about special flood hazard area status and flood disaster assistance duly executed by the Borrower and the applicable Loan Party and (y) certificates of flood insurance evidencing any such insurance required by the Credit Agreement.

(ix) Substantially concurrently with the making by the Initial Term S Lender of its Term S Loans to the Borrower on the Funding Date, all of the principal, interest, fees and other amounts due and payable in respect of the Term O Loans under the Credit Agreement shall have been paid by the Borrower.

(x) Substantially concurrently with the making by the Initial Term T Lender of its Term T Loans to the Borrower on the Funding Date, all of the principal, interest, fees and other amounts due and payable in respect of the Term P Loans under the Credit Agreement shall have been paid by the Borrower.

Notwithstanding the foregoing, the obligations of the Initial Term S Lender to make its Term S Loans to the Borrower in an aggregate principal amount equal to its Term S Loan Commitment and the obligations of the Initial Term T Lender to make its Term T Loans to the Borrower in an aggregate principal amount equal to its Term T Loan Commitment will automatically terminate and this Agreement will have no effect, if each of the conditions set forth or referred to in Section 4(b) hereof have not been satisfied at or prior to 5:00 p.m., New York City time, on May 30, 2018.

SECTION 5. Post Effective Date Security Documentation. The Borrower shall and shall cause each Material Subsidiary to, within 120 days after the Effective Date (or such longer period as the Administrative Agent may determine), deliver to the Administrative Agent, each in form and substance reasonably acceptable to the Administrative Agent

(A) written confirmation (which confirmation may be provided in the form of an electronic mail acknowledgment in form and substance reasonably satisfactory to the Administrative Agent) from local counsel in the jurisdiction in which the Mortgaged Property (which are set forth on Schedule 2 hereto) is located substantially to the effect that: (x) the recording of the existing Mortgage is the only filing or recording necessary to give constructive notice to third parties of the lien created by such Mortgage as security for the Obligations, including the Obligations evidenced by the Credit Agreement, as amended pursuant to this Amendment, for the benefit of the Secured Parties; and (y) no other documents, instruments, filings, recordings, re-recordings, re-filings or other actions, including, without limitation, the payment of any mortgage recording taxes or similar taxes, are necessary or appropriate under applicable law in order to maintain the continued enforceability, validity or priority of the lien created by such Mortgage as security for the Obligations, including the Obligations evidenced by the Credit Agreement, as amended pursuant to this Amendment, for the benefit of the Secured Parties;

OR

(B) (w) amendments to the Mortgages ("Mortgage Amendments"), (x) date down endorsements to the existing title insurance policies relating to the property subject to such Mortgage Amendment, (y) any documents required in connection with the recording of such Mortgage Amendments and (z) opinions of local counsel with respect to the enforceability, due authorization, execution and delivery of the Mortgage Amendments and other such other matters customarily included in such opinions.

SECTION 6. Representations and Warranties. On the Effective Date and the Funding Date, the Loan Parties represent and warrant to the Administrative Agent, the Initial Term S Lender and the Initial Term T Lender that: (a) the execution, delivery and performance by Holdings, the Borrower and each of the Subsidiary Loan Parties of this Agreement and the incurrence of the Term S Loans and the Term T Loans hereunder and under the Credit Agreement (as amended hereby) are permitted under, and do not conflict with or violate, the terms of the Credit Agreement, the Existing ABL Credit Agreement, the Intercreditor Agreement or the Senior Lender Intercreditor Agreement, (b) no default shall exist under the Credit Agreement, the Existing ABL Credit Agreement, and any indenture and supplemental indenture governing the senior notes issued by the Borrower and outstanding on the Effective Date and the Funding Date, (c) no action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with this Agreement or the incurrence by the Borrower of the Term S Loans and the Term T Loans, except for the actions contemplated by Section 5 above, (d) the proceeds of the Term S Loans will be used substantially simultaneously by the Borrower to repay all of the outstanding Term O Loans and (e) the proceeds of the Term T Loans will be used substantially simultaneously by the Borrower to repay all of the outstanding Term P Loans.

SECTION 7. Reference to and Effect on the Credit Agreement; Confirmation of Guarantors.

(a) On and after the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by, and after giving effect to, this Agreement.

(b) Each Loan Document, after giving effect to this Agreement, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed, except that, on and after the effectiveness of this Agreement, each reference in each of the Loan Documents (including the Collateral Agreement and the other Security Documents) to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by, and after giving effect to, this Agreement, and each reference to "Lender" therein shall, for the avoidance of doubt, include each holder of any Term S Loans, including the Initial Term S Lender, and each holder of any Term T Loans, including the Initial Term T Lender, respectively. Without limiting the generality of the foregoing, the Security Documents (in the case of the Mortgages, after giving effect to any amendments thereto required in connection with the Term S Loans and the Term T Loans) and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, as amended by, and after giving effect to, this Agreement (in the case of the Mortgages, subject to any limitations contained in the Mortgages on maximum indebtedness or maximum indebtedness permitted to be secured thereby), in each case subject to the terms thereof.

(c) Each Loan Party hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party, (ii) ratifies and reaffirms each grant of a lien on, or security interest in, its property made pursuant to the Loan Documents (including, without limitation, the grant of security made by such Loan Party pursuant to the Collateral Agreement) and confirms that (in the case of the Mortgages, if any after giving effect to any amendments required in connection with the Term S Loans and the Term T Loans) such liens and security interests continue to secure the Obligations under the Loan Documents, including, without limitation, all Obligations resulting from or incurred pursuant to the Term S Loans and Term T Loans (in the case of the Mortgages, subject to any limitations contained in the Mortgages on maximum indebtedness or maximum indebtedness permitted to be secured thereby), in each case subject to the terms thereof and (iii) in the case of each Guarantor, ratifies and reaffirms its guaranty of the Obligations pursuant to Article II of the Collateral Agreement.

(d) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or any Agent under any of the Loan Documents, or constitute a waiver of any provision of any of the Loan Documents.

(e) This Agreement is a Loan Document.

SECTION 8. Initial Term S Lender and Initial Term T Lender.

(a) Each of the Initial Term S Lender and the Initial Term T Lender (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 5.04 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (ii) agrees that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) represents and warrants that its name set forth on its signature page hereto is its legal name; (iv) confirms that it is not the Borrower or any of its Subsidiaries or an Affiliate of any of them; (v) appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to such Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (vi) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vii) attaches any U.S. Internal Revenue Service forms required under Section 2.17 of the Credit Agreement.

(b) On and after the Funding Date, each of the Initial Term S Lender and the Initial Term T Lender shall be a party to the Credit Agreement as a Lender and shall have all of the rights and obligations of a Lender thereunder. All notices and other communications provided for hereunder or under the Loan Documents to the Initial Term S Lender or to the Initial Term T Lender shall be to its address as set forth in the administrative questionnaire such Lender has furnished to the Administrative Agent.

SECTION 9. Costs, Expenses. The Borrower agrees to pay the reasonable fees, charges and disbursements of Cahill Gordon & Reindel LLP, counsel to the Administrative Agent and the Amendment Lead Arrangers (subject to any applicable limitations in the Engagement Letter).

SECTION 10. No Novation. This Agreement shall not extinguish the Obligations for the payment of money outstanding under the Credit Agreement or discharge or release the Lien or priority of any Loan Document or any other security therefor or any guarantee thereof, and the Liens and security interests existing immediately prior to the Effective Date in favor of the Administrative Agent for the benefit of the Secured Parties securing payment of the Obligations are in all respects continuing and in full force and effect with respect to all Obligations. Nothing herein contained shall be construed as a novation of any of the Loan Documents or a substitution or novation of the Obligations outstanding under the Credit Agreement or instruments guaranteeing or securing the same, which instruments shall remain and continue in full force and effect. Nothing expressed or implied in this Agreement or any other document contemplated hereby shall be construed as a release or other discharge of any Loan Party under the Credit Agreement or any other Loan Document from any of its obligations and liabilities thereunder, and except as expressly provided, such obligations and liabilities are in all respects continuing with only the terms being modified as provided in this Agreement.

SECTION 11. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract, and shall become effective as provided in Section 4. Delivery of an executed counterpart to this Agreement by facsimile transmission (or other electronic transmission pursuant to procedures approved by the Administrative Agent) shall be effective as delivery of a manually signed original.

SECTION 12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BERRY GLOBAL, INC.

By:/s/ Mark W. Miles
Name: Mark W. Miles
Title: Chief Financial Officer and Treasurer

BERRY GLOBAL GROUP, INC.

By: /s/ Mark W. Miles
Name: Mark W. Miles
Title: Chief Financial Officer and Treasurer

AEROCON, LLC
AVINTIV ACQUISITION CORPORATION
AVINTIV INC.
AVINTIV SPECIALTY MATERIALS INC.
BERRY FILM PRODUCTS ACQUISITION COMPANY, INC.
BERRY FILM PRODUCTS COMPANY, INC.
BERRY PLASTICS ACQUISITION CORPORATION V
BERRY PLASTICS ACQUISITION CORPORATION XII
BERRY PLASTICS ACQUISITION CORPORATION XIII
BERRY GLOBAL FILMS, LLC
BERRY PLASTICS ACQUISITION LLC X
BERRY PLASTICS DESIGN, LLC
BERRY PLASTICS FILMCO, INC.
BERRY PLASTICS 1K, LLC
BERRY PLASTICS OPCO, INC.
BERRY PLASTICS SP, INC.
BERRY PLASTICS TECHNICAL SERVICES, INC.
BERRY SPECIALTY TAPES, LLC
BERRY STERLING CORPORATION
BPREX BRAZIL HOLDING INC.
BPREX CLOSURE SYSTEMS, LLC
BPREX CLOSURES KENTUCKY INC.
BPREX CLOSURES, LLC
BPREX DELTA INC.
BPREX HEALTHCARE BROOKVILLE INC.
BPREX HEALTHCARE PACKAGING INC.
BPREX PLASTIC PACKAGING INC.
BPREX PLASTICS SERVICES COMPANY INC.
BPREX PRODUCT DESIGN AND ENGINEERING INC.
BPREX SPECIALTY PRODUCTS PUERTO RICO INC.
CAPLAS LLC
CAPLAS NEPTUNE, LLC
CAPTIVE PLASTICS HOLDINGS, LLC
CAPTIVE PLASTICS, LLC
CARDINAL PACKAGING, INC.
CHICOPEE, INC.
COVALENCE SPECIALTY ADHESIVES LLC
COVALENCE SPECIALTY COATINGS LLC
CPI HOLDING CORPORATION

By: /s/ Jason K. Greene
Name: Jason K. Greene
Title: Executive Vice President, General Counsel and Secretary

DOMINION TEXTILE (USA), L.L.C.
FABRENE, L.L.C.
FIBERWEB GEOS, INC.
FIBERWEB, LLC
KERR GROUP, LLC
KNIGHT PLASTICS, LLC
OLD HICKORY STEAMWORKS, LLC
PACKERWARE, LLC
PESCOR, INC.
PGI EUROPE, INC.
PGI POLYMER, INC.
PLIANT INTERNATIONAL, LLC
PLIANT, LLC
POLY-SEAL, LLC
PRIME LABEL & SCREEN INCORPORATED
PRISTINE BRANDS CORPORATION
PROVIDENCIA USA, INC.
ROLLPAK CORPORATION
SAFFRON ACQUISITION, LLC
SEAL FOR LIFE INDUSTRIES, LLC
SETCO, LLC
SUN COAST INDUSTRIES, LLC
UNIPLAST HOLDINGS, LLC
UNIPLAST U.S., INC.
VENTURE PACKAGING, INC.
VENTURE PACKAGING MIDWEST, INC.

By: /s/ Jason K. Greene
Name: Jason K. Greene
Title: Executive Vice President, General Counsel and Secretary

GRAFCO INDUSTRIES LIMITED PARTNERSHIP

By: CAPLAS NEPTUNE, LLC
its General Partner

By: /s/ Jason K. Greene
Name: Jason K. Greene
Title: Executive Vice President, General Counseland Secretary

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Administrative Agent

By: /s/ Bill O'Daly
Name: Bill O'Daly
Title: Authorized Signatory

By: /s/ Lingzi Huang
Name: Lingzi Huang
Title: Authorized Signatory

CITIBANK, NA., as Initial Term S Lender

By: /s/ Christopher Wood
Name: Christopher Wood
Title: Managing Director & Vice President

CITIBANK, NA., as Initial Term T Lender

By: /s/ Christopher Wood
Name: Christopher Wood
Title: Managing Director & Vice President

Schedule 1A

Initial Term S Lender	**Term S Loan Commitment**
Citibank, N.A.	$800,000,000.00

Schedule 1B

Initial Term T Lender	**Term T Loan Commitment**
Citibank, N.A.	$814,375,000.00

Schedule 2

1. 111 Excellence Lane, Mooresville, NC 28115
2. 1020 Shenandoah Village Dr., Waynesboro, VA 22980
3. 1203 Chicopee Road, Benson, NC 27504
4. 20 Elmwood Ave., Mountain Top, PA 18707
5. 70 Old Hickory Blvd., Old Hickory, TN 37138

<u>Annex A</u>

SOLVENCY CERTIFICATE
[ ], 2018

Reference is made to the Second Amended and Restated Term Loan Credit Agreement dated as of April 3, 2007 by and among Holdings, the Borrower, the Lenders and other parties thereto and Credit Suisse AG, Cayman Islands Branch (formerly known as Credit Suisse, Cayman Islands Branch), as administrative agent (as modified by that certain Incremental Assumption Agreement, dated as of February 8, 2013, that certain Incremental Assumption Agreement, dated as of January 6, 2014, that certain Incremental Assumption Agreement and Amendment, dated as of October 1, 2015, that certain Incremental Assumption Agreement and Amendment, dated as of June 15, 2016, that certain Incremental Assumption Agreement, dated as of January 19, 2017, that certain Incremental Assumption Agreement, dated as of February 10, 2017, that certain Incremental Assumption Agreement, dated as of August 10, 2017, that certain Incremental Assumption Agreement, dated as of November 27, 2017, that certain Incremental Assumption Agreement and Amendment, dated as of February 12, 2018 and the Incremental Assumption Agreement dated as of May 16, 2018 (the "***Amendment***"), the "***Credit Agreement***"); unless otherwise defined herein, capitalized terms used in this Certificate shall have the meanings set forth in the Credit Agreement or the Amendment, as applicable.

I, the undersigned, solely in my capacity as the Chief Financial Officer of the Borrower, and not in my individual capacity, do hereby certify that, on the Funding Date after giving effect to the transactions contemplated by the Amendment:

(a) the fair value of the property of the Borrower and its Subsidiaries (taken as a whole) is greater than the total amount of liabilities, including contingent liabilities, of the Borrower and its Subsidiaries (taken as a whole) (it being understood that the amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability);

(b) the present fair salable value of the assets of the Borrower and its Subsidiaries (taken as a whole) is not less than the amount that will be required to pay the probable liability of the Borrower and its Subsidiaries (taken as a whole) on their debts as they become absolute and matured;

(c) the Borrower and its Subsidiaries do not intend to, and do not believe that they will, incur debts or liabilities beyond their ability to pay such debts and liabilities as they become absolute and matured; and

(d) the Borrower and its Subsidiaries are not engaged in any business, as conducted on the Funding Date and as proposed to be conducted following the Funding Date, for which the property of the Borrower and its Subsidiaries (taken as a whole) would constitute an unreasonably small capital.

IN WITNESS WHEREOF, I have delivered this certificate as of the date first written above.

BERRY GLOBAL, INC.

By:_______________________________________

Name:

Title: Chief Financial Officer and Treasurer