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GIBRALTAR PACKAGING GROUP INC
Form 10-Q
February 13, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: December 31, 2001

Commission File Number: 00-19800

GIBRALTAR PACKAGING GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

47-0496290
(I.R.S. Employer Identification Number)

2000 Summit Avenue
Hastings, Nebraska
(Address of principal executive offices)

68901
(Zip Code)

(402) 463-1366
(Registrant's telephone number, including area code)

www.gibraltarpackaginggroup.com
(Registrant's website)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of December 31, 2001, there were 5,041,544 shares of the Company's common stock, par value \$0.01 per share, issued and outstanding.

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands except share data)

	December 31, 2001	June 30, 2001
	----- (Unaudited)	-----
ASSETS		
CURRENT ASSETS:		
Cash	\$ 114	\$ 144
Accounts receivable (Net of allowance for doubtful accounts of \$410 and \$508, respectively)	5,274	6,285
Inventories	6,867	6,693
Deferred income taxes	725	725
Prepaid and other current assets	406	766
	-----	-----
Total current assets	13,386	14,613
PROPERTY, PLANT AND EQUIPMENT - NET	16,091	16,590
GOODWILL (Net of accumulated amortization of \$2,157 and \$2,090, respectively)	4,180	4,247
DEFERRED INCOME TAXES	-	105
OTHER ASSETS (Net of accumulated amortization of \$18 and \$487, respectively)	872	819
	-----	-----
TOTAL	\$ 34,529	\$ 36,374
	=====	=====

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Checks not yet presented	\$ 402	\$ 1,115
Current portion of long-term debt	2,241	2,769
Accounts payable	3,815	4,925
Accrued expenses	3,402	3,401
	-----	-----
Total current liabilities	9,860	12,210
LONG-TERM DEBT - Net of current portion	18,232	18,578
DEFERRED INCOME TAXES	252	-
OTHER LONG-TERM LIABILITIES	430	431
	-----	-----
Total liabilities	28,774	31,219
	-----	-----

STOCKHOLDERS' EQUITY:

Preferred stock, \$.01 par value; 1,000,000 shares authorized; none issued	-	-
Common stock, \$.01 par value; 10,000,000 shares authorized; 5,041,544 issued and outstanding	50	50
Additional paid-in capital	28,162	28,162
Accumulated deficit	(22,457)	(23,057)
	-----	-----
Total stockholders' equity	5,755	5,155
	-----	-----
TOTAL	\$ 34,529	\$ 36,374
	=====	=====

See notes to unaudited consolidated financial statements.

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(In thousands except share and per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2001	2000	2001	2000
	-----	-----	-----	-----
NET SALES	\$ 15,325	\$ 16,416	\$ 30,681	\$ 32,000
COST OF GOODS SOLD	12,362	13,018	24,719	25,000
GROSS PROFIT	2,963	3,398	5,962	6,000
OPERATING EXPENSES:				
Selling, general and administrative	1,886	1,959	3,782	3,900
Amortization of excess of purchase price over net assets acquired	33	33	67	
Total operating expenses	1,919	1,992	3,849	4,000
	-----	-----	-----	-----

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INCOME FROM OPERATIONS	1,044	1,406	2,113	2
OTHER EXPENSE (INCOME):				
Interest expense	349	683	781	1
Other expense - net	12	31	28	
Other expense - net	361	714	809	1
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	683	692	1,304	1
INCOME TAX PROVISION	286	177	548	
INCOME BEFORE EXTRAORDINARY ITEM	397	515	756	1
EXTRAORDINARY ITEM, NET OF TAX (Note D)	(156)	-	(156)	
NET INCOME	\$ 241	\$ 515	\$ 600	\$ 1
BASIC AND DILUTED PER COMMON SHARE AMOUNTS:				
Income Before Extraordinary Item	\$ 0.08	\$ 0.10	\$ 0.15	\$
Extraordinary Item	\$ (0.03)	\$ -	\$ (0.03)	\$
Net Income	\$ 0.05	\$ 0.10	\$ 0.12	\$
WEIGHTED AVERAGE SHARES OUTSTANDING:				
(basic and diluted)	5,041,544	5,041,544	5,041,544	5,041

See notes to unaudited consolidated financial statements.

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended December 31,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 600	\$ 1,077
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	1,117	1,111
Provision for losses on accounts receivable	101	60
Loss on sale of property, plant and equipment	3	18
Extraordinary item	260	-
Deferred income taxes	357	320
Changes in operating assets and liabilities:		
Accounts receivable	910	47
Inventories	(174)	(691)
Prepaid expenses and other assets	281	(132)
Accounts payable	(1,823)	83

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Accrued expenses and other liabilities	-	(302)
	-----	-----
Net Cash Flows from Operating Activities	1,632	1,591
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	6	70
Purchases of property, plant and equipment	(484)	(417)
	-----	-----
Net Cash Flows from Investing Activities	(478)	(347)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments under revolving credit facility	(1,684)	144
Principal repayments of long-term debt	(14,734)	(1,374)
Repayments under capital leases	(9)	(13)
Proceeds from refinancing	15,553	-
Refinancing costs	(310)	-
	-----	-----
Net Cash Flows from Financing Activities	(1,184)	(1,243)
	-----	-----
NET INCREASE (DECREASE) IN CASH	(30)	1
CASH AT BEGINNING OF PERIOD	144	160
	-----	-----
CASH AT END OF PERIOD	\$ 114	\$ 161
	=====	=====

See notes to unaudited consolidated financial statements.

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

A. GENERAL

The accompanying unaudited consolidated financial statements of Gibraltar Packaging Group, Inc. ("Gibraltar" or the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by accounting principals generally accepted in the United States of America for complete financial statements. However, in the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of December 31, 2001, and the results of its operations and cash flows for the periods presented herein. Results of operations for the six months ended December 31, 2001 are not necessarily indicative of the results to be expected for the full fiscal year. The financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2001 and the notes thereto contained in the Company's Annual Report on Form 10-K.

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B. INVENTORIES

Inventories consisted of the following (In thousands):

	December 31, 2001	June 30, 2001
	-----	-----
Finished goods	\$4,712	\$4,846
Work in process	798	797
Raw materials	1,061	764
Manufacturing supplies	296	286
	-----	-----
	\$6,867	\$6,693
	=====	=====

C. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") approved the issuance of SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These standards establish accounting and reporting for business combinations, goodwill and other intangibles. SFAS No. 141 requires that all business combinations entered into subsequent to June 30, 2001 be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized, but will be tested for impairment on an annual basis. SFAS No. 142 is effective for the Company beginning July 1, 2002. The Company has not quantified the impact resulting from the adoption of these standards including the impact, if any, of completion of the annual impairment test. However, the historical impact of not amortizing goodwill would have been to increase net income by \$33,000 and \$67,000 for the three months and six months ended, respectively, for both December 31, 2001 and December 31, 2000.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

standard addresses financial accounting and reporting for obligations related to the retirement of tangible long-lived assets and the related asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

In addition, in August 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets". The standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets and is effective for fiscal years beginning after December 15, 2001. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on the financial statements.

D. LONG-TERM DEBT

On December 20, 2001, the Company entered into a three-year renewable

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credit facility with LaSalle Business Credit, Inc. ("LaSalle"). This facility provides for a \$11.6 million Term Loan, a \$4.0 million Special Advance Loan, and a \$12.0 million working capital revolving line-of-credit ("Revolver"). The Term Loan and Special Advance Loan combined require monthly principal payments of \$185,155 through December 2008, but are callable after three years. The credit facility is secured by a first priority perfected security interest in and lien on all assets (real and personal, tangible and intangible) of the Company excluding its Burlington, North Carolina property. The initial proceeds of the new facility were used to repay the outstanding indebtedness under the Company's previous credit facility with First Source Financial LLP. As part of the refinancing, the Company recorded an extraordinary loss of \$260,000 (\$156,000 after tax) or \$0.03 per share after tax reflecting the write-off of unamortized finance costs relating to the previous credit facility.

The Revolver provides for a revolving line of credit under a borrowing base commitment subject to certain loan availability requirements. Loan availability under the Revolver may not exceed the lesser of: (1) \$12.0 million; or (2) the sum of (a) 85% of the Company's eligible accounts receivable plus (b) a percentage of the Company's eligible inventory which ranges from 35% to 70%. At no time may the sum of aggregated loan advances outstanding under the Revolver plus the aggregate amount of extended letter of credit guarantees exceed loan availability. The Company had available to it unused borrowing capacity of \$3.0 million as of December 31, 2001.

The Revolver bears interest at LaSalle's prime rate plus 0.50% or the London Interbank Offered Rate ("LIBOR") plus 2.75%. The term loan bears interest at LaSalle's prime rate plus 0.75% or LIBOR plus 3.00%. The special advance bears interest at LaSalle's prime rate plus 1.00% or LIBOR plus 3.25%. The Company also pays a commitment fee of 0.50% on the unused portion of the Revolver. The interest rates at December 31, 2001 were at prime. LaSalle's prime rate was 4.75% at December 31, 2001.

As of December 31, 2001, all outstanding letters of credit were guaranteed by LaSalle. The Company pays an annual letter of credit fee of 2.00% on the outstanding balance to guarantee availability under the Revolver. Outstanding letters of credit at December 31, 2001 amounted to \$147,500 and related

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

to workman's compensation insurance policies.

The LaSalle credit facility contains certain restrictive covenants including financial covenants related to net worth, debt service coverage, interest coverage and capital expenditures. As of December 31, 2001, the Company was in compliance with all financial covenants. In addition, the Company's credit facility restricts the ability of the Company to pay dividends.

E. RECLASSIFICATION

Certain amounts in the fiscal 2001 financial statements have been reclassified to conform with the fiscal 2002 presentation.

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

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

Results of Operations

Three Months Ended December 31, 2001 Compared to
Three Months Ended December 31, 2000

In the second quarter of fiscal 2002, the Company had net sales of \$15.3 million compared with \$16.4 million in the corresponding period of fiscal 2001, a decrease of \$1.1 million or 6.6%. Sales continue to be negatively impacted by the overall slowdown in the economy.

Gross profit for the second quarter of fiscal 2002 decreased to 19.3% of net sales from 20.7% in the corresponding period of fiscal 2001. This decrease was due primarily to spreading fixed manufacturing costs over a smaller revenue base and changes to customer mix, partially offset by continuing cost control efforts. Cost of goods sold decreased \$0.7 million or 5.0% to \$12.4 million in the second quarter of fiscal 2002 compared to \$13.0 million in the second quarter of fiscal 2001, primarily as a result of the reduction in net sales.

Income from operations for the second quarter of fiscal 2002 was \$1.0 million compared with \$1.4 million in the corresponding period of fiscal 2001, a decrease of \$0.4 million or 25.7%. This decrease was primarily a result of the reduction in net sales, partially offset by continuing cost control efforts. Selling, general and administrative expenses decreased \$0.1 million or 3.7% to \$1.9 million in the second quarter of fiscal 2002, compared to \$2.0 million in the corresponding period of fiscal 2001. This decrease was primarily the result of lower sales and continuing cost control efforts.

Total interest expense decreased \$0.3 million or 48.9% to \$0.3 million in the second quarter of fiscal 2002 from \$0.7 million in the corresponding period of fiscal 2001. The decrease is the result of \$3.9 million in lower average borrowings and a reduction in average interest rates from 10.7% to 6.3%.

The income tax provision as a percentage of pre-tax income for the second quarter of fiscal 2002 was 41.9%, compared with an income tax provision of 25.6% for the corresponding period in fiscal 2001. The effective tax rate typically differs from the statutory rate primarily as a result of non-deductible amortization of goodwill. However, as a result of earnings improvements, the Company reduced its deferred income tax asset valuation allowance by \$0.1 million in the second quarter of fiscal 2001 to reflect a change in the estimate related to the realizability of its deferred income tax assets.

In December 2001, the Company refinanced its credit facility with LaSalle Business Credit, Inc. ("LaSalle"). As part of this refinancing, the Company recorded an extraordinary after tax loss of \$156,000 or \$0.03 per share reflecting the write-off of unamortized finance costs relating to the previous credit facility.

Net income for the second quarter of fiscal 2002 was \$0.2 million or \$0.05 per share, compared to \$0.5 million or \$0.10 per share in the second

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quarter of fiscal 2001. Net income for the second quarter of fiscal 2001 includes the effect of reducing the deferred income tax asset valuation allowance by \$0.1

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million, as a result of earnings improvements. Excluding the impact of the change in the deferred income tax asset valuation allowance, net income for the second quarter of fiscal 2001 would have been \$0.4 million or \$0.08 per share. The following table illustrates the effect of the income tax asset valuation allowance on the second quarter of fiscal 2001 (in thousands, except per share data):

	As Reported	Excluding Impact of Change in Tax Valuation Allowance
	-----	-----
Income Before Income Taxes	\$ 692	\$ 692
Provision for Income Taxes	177	290
	-----	-----
Net Income	\$ 515	\$ 402
	=====	=====
Net Income Per Share	\$0.10	\$0.08
	=====	=====

Six Months Ended December 31, 2001 Compared to
Six Months Ended December 31, 2000

In the first six months of fiscal 2002, the Company had net sales of \$30.7 million compared with \$32.8 million in the corresponding period of fiscal 2001, a decrease of \$2.1 million or 6.5%. Sales continue to be negatively impacted by the overall slowdown in the economy.

Gross profit for the first six months of fiscal 2002 decreased to 19.4% of net sales from 21.1% in the corresponding period of fiscal 2001. This decrease was due primarily to spreading fixed manufacturing costs over a smaller revenue base and changes to customer mix, partially offset by continuing cost control efforts. Cost of goods sold decreased \$1.2 million or 4.5% to \$24.7 million in the first six months of fiscal 2002 compared to \$25.9 million in the first six months of fiscal 2001, primarily as a result of the reduction in net sales.

Income from operations for the first six months of fiscal 2002 was \$2.1 million compared with \$2.9 million in the corresponding period of fiscal 2001, a decrease of \$0.8 million or 27.0%. This decrease was primarily a result of the reduction in net sales, partially offset by continuing cost control efforts. Selling, general and administrative expenses decreased \$0.2 million or 4.8% to \$3.8 million in the first six months of fiscal 2002, compared to \$4.0 million in the corresponding period of fiscal 2001.

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This decrease was primarily the result of lower sales and continuing cost control efforts.

Total interest expense decreased \$0.6 million or 43.3% to \$0.8 million in the first six months of fiscal 2002 from \$1.4 million in the corresponding period of fiscal 2001. The decrease is the result of \$3.9 million in lower average borrowings and a reduction in average interest rates from 10.7% to 6.9%.

The income tax provision as a percentage of pre-tax income for the first six months of fiscal 2002 was 42.0%, compared with an income tax provision of 26.7% for the corresponding period in fiscal 2001. The effective tax rate typically differs from the statutory rate primarily as a result of non-deductible amortization of goodwill. However, as a result of earnings improvements, the Company reduced its

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

deferred income tax asset valuation allowance by \$0.2 million in the first six months of fiscal 2001 to reflect a change in estimate related to the realizability of its deferred income tax assets.

In December 2001, the Company refinanced its credit facility with LaSalle. As part of this refinancing, the Company recorded an extraordinary after tax loss of \$156,000 or \$0.03 per share reflecting the write-off of unamortized finance costs relating to the previous existing credit facility.

Net income for the first six months of fiscal 2002 was \$0.6 million or \$0.12 per share, compared to \$1.1 million or \$0.21 per share in the first six months of fiscal 2001. Net income for the first six months of fiscal 2001 includes the effect of reducing the deferred income tax asset valuation allowance by \$0.2 million, as a result of earnings improvements. Excluding the impact of the change in the deferred income tax asset valuation allowance, net income for the first six months of fiscal 2001 would have been \$0.9 million or \$0.17 per share. The following table illustrates the effect of the income tax asset valuation allowance on the first six months of fiscal 2001 (in thousands, except per share data):

	As Reported	Excluding Impact of Change in Tax Valuation Allowance
	-----	-----
Income Before Income Taxes	\$1,470	\$1,470
Provision for Income Taxes	393	615
	-----	-----
Net Income	\$1,077	\$ 855
	=====	=====
Net Income Per Share	\$ 0.21	\$ 0.17
	=====	=====

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Financial Condition

On December 20, 2001, the Company entered into a three-year renewable credit facility with LaSalle. This facility provides for a \$11.6 million Term Loan, a \$4.0 million Special Advance Loan, and a \$12.0 million working capital revolving line-of-credit ("Revolver"). The Term Loan and Special Advance Loan combined require monthly principal payments of \$185,155 through December 2008, but are callable after three years. The credit facility is secured by a first priority perfected security interest in and lien on all assets (real and personal, tangible and intangible) of the Company excluding its Burlington, North Carolina property. The initial proceeds of the new facility were used to repay the outstanding indebtedness under the Company's previously existing credit facility. As part of the refinancing, the Company recorded an extraordinary loss of \$260,000 (\$156,000 after tax) or \$0.03 per share after tax reflecting the write-off of unamortized finance costs relating to the previous existing credit facility.

The Revolver provides for a revolving line of credit under a borrowing base commitment subject to certain loan availability requirements. Loan availability under the Revolver may not exceed the lesser of: (1) \$12.0 million; or (2) the sum of (a) 85% of the Company's eligible accounts receivable plus (b) a percentage of the Company's eligible inventory which ranges from 35% to 70%. At no time may the sum of aggregated loan advances outstanding under the Revolver plus the aggregate amount of extended letter of credit guarantees exceed loan availability. The Company had available to it unused borrowing

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

capacity of \$3.0 million as of December 31, 2001.

The Revolver bears interest at LaSalle's prime rate plus 0.50% or the London Interbank Offered Rate ("LIBOR") plus 2.75%. The term loan bears interest at LaSalle's prime rate plus 0.75% or LIBOR plus 3.00%. The special advance bears interest at LaSalle's prime rate plus 1.00% or LIBOR plus 3.25%. The Company also pays a commitment fee of 0.50% on the unused portion of the Revolver. The interest rates at December 31, 2001 were at prime. LaSalle's prime rate was 4.75% at December 31, 2001.

As of December 31, 2001, all outstanding letters of credit were guaranteed by LaSalle. The Company pays an annual letter of credit fee of 2.00% on the outstanding balance to guarantee availability under the Revolver. Outstanding letters of credit at December 31, 2001 amounted to \$147,500 and related to workman's compensation insurance policies.

The LaSalle credit facility contains certain restrictive covenants including financial covenants related to net worth, debt service coverage, interest coverage and capital expenditures. As of December 31, 2001, the Company was in compliance with all financial covenants. In addition, the Company's credit facility restricts the ability of the Company to pay dividends.

At December 31, 2001, the Company had working capital of \$3.5 million, as compared to \$2.4 million at June 30, 2001. Historically, the Company's liquidity requirements have been met by a combination of funds provided by operations and its revolving credit agreements. Funds provided by

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operations during the six months ended December 31, 2001 were \$1.6 million compared with funds provided of \$1.6 million in the corresponding period in fiscal 2001.

During the six months ended December 31, 2001, capital expenditures totaled \$0.5 million compared with \$0.4 million in the corresponding period in fiscal 2001, and consisted primarily of additions to machinery and equipment. The Company makes capital improvements to improve efficiency and product quality, and periodically upgrades its equipment by purchasing or leasing new or previously used equipment.

The Company's current strategy is to continue to focus its efforts on its core business of folding cartons, as well as the supporting product lines of flexible, litho-laminated, and corrugated products. The Company intends to expand these product lines by utilizing the maximum capacity at each facility, while continually identifying, researching, and when applicable, implementing new technologies and equipment that will enable the Company to continue to improve performance, productivity, and profitability.

Under the current strategy, management believes that future funds generated by operations and borrowings available under its credit facility with LaSalle will be sufficient to meet working capital and capital expenditure requirements in the near term.

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

Contractual Obligations and Commercial Commitments

The Company has contractual obligations and commercial commitments that may affect its financial condition. Based on management's assessment of the underlying provisions and circumstances of the material contractual obligations and commercial commitments of the Company, including material off-balance sheet and structured finance arrangements, there is no known trend, demand, commitment, event or uncertainty that is reasonably likely to occur which would have a material effect on the Company's financial condition or results of operations. The following tables identify material obligations and commitments as of December 31, 2001:

Contractual Cash Obligations (Thousands of Dollars)	Total	Payments Due by Period				Ye
		1 Year	2-3 Years	After 5 4-5 Years	Ye	
Long-term debt	\$ 15,553	\$ 2,222	\$ 13,331	\$ -	\$	
Revolving Line-of-Credit (a)	4,891	4,891	-	-	-	
Capital lease obligations	29	19	10	-	-	
Operating leases	4,271	1,354	2,136	573	-	
Unconditional purchase obligations	234	234	-	-	-	
Total contractual cash obligations	\$ 24,978	\$ 8,720	\$ 15,477	\$ 573	\$	

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Other Commercial Commitments (Thousands of Dollars)	Total Amounts Committed	Amount of Commitment Expiration Per Period				After Year
		1 Year	2-3 Years	4-5 Years		
Revolving Line-of-Credit (b)	\$ 3,000	\$ -	\$ 3,000	\$ -	\$	
Standby letters of credit	148	148	-	-		
Total commercial commitment	\$ 3,148	\$ 148	\$ 3,000	\$ -	\$	

- (a) The revolving line-of-credit represents the actual outstanding balance, as of December 31, 2001.
- (b) The revolving line-of-credit represents the unused borrowing capacity available to the Company, as of December 31, 2001.

Recently Issued Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") approved the issuance of SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These standards establish accounting and reporting for business combinations, goodwill and other intangibles. SFAS No. 141 requires that all business combinations entered into subsequent to June 30, 2001 be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized, but will be tested for impairment on an annual basis. SFAS No. 142 is effective for the Company beginning July 1, 2002. The Company has

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

not quantified the impact resulting from the adoption of these standards including the impact, if any, of completion of the annual impairment test. However, the historical impact of not amortizing goodwill would have been to increase net income by \$33,000 and \$67,000 for the three months and six months ended, respectively, for both December 31, 2001 and December 31, 2000.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This standard addresses financial accounting and reporting for obligations related to the retirement of tangible long-lived assets and the related asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

In addition, in August 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets". The standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets and is effective for fiscal years beginning after December 15, 2001. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on the financial statements.

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Forward-Looking Statements

Statements that are not historical facts, including statements about our confidence in the Company's prospects and strategies and our expectations about the Company's sales expansion, are forward-looking statements that involve risks and uncertainties. These risks and uncertainties include, but are not limited to: (1) softened demand for the Company's products due to overall economic conditions; (2) the Company's ability to execute its business plan; (3) market acceptance risks, including whether or not the Company will be able to successfully gain market share against competitors, many of which have greater financial and other resources than the Company, and the continuing trend of customers to increase their buying power by consolidating the number of vendors they maintain; (4) manufacturing capacity constraints, including whether or not, as the Company increases its sales, it will be able to successfully integrate its new customers into its existing manufacturing and distribution system; (5) the introduction of competing products by other firms; (6) pressure on pricing from competition or purchasers of the Company's products; (7) whether the Company will be able to pass on to its customers price increases for paper and paperboard products; (8) continued stability in other raw material prices, including oil-based resin and plastic film; (9) the impact of government regulation on the Company's manufacturing, including whether or not additional capital expenditures will be needed to comply with applicable environmental laws and regulations as the Company's production increases; (10) the Company's ability to continue to comply with the restrictive covenants in its credit facility or to obtain waivers if it is not in compliance in the future; and (11) the outcome of the Anthem Health Plans litigation. Investors and potential investors are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's analysis only as of the date of this report. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this report. These risks and others that are detailed in this Form 10-Q and other documents that the Company files from time to time with the Securities and Exchange Commission, including its annual report on Form 10-K and any current reports on Form 8-K, must be considered by any investor or potential investor in the Company.

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk is fluctuation in interest rates. All of the Company's debt at December 31, 2001 was at variable interest rates. A hypothetical 10% change in interest rates would have had a \$0.1 million impact on interest expense for the six months ended December 31, 2001.

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company is a party to certain lawsuits and administrative proceedings that arise in the conduct of its business.

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While the outcome of these lawsuits and proceedings cannot be predicted with certainty, management believes that, if adversely determined, the lawsuits and proceedings, either singularly or in the aggregate, would not have a material adverse effect on the financial condition, results of operations or net cash flows of the Company.

On April 28, 1999, the Company filed a lawsuit captioned Gibraltar Packaging Group, Inc. v. Anthem Health Plans, d.b.a. Anthem Blue Cross and Blue Shield of Connecticut ("Anthem"), in the United States District Court for the District of Connecticut. The Company is seeking damages for Anthem's alleged breach of a contract for health insurance for employees of the Company. In October 2000, Anthem filed a counterclaim for unpaid premiums. The amount of the counterclaim is unknown. Discovery has revealed that a third party may be liable to indemnify the Company for all or part of the counterclaim, and the Company has brought a third party claim against this party in the litigation. There can be no assurances that the outcome of the litigation would not have an adverse impact on the Company. The parties participated in a settlement mediation in December 1999 and are gathering additional information through depositions. The Company anticipates another settlement mediation will be scheduled before the end of 2002.

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting of Stockholders on November 7, 2001 a total of 4,787,732 shares, or 94.97%, of outstanding shares were represented and entitled to vote.

(a) The following members were elected to the Board of Directors:

	FOR	WITHHOLD
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David G. Chandler	4,643,712	144,020
Richard D. Hinrichs	4,744,103	43,629
John W. Lloyd	4,744,203	43,529
Walter E. Rose	4,644,312	143,420
Robert G. Shaw	4,743,603	44,129
John D. Strautnieks	4,644,312	143,142

(b) The following proposal was approved:

Ratification of Deloitte & Touche LLP as the independent auditors for the Company for the 2002 fiscal year.

Affirmative Votes:	4,764,613
Negative Votes:	100
Abstentions:	23,019

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

None

(b) Reports on Form 8-K:

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None

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GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

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.

GIBRALTAR PACKAGING GROUP, INC.

By: /s/ Lyle O. Halstead

/s/ Brett E. Moller

Lyle O. Halstead
V. P. Finance - Operations
(Principal Accounting Officer)

Brett E. Moller
V. P. Finance - Corporate
(Principal Financial Officer)

Date: February 11, 2002

February 11, 2002

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