

PACKAGING CORP OF AMERICA
Form 10-K
February 27, 2015

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

Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
Commission file number 1-15399

(Exact Name of Registrant as Specified in its Charter)
Delaware 36-4277050
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

1955 West Field Court, Lake Forest, Illinois 60045
(Address of Principal Executive Offices) (Zip Code)
Registrant's telephone number, including area code: (847) 482-3000

Securities registered pursuant to Section 12(b) of the Act:
Title of Each Class Name of Each Exchange On Which Registered
Common Stock, \$0.01 par value New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

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

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 (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

At June 30, 2014, the last day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of Registrant's common equity held by non-affiliates was approximately \$6,937,544,233 based upon the closing sale price as reported on the New York Stock Exchange. This calculation of market value has been made for the purposes of this report only and should not be considered as an admission or conclusion by the Registrant that any person is in fact an affiliate of the Registrant.

On January 30, 2015, there were 98,368,249 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the Proxy Statement for the Registrant's 2015 Annual Meeting of Stockholders are incorporated by reference to the extent indicated in Part III of this Form 10-K.

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PART I

Item 1. BUSINESS

Packaging Corporation of America ("we," "us," "our," "PCA," or the "Company") is the fourth largest producer of containerboard and the third largest producer of white papers in North America, based on production capacity. We operate eight mills and 99 corrugated products manufacturing plants. We are headquartered in Lake Forest, Illinois, and have approximately 14,000 employees. Our operations are primarily in the United States and we have some converting operations in Europe, Mexico, and Canada.

On October 25, 2013, PCA acquired Boise Inc. (Boise) for \$2.1 billion, including the fair value of assumed debt. After the acquisition, we began reporting in three reportable segments: Packaging, Paper, and Corporate and Other. We present information pertaining to each of our segments and the geographic areas in which they operate in Note 18, Segment Information, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" of this Form 10-K. For more information about our acquisition of Boise, see Note 3, Acquisitions, of the Notes to Consolidated Financial Statements.

Production and Shipments

The following table summarizes the Packaging segment's containerboard production and corrugated products shipments and the Paper segment's production, including Boise Inc. Boise's historical data for periods prior to the acquisition on October 25, 2013, are included for comparative purposes only, and are not included in PCA's historical results.

			First Quarter	Second Quarter	Third Quarter	Fourth Quarter (a)	Full Year
Containerboard Production (thousand tons)	PCA	2014	821	846	858	927	3,452
		2013	646	629	671	803	2,749
		2012	640	638	670	652	2,600
	Boise	2013	171	188	196	50	605
		2012	186	180	189	193	748
Corrugated Shipments (BSF)	PCA	2014	11.6	12.1	12.4	12.1	48.2
		2013	8.8	9.4	9.3	10.9	38.4
		2012	8.5	8.8	8.6	8.8	34.7
	Boise	2013	2.4	2.5	2.4	0.7	8.0
		2012	2.3	2.4	2.5	2.4	9.6
Newsprint Production (thousand tons)	PCA	2014	56	56	50	—	162
		2013	—	—	—	44	44
	Boise	2013	53	58	60	15	186
		2012	55	58	60	60	233
White Paper (UFS) Production (thousand tons)	PCA	2014	286	275	296	287	1,144
		2013	—	—	—	208	208
	Boise	2013	303	301	323	76	1,003
		2012	320	313	323	293	1,249
Market Pulp Production (thousand tons)	PCA	2014	26	23	26	25	100
		2013	—	—	—	20	20

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Boise	2013	24	24	29	5	82
	2012	39	30	26	25	120

Production and shipments activity prior to the acquisition of Boise on October 25, 2013, is included in the "Boise" (a) fourth quarter 2013 production and shipments. Activity subsequent to the acquisition of Boise is included in the "PCA" fourth quarter 2013 production and shipments.

Below is a map of our locations:

Packaging

Packaging Products

Our corrugated products manufacturing plants produce a wide variety of corrugated packaging products, including conventional shipping containers used to protect and transport manufactured goods, multi-color boxes, and displays with strong visual appeal that help to merchandise the packaged product in retail locations. In addition, we are a large producer of packaging for meat, fresh fruit and vegetables, processed food, beverages, and other industrial and consumer products.

During the year ended December 31, 2014, our Packaging segment produced 3.5 million tons of containerboard at our mills. Our corrugated products manufacturing plants sold about 48.2 billion square feet (BSF) of corrugated products. Our net sales to third parties totaled \$4.5 billion in 2014.

On October 17, 2014, we completed the No. 3 newsprint machine conversion at the DeRidder, Louisiana, mill to produce containerboard. After startup, the converted machine produced 58,000 tons of containerboard during the fourth quarter. We stopped producing newsprint in September 2014.

Facilities

We manufacture our Packaging products at five containerboard mills, one containerboard machine (at our Wallula, Washington, white paper mill), corrugated manufacturing operations, and protective packaging operations. The following provides more details of our operations:

Counce. Our Counce, Tennessee, mill produces kraft linerboard. Its year-end 2014 annual estimated production capacity, as reported to the American Forest and Paper Association (AF&PA), was 1,070,000 tons. In 2014, the mill produced 1,079,000 tons of kraft linerboard on two paper machines. The mill can produce basis weights from 26 lb. to 90 lb. The mill also produces a variety of performance and specialty grades of linerboard.

DeRidder. Our DeRidder, Louisiana, mill, acquired as part of the Boise acquisition, produces kraft linerboard on its No. 1 machine and linerboard and medium on its newly-converted No. 3 machine. The year-end 2014 estimated capacity reported to the AF&PA, on the two machines, was 935,000 tons. The No. 1 machine produced 601,000 tons of kraft linerboard during 2014. The No. 3 machine, which was converted from a newsprint machine and began operation as a containerboard machine on October 17, 2014, produced 46,000 tons of medium and 12,000 tons of linerboard after conversion. The mill can produce linerboard in basis weights of 26 lb. to 69 lb. and medium in basis weights of 23 lb. to 33 lb.

Valdosta. Our Valdosta, Georgia, mill produces kraft linerboard. Its year-end 2014 annual estimated production capacity, as reported to the AF&PA, was 570,000 tons. In 2014, our single paper machine at Valdosta produced 573,000 tons of kraft linerboard. The mill can produce basis weights from 35 lb. to 96 lb.

Tomahawk. Our Tomahawk, Wisconsin, mill produces semi-chemical corrugating medium. Its year-end 2014 annual estimated production capacity, as reported to the AF&PA, was 555,000 tons. In 2014, the mill produced 555,000 tons of semi-chemical corrugating medium on two paper machines. The Tomahawk mill can produce basis weights from 23 lb. to 47 lb. and a variety of performance and specialty grades of corrugating medium.

Filer City. Our Filer City, Michigan, mill produces semi-chemical corrugating medium. Its year-end 2014 annual estimated production capacity, as reported to the AF&PA, was 440,000 tons. In 2014, the mill produced 444,000 tons on three paper machines. Filer City can produce corrugating medium in basis weight from 20 lb. to 47 lb.

Wallula. Our Wallula, Washington, mill, acquired as part of the Boise acquisition, primarily produces white paper, but also produces corrugating medium on one of its paper machines. Its year-end 2014 annual estimated production capacity of medium, as reported to the AF&PA, was 145,000 tons. In 2014, the mill produced 142,000 tons of corrugating medium. Wallula can produce corrugating medium in basis weights from 23 lb. to 45 lb.

We operate 99 corrugated manufacturing operations, a technical and development center, eight regional design centers, a rotogravure printing operation, and a complement of packaging supplies and distribution centers. Of the 99 manufacturing facilities, 65 operate as combining operations, commonly called corrugated plants, which manufacture corrugated sheets and finished corrugated containers, 33 are sheet plants which procure combined sheets and manufacture finished corrugated containers, and one is a corrugated sheet-only manufacturer.

We have corrugated manufacturing operations in 32 states in the U.S. We also have Hexacomb converting operations outside of the continental U.S., including three facilities in Europe, two in Mexico, and one in Canada.

Corrugated products plants tend to be located in close proximity to customers to minimize freight costs. Each of our plants serve a market radius of around 150 miles. Our sheet plants are generally located in close proximity to our larger corrugated plants, which enables us to offer additional services and converting capabilities such as small

volume and quick turnaround items.

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Major Raw Materials Used

Fiber supply. Fiber is the single largest raw material cost to manufacture containerboard. We consume both wood fiber and recycled fiber in our containerboard mills. We have no 100% recycled mills, or mills whose fiber consumption consists solely of recycled fiber. To reduce our fiber costs, we have invested in processes and equipment to ensure a high degree of fiber flexibility. Our mill system has the capability to shift a portion of its fiber consumption between softwood, hardwood, and recycled sources. All of our mills, other than the Valdosta mill, can utilize some recycled fiber in their containerboard production. Our ability to use various types of virgin and recycled fiber helps mitigate the impact of changes in the prices of various fibers. Our corrugated manufacturing operations generate recycled fiber as a by-product from the manufacturing process, which is sold to our mills directly or through trade agreements. In 2014, we were a net recycled fiber buyer of less than 13% of our packaging mills' fiber requirements.

We procure wood fiber through leases of cutting rights, long-term supply agreements, and market purchases. We currently lease the cutting rights to approximately 88,000 acres of timberland located near our Counce, Tennessee, and Valdosta, Georgia, mills. Virtually all of the acres under cutting rights agreements are located within 100 miles of these two mills which results in lower wood transportation costs and provides a secure source of wood fiber. These leased cutting rights agreements have terms with about 14 years remaining, on average.

We participate in the Sustainable Forestry Initiative® (SFI) and we are certified under the SFI sourcing standards. These standards are aimed at ensuring the long-term health and conservation of forestry resources. We are committed to sourcing wood fiber through environmentally, socially, and economically sustainable practices and promoting resource and conservation stewardship ethics.

Energy supply. Energy at our packaging mills is obtained through purchased or self-generated fuels and electricity. Fuel sources include natural gas, by-products of the containerboard manufacturing and pulping process (including black liquor and wood waste), purchased wood waste, coal, and oil. Each of our mills self-generates process steam requirements from by-products (black liquor and wood waste), as well as from the various purchased fuels. The process steam is used throughout the production process and also to generate electricity.

In 2014, our packaging mills consumed about 59 million MMBTU's of fuel to produce both steam and electricity. Of the 59 million MMBTU's consumed, about 59% was from mill generated by-products, and 41% was from purchased fuels. Of the 41% in purchased fuels, 41% was from natural gas, 38% was from purchased wood waste, and 14% was from coal.

Sales, Marketing, and Distribution

Our corrugated products are sold through a direct sales and marketing organization, independent brokers, and distribution partners. We have sales representatives and a sales manager at most of our corrugated manufacturing operations and also have corporate account managers who serve customer accounts with a national presence. Additionally, our design centers maintain an on-site dedicated graphics sales force. In addition to direct sales and marketing personnel, we utilize new product development engineers and product graphics and design specialists. These individuals are located at both the corrugated plants and the design centers. General marketing support is located at our corporate headquarters.

Our containerboard sales group is responsible for the coordination of linerboard and corrugating medium sales to our corrugated plants, to other domestic customers, and to export customers. This group handles order processing for all shipments of containerboard from our mills to our corrugated plants. These personnel also coordinate and execute all containerboard trade agreements with other containerboard manufacturers.

Containerboard produced in our mills is shipped by rail or truck. Rail shipments typically represent approximately 65% of the tons shipped and the remaining 35% is comprised of truck shipments. Our corrugated products are delivered by truck due to our large number of customers and their demand for timely service. Our corrugated manufacturing operations typically serve customers within a 150 mile radius. We use third-party warehouses for short-term storage of corrugated products.

Customers

We sell corrugated products to approximately 19,000 customers in over 30,000 locations. About three-quarters of our corrugated products sales are to regional and local accounts, which are broadly diversified across industries and geographic

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locations. The remaining one-quarter of our customer base consists primarily of national accounts that have multiple locations and are served by a number of PCA plants. No single customer exceeds 10% of segment sales.

The primary end-use markets in the United States for corrugated products are shown below as reported in the 2013 Fibre Box Association annual report:

Food, beverages, and agricultural products	40	%
Retail and wholesale trade	21	%
Paper and other products	20	%
Miscellaneous manufacturing	9	%
Chemical, plastic, and rubber products	7	%
Furniture and related products	3	%

Competition

As of December 31, 2014, we are the fourth largest producer of containerboard and corrugated products in the United States, according to industry sources and our own estimates. According to industry sources, corrugated products are produced by about 535 U.S. companies operating approximately 1,200 plants. The primary basis for competition for most of our packaging products includes quality, service, price, product design, and innovation. Most corrugated products are manufactured to the customer's specifications. Corrugated producers generally sell within a 150-mile radius of their plants and compete with other corrugated producers in their local region. Competition in our corrugated product operations tends to be regional, although we also face competition from large competitors with significant national account presence, and competition varies based on each type of corrugated container we sell.

On a national level our primary competitors are International Paper Company, Rock-Tenn Company, Georgia-Pacific LLC, and KapStone Paper and Packaging Corporation. However, with our strategic focus on regional and local accounts, we also compete with the smaller, independent converters.

Paper

Our Paper segment operating under the trade name Boise Paper, was acquired with the acquisition of Boise Inc. on October 25, 2013. We are the third largest manufacturer of white papers in North America, according to industry sources and our own estimates. We manufacture and sell white papers, including both commodity and specialty papers, which may have custom or specialized features such as colors, coatings, high brightness, and recycled content. White papers consist of communication papers (cut-size office papers and printing and converting papers) and pressure sensitive papers, including release liners, which our customers use to produce labels for use in consumer and commercially-packaged products. The Paper segment also produces market pulp on one paper machine at our Wallula, Washington, mill, which is sold to outside customers to produce paper products.

Facilities

We have three white paper mills located in the United States. The following paragraphs describe our white paper mills:

Jackson. Our Jackson, Alabama, mill produces both commodity and specialty papers. Its year-end 2014 annual estimated production capacity of white papers on two paper machines, as reported to the AF&PA, was 490,000 tons. In 2014, the mill produced 494,000 tons of white papers. On a converted basis, from rollstock to cut-size white papers, the mill produced 416,000 tons in 2014.

International Falls. Our International Falls, Minnesota, mill produces both commodity and specialty papers. Its year-end 2014 annual estimated production capacity of white papers on two paper machines, as reported to the AF&PA, was 455,000 tons. In 2014, the mill produced 457,000 tons of white papers. On a converted basis, from rollstock to cut-size white papers, the mill produced 335,000 tons in 2014.

Wallula. Our Wallula, Washington, mill has the ability, on one machine, to switch production between pressure sensitive papers and a variety of white paper grades. The mill also produces corrugating medium and market pulp. Its year-end 2014 annual estimated production capacity of white paper grades and market pulp, as reported to the AF&PA, was 190,000 tons

and 100,000 tons, respectively. The corrugating medium produced at Wallula is included in our Packaging segment as discussed above. In 2014, the mill produced 193,000 tons of white papers and 100,000 tons of market pulp.

Major Raw Materials Used

Fiber supply. Fiber is our principal raw material in this segment, including wood fiber, recycled fiber, and purchased pulp. We purchase both whole logs and wood chips, which are a byproduct of lumber and plywood production. At our mill in Jackson, Alabama, we also purchase recycled fiber to produce our line of recycled office papers. Our Jackson and International Falls paper mills also purchase pulp from third parties pursuant to contractual arrangements. We negotiate these arrangements periodically, and terms can fluctuate based on prevailing pulp market conditions, including pricing and supply dynamics.

We purchase wood fiber through contracts and open-market purchases. Our contracts are generally with suppliers located in close proximity to the specific facility they supply, and they commonly contain price adjustment mechanisms to account for market price and expense volatility.

We participate in the Sustainable Forestry Initiative® (SFI) and the Forest Stewardship Council® (FSC) and are certified under the SFI sourcing standards. We procure all wood fiber for our white paper mills through our certified systems that are managed in accordance with the SFI and FSC standards. These standards are aimed at ensuring the long-term health and conservation of forestry resources.

Energy supply. We obtain energy through purchased or self-generated fuels and electricity. Fuel sources include natural gas, electricity, by-products of the manufacturing and pulping process (including black liquor and wood waste), and purchased wood waste. Each of the paper mills self-generates process steam requirements from by-products (black liquor and wood waste), as well as from the various purchased fuels. The process steam is used throughout the production process and also to generate electricity.

In 2014, our white paper mills consumed about 29 million MMBTU's of fuel to produce both steam and electricity. Of the 29 million MMBTU's consumed, about 64% was from mill generated by-products, and 36% was from purchased fuels. Of the 36% in purchased fuels, 71% was from natural gas, and 29% from purchased wood waste.

Chemical supply. We consume a significant amount of chemicals in the production of white papers and pulp, including starch, precipitated calcium carbonate, caustic soda, sodium chlorate, dyestuffs, and optical brighteners. Most of our chemicals are purchased under contracts, which may contain price adjustment mechanisms or fixed prices designed to provide greater pricing stability than open-market purchases. These contracts are bid or negotiated periodically.

Sales, Marketing, and Distribution

Our white papers are sold primarily by our own sales personnel. We ship to customers both directly from our mills and through distribution centers and a network of outside warehouses by rail or truck. This allows us to respond quickly to customer requirements. Rail shipments typically represent approximately 70% of the tons shipped and the remaining 30% is comprised of truck shipments.

Customers

We have over 200 customers in approximately 500 locations. These customers include paper merchants, commercial and financial printers, envelope converters, and customers who use our pressure sensitive paper for specialty applications such as consumer and commercial product labels. We have established long-term relationships with many

of our customers. OfficeMax Incorporated (OfficeMax), a wholly-owned subsidiary of Office Depot, Inc., is our largest customer in the Paper segment. We have an agreement with OfficeMax in which we will supply at least 80% of OfficeMax's requirements for commodity office papers through December 2017; however, there are circumstances that could cause the agreement to terminate before 2017. If this were to occur, OfficeMax's purchase obligations under the agreement would phase out over two years. OfficeMax was acquired by Office Depot, Inc. late in 2013. In 2014, our sales revenue to Office Depot (including OfficeMax) represented 44% of our Paper segment sales revenue.

Competition

The markets in which our Paper segment competes are large and highly competitive. Commodity grades of white paper are globally traded, with numerous worldwide manufacturers, and as a result, these products compete primarily on the basis of price. All of our paper manufacturing facilities are located in the United States, and although we compete primarily in

the domestic market, we do face competition from foreign producers, and have experienced increased foreign competition in recent years. The level of this competition varies depending on domestic and foreign demand and foreign currency exchange rates. In general, paper production does not rely on proprietary processes or formulas, except in highly specialized or custom grades.

In January 2015, we, along with the United Steel Workers (USW) and other domestic paper producers, filed a petition before the United States International Trade Commission and the United States Department of Commerce, alleging that paper producers in China, Indonesia, Australia, Brazil, and Portugal are selling products in the United States and/or receiving government subsidies in violation of international trade rules. The agencies will investigate the claims over the next 12 to 15 months. If the investigations determine that trade rules were violated, then antidumping and/or countervailing duties will be imposed on imports from the countries found in violation. We cannot provide any assurance as to the ultimate outcome of these investigations.

Our largest competitors include Domtar Corporation, International Paper Company, and Georgia-Pacific LLC. Although price is the primary basis for competition in most of our paper grades, quality, and service are important competitive determinants. Our white papers compete with electronic data transmission, e-readers, electronic document storage alternatives, and paper grades we do not produce. Increasing shifts to these alternatives have had, and are likely to continue to have, an adverse effect on traditional print media and paper usage.

Corporate and Other

Our Corporate and Other segment includes corporate support staff services and related assets and liabilities, and foreign exchange gains and losses. This segment also includes transportation assets, such as rail cars and trucks, which we use to transport our products from our manufacturing sites and assets related to a 50% owned variable interest entity, Louisiana Timber Procurement Company, L.L.C. (LTP). For segment financial information see Note 18, Segment Information, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

Employees

As of December 31, 2014, we had approximately 14,000 employees, including 4,300 salaried employees and 9,700 hourly employees. Approximately 75% of our hourly employees are represented by unions. The majority of our unionized employees are represented by the USW, the International Brotherhood of Teamsters (IBT), the International Association of Machinists (IAM), and the Association of Western Pulp and Paper Workers (AWPPW). We are currently in negotiations to renew or extend any union contracts that have recently expired or are expiring in the near future, including the agreements at our Jackson, Alabama, paper mill, which expired August 31, 2014, and DeRidder, Tomahawk, and a portion of International Falls mill, which all expire in 2015. During 2014, we experienced no work stoppages and we believe we have satisfactory labor relations with our employees.

Environmental Matters

Our discussion of the financial impact of our compliance with environmental laws is presented under the caption "Environmental Matters" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Executive Officers of the Registrant

Brief statements setting forth the age at February 27, 2015, the principal occupation, employment during the past five years, the year in which such person first became an officer of PCA, and other information concerning each of our

executive officers appears below.

Mark W. Kowlzan, 59, Chief Executive Officer and Director - Mr. Kowlzan has served as Chief Executive Officer and a director of PCA since July 2010. From 1998 through June 2010, Mr. Kowlzan led the company's containerboard mill system, first as Vice President and General Manager and then as Senior Vice President - Containerboard. From 1996 through 1998, Mr. Kowlzan served in various senior mill-related operating positions with PCA and Tenneco Packaging, including as manager of the Counce linerboard mill. Prior to joining Tenneco Packaging, Mr. Kowlzan spent 15 years at International Paper Company, where he held a series of operational and managerial positions within its mill organization. Mr. Kowlzan is a member of the board of American Forest and Paper Association.

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Thomas A. Hassfurther, 59, Executive Vice President - Corrugated Products - Mr. Hassfurther has served as Executive Vice President - Corrugated Products of PCA since September 2009. From February 2005 to September 2009, Mr. Hassfurther served as Senior Vice President - Sales and Marketing, Corrugated Products. Prior to this he held various senior-level management and sales positions at PCA and Tenneco Packaging. Mr. Hassfurther joined the company in 1977.

Richard B. West, 62, Senior Vice President and Chief Financial Officer - Mr. West has served as Chief Financial Officer of PCA since March 1999 and as Senior Vice President since March 2002. From April 1999 to June 2007, Mr. West also served as Corporate Secretary. From 1995 through April 1999, Mr. West served in various senior financial positions with PCA and Tenneco Packaging. Prior to joining Tenneco Packaging, Mr. West spent 20 years with International Paper Company in various financial positions.

Judith M. Lassa, 56, Senior Vice President - Paper - Ms. Lassa has served as Senior Vice President - Paper since October 2013. Prior to PCA's acquisition of Boise Inc., she served as Executive Vice President and Chief Operating Officer of Boise from January 2013 to October 2013. Ms. Lassa served as Senior Vice President of Boise's paper and specialty products operations from November 2010 to December 2012. Prior to November 2010, she served in a number of capacities with Boise Cascade Corporation, Boise Cascade, L.L.C. and Boise Inc.

Thomas W.H. Walton, 55, Senior Vice President - Sales and Marketing, Corrugated Products - Mr. Walton has served as Senior Vice President - Sales and Marketing, Corrugated Products since October 2009. Prior to this, he served as a Vice President and Area General Manager within the Corrugated Products Group since 1998. Mr. Walton joined the company in 1981 and has also held positions in production, sales, and general management.

Kent A. Pflederer, 44, Senior Vice President, General Counsel and Secretary - Mr. Pflederer has served as General Counsel and Corporate Secretary since June 2007 and Senior Vice President since January 2013. Prior to joining PCA, Mr. Pflederer served as Senior Counsel, Corporate and Securities, at Hospira, Inc. from 2004 to 2007 and served in the corporate and securities practice at Mayer Brown, LLP from 1996 to 2004.

Charles J. Carter, 55, Senior Vice President - Containerboard Mill Operations - Mr. Carter has served as Senior Vice President - Containerboard Mill Operations since July 2013. Prior to this, he served as Vice President - Containerboard Mill Operations since January 2011. From March 2010 to January 2011, Mr. Carter served as PCA's Director of Papermaking Technology. Prior to joining PCA in 2010, Mr. Carter spent 28 years with various pulp and paper companies in managerial and technical positions of increasing responsibility, most recently as Vice President and General Manager of the Calhoun, Tennessee, mill of Abitibi Bowater from 2007 to 2010 and as manager of SP Newsprint's Dublin, Georgia, mill from 1999 to 2007.

Available Information

PCA's internet website address is www.packagingcorp.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. In addition, our Code of Ethics may be accessed in the Investor Relations section of PCA's website. PCA's website and the information contained or incorporated therein are not intended to be incorporated into this report.

Item 1A. RISK FACTORS

Some of the statements in this report and, in particular, statements found in Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical in nature are forward-looking statements within

the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements about our expectations regarding our future liquidity, earnings, expenditures, and financial condition. These statements are often identified by the words "will," "should," "anticipate," "believe," "expect," "intend," "estimate," "hope," or similar expressions. These statements reflect management's current views with respect to future events and are subject to risks and uncertainties. There are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. These factors, risks and uncertainties include, but are not limited to, the factors described below.

Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, we can give no assurances that any of the events anticipated by the forward-

looking statements will transpire or occur, or if any of them do so, what impact they will have on our results of operations or financial condition. In view of these uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements. We expressly disclaim any obligation to publicly revise any forward-looking statements that have been made to reflect the occurrence of events after the date hereof.

In addition to the risks and uncertainties we discuss elsewhere in this Form 10-K (particularly in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations") or in our other filings with the Securities and Exchange Commission (SEC), the following are important factors that could cause our actual results to differ materially from those we project in any forward-looking statement.

Industry Risks

Industry Cyclicalities - Changes in the prices of our products could materially affect our financial condition, results of operations, and liquidity. Macroeconomic conditions and fluctuations in industry capacity can create changes in prices, sales volumes, and margins for most of our products, particularly commodity grades of packaging and paper products. Prices for all of our products are driven by many factors, including general economic conditions, demand for our products, and competitive conditions in our industry, and we have little influence over the timing and extent of price changes, which are often volatile. If supply exceeds demand, prices for our products could decline, resulting in decreased earnings and cash generated from operations. Additionally, market conditions beyond our control can affect the prices for our commodity products. If the prices for our products decline or if we are unable to control our costs, it could have a material adverse effect on our operating cash flows, profitability, and liquidity.

Competition - The intensity of competition in the industries in which we operate could result in downward pressure on pricing and volume, which could lower earnings and cash generated from operations. Our industries are highly competitive, with no single containerboard, corrugated packaging, or white paper producer having a dominant position. Containerboard and commodity white paper products cannot generally be differentiated by producer, which tends to intensify price competition. The corrugated packaging industry is also sensitive to changes in economic conditions, as well as other factors including innovation, design, quality, and service. To the extent that one or more competitors are more successful than we are with respect to any key competitive factor, our business could be adversely affected. Our packaging products also compete, to some extent, with various other packaging materials, including products made of paper, plastics, wood, and various types of metal. Our white paper products compete with electronic data transmission and document storage alternatives. Increasing shifts to electronic alternatives have had and will continue to have an adverse effect on usage of these products. The intensity of competition could lead to a reduction in our market share as well as lower sales prices for our products, both of which could reduce our earnings and cash flow.

Several of our competitors are larger than we are and may have greater financial and other resources, greater manufacturing economies of scale, greater energy self sufficiency, or lower operating costs, compared with our company. We may be unable to compete with these companies particularly during economic downturns. Some of the factors that may adversely affect our ability to compete in the markets in which we participate include the entry of new competitors (including overseas producers, who have increased imports of white paper to the United States in recent years and some of whom we believe may be violating international trade rules) into the markets we serve, our competitors' pricing strategies, our inability to anticipate and respond to changing customer preferences, and our inability to maintain the cost-efficiency of our facilities.

Company Risks

Inflation and Other General Cost Increases - We are subject to both contractual, inflation, and other general cost increases. If we are unable to offset these cost increases by price increases, growth, and/or cost reductions in our

operations, these inflation and other general cost increases could have a material adverse effect of our operating cash flows, profitability, and liquidity.

In 2014, our total company costs including cost of sales (COS) and selling, general, and administrative expenses (SG&A) was \$5.1 billion, and excluding non-cash costs (depreciation, pension, and share-based compensation expense) was \$4.7 billion. A 1% increase in COS and SG&A costs would increase costs by \$51 million and cash costs by \$47 million.

Certain items of product input costs have historically been subject to more cost volatility including fiber, purchased energy, and chemicals.

Cost of Fiber - An increase in the cost of fiber could increase our manufacturing costs and lower our earnings. The market price of wood fiber varies based upon availability, source, and the costs of fuels used in the harvesting and

transportation of wood fiber. The cost and availability of wood fiber can also be impacted by weather, general logging conditions, and geography.

The availability and cost of recycled fiber depends heavily on recycling rates and the domestic and global demand for recycled products. We purchase recycled fiber for use at seven of our eight mills. In 2014, we purchased approximately 493,000 tons of recycled fiber, net of the recycled fiber generated by our corrugated box plants. The amount of recycled fiber purchased each year varies based upon production and the prices of both recycled fiber and wood fiber.

Periods of supply and demand imbalance have tended to create significant price volatility. Periods of higher recycled fiber costs and unusual price volatility have occurred in the past and may occur again in the future, which could result in lower or volatile earnings.

Cost of Purchased Energy and Chemicals - An increase in the cost of purchased energy and chemicals could lead to higher manufacturing costs, resulting in reduced earnings. We have the ability to use various types of purchased fuels in our manufacturing operations, including coal, bark, natural gas, and oil. Energy prices, in particular prices for oil and natural gas, have fluctuated dramatically in the past. New and more stringent environmental regulations may discourage, or make more expensive, the use of certain fuels. In addition, costs for key chemicals used in our manufacturing also fluctuate. These fluctuations impact our manufacturing costs and result in earnings volatility. If energy and chemical prices rise, our production costs and transportation costs will increase and cause higher manufacturing costs and reduced earnings.

Material Disruption of Manufacturing - A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales, and/or negatively affect our results of operations and financial condition. Our business depends on continuous operation of our facilities, particularly at our mills. Any of our manufacturing facilities, or any of our machines within such facilities, could cease operations unexpectedly for a significant period of time due to a number of events, including:

• Unscheduled maintenance outages.

• Prolonged power failures.

• Equipment failure.

• Explosion of a boiler.

• Disruption in the supply of raw materials, such as wood fiber, energy, or chemicals.

- A chemical spill or release.

• Closure related to environmental concerns.

• Labor difficulties.

- Disruptions in the transportation infrastructure, including roads, bridges, railroad tracks, and tunnels.

• Fires, floods, earthquakes, hurricanes, or other catastrophes.

• Terrorism or threats of terrorism.

• Other operational problems.

These events could harm our ability to serve our customers and lead to higher costs and reduced earnings.

Environmental Matters - PCA may incur significant environmental liabilities with respect to both past and future operations. We are subject to, and must comply with, a variety of federal, state and local environmental laws, particularly those relating to air and water quality, waste disposal and the cleanup of contaminated soil and groundwater. Because environmental regulations are constantly evolving, we have incurred, and will continue to

incur, costs to maintain compliance with those laws. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters" for estimates of expenditures we expect to make for environmental compliance in the next few years. New and more stringent environmental regulations, including new U.S. Environmental Protection Agency rules relating to industrial boiler emissions known as the Boiler MACT rules, are expected to require us to incur significant additional capital expenditures to modify or replace certain of our boilers. In addition, environmental regulations may increase the cost of our raw materials and purchased energy. Although we have established reserves to provide for known environmental liabilities, these reserves may change over time due to the enactment of new environmental laws or regulations or changes in existing laws or regulations, which might require additional significant environmental expenditures.

Customer Concentration - OfficeMax represents a significant portion of PCA's paper business. We have a supply agreement with OfficeMax, our largest customer in the paper segment. The agreement requires OfficeMax to buy, and us to supply, at least 80% of OfficeMax's requirements for office papers through December 2017; however, there are circumstances that could cause the agreement to terminate before 2017. If this were to occur, OfficeMax's purchase obligations under the agreement would phase out over two years. OfficeMax was acquired by Office Depot, Inc. late in 2013. Office Depot has since

agreed to be acquired by Staples, Inc. on February 4, 2015. The pending acquisition by Staples is subject to the satisfaction of certain conditions. If the acquisition of Office Depot by Staples is consummated, the risks described below may be intensified.

Our agreement with OfficeMax will continue to remain in effect after a merger or acquisition as to the office paper requirements of the legacy OfficeMax business. However, we cannot predict how any merger or acquisition will affect the financial condition of the ultimate entity, the paper requirements of the legacy Office Max business, the purchasing decisions of the ultimate entity or the effects on pricing or competition for office papers. In 2014, sales to Office Depot (including Office Max) represented 44% of our Paper segment sales. If these sales are reduced, whether as a result of the pending integration of Office Max into Office Depot, the future acquisition of Office Depot by Staples or otherwise, we would need to find new customers, which could harm our profitability if our prices are lower or costs are higher. Any significant deterioration in the financial condition of the ultimate entity affecting its ability to pay or any other change that results in its willingness to purchase our products will harm our business and results of operations.

Acquisition Integration - The acquired businesses may underperform relative to our expectations, and we may not be able to successfully integrate the businesses. The acquired businesses may underperform relative to our expectations, which may cause our financial results to differ from our own or the investment community's expectations. If the acquired businesses underperform relative to our expectations, or if we fail to successfully integrate the businesses, our business, financial condition, and results of operations may be materially and adversely affected.

Cyber Security - Risks related to security breaches of company, customer, employee, and vendor information, as well as the technology that manages our operations and other business processes, could adversely affect our business. We rely on various information technology systems to capture, process, store, and report data and interact with customers, vendors, and employees. Despite careful security and controls design, implementation, updating, and internal and independent third-party assessments, our information technology systems, and those of our third party providers, could become subject to cyber attacks or security breaches. Network, system, and data breaches could result in misappropriation of sensitive data or operational disruptions including interruption to systems availability and denial of access to and misuse of applications required by our customers to conduct business with us. Misuse of internal applications; theft of intellectual property, trade secrets, or other corporate assets; and inappropriate disclosure of confidential information could stem from such incidents. Delayed sales, slowed production, or other repercussions resulting from these disruptions could result in lost sales, business delays, and negative publicity and could have a material adverse effect on our operations, financial condition, or cash flows.

Risks Related to Economic, Financial, and Investment Risk

Increased leverage may reduce our operating flexibility. At December 31, 2014, we had \$2.3 billion of long-term debt outstanding and a \$350.0 million undrawn revolving credit facility. We and our subsidiaries may incur additional indebtedness in the future. Our current borrowings, plus any future borrowings, may affect our future operations, including, without limitation:

- Result in additional cash requirements to make interest and maturity payments on our outstanding indebtedness;
- Increase our vulnerability to adverse changes in our business or industry conditions;
- Limit our ability to obtain additional financing for working capital, capital expenditures, general corporate, and other purposes;
- Limit our flexibility in planning for, or reacting to, changes in our business and our industry; and
- Limit our flexibility to make acquisitions.

Further, if we cannot service our indebtedness, we may have to take actions to secure additional cash by selling assets, seeking additional equity or reducing investments.

Market Price of our Common Stock - The market price of our common stock may be volatile, which could cause the value of the stock to decline. Securities markets worldwide periodically experience significant price declines and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could reduce the market price of our common stock in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response, the market price of our common stock could decrease significantly.

General Economic Conditions - Adverse business and global economic conditions may have a material adverse effect on our business, results of operations, liquidity, and financial position. General global economic conditions adversely affect the demand and production of consumer goods, employment levels, the availability and cost of credit, and ultimately, the profitability of our business. High unemployment rates, lower family income, lower corporate earnings, lower business

investment, and lower consumer spending typically result in decreased demand for our products. These conditions are beyond our control and may have a significant impact on our business, results of operations, liquidity, and financial position.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We own and lease properties in our business. All of our leases are noncancelable and are primarily accounted for as operating leases. These leases are not subject to early termination except for standard nonperformance clauses.

Information concerning capacity and utilization of our principal operating facilities, the segments that use those facilities, and a map of geographical locations is presented in "Part I, Item 1. Business" of this Form 10-K. We assess the condition and capacity of our manufacturing, distribution, and other facilities needed to meet our operating requirements. Our properties have been generally well maintained and are in good operating condition. In general, our facilities have sufficient capacity and are adequate for our production and distribution requirements.

We currently own buildings and land for five containerboard mills and three white paper mills. Additionally, we have 99 corrugated manufacturing operations, of which the buildings and land for 53 are owned, including 45 combining operations, or corrugated plants, one corrugated sheet-only manufacturer, and seven sheet plants. For 20 corrugated plants and 26 sheet plants the buildings and land are leased. We own one warehouse and miscellaneous other properties, including sales offices and woodlands management offices. We lease space for regional design centers and numerous other distribution centers, warehouses, and facilities. The equipment in these leased facilities is, in virtually all cases, owned by us, except for forklifts and other rolling stock which are generally leased.

We lease the cutting rights to approximately 88,000 acres of timberland located near our Valdosta mill (77,000 acres) and our Counce mill (11,000 acres). On average, these cutting rights agreements have terms with approximately 14 years remaining. Additionally, we lease approximately 9,000 acres of land for a fiber farm, located near our Wallula mill, where we plant, grow, and harvest fiber.

Our corporate headquarters is located in Lake Forest, Illinois. The headquarter facilities are leased for the next seven years with provisions for two additional five year lease extensions. We also lease an administrative office in Boise, Idaho, which is leased through March 2018.

Item 3. LEGAL PROCEEDINGS

Information concerning legal proceedings can be found in Note 20, Commitments, Guarantees, Indemnifications, and Legal Proceedings, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

Item 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

Item MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND
5. ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

PCA's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "PKG". The following table sets forth the high and low sales prices as reported by the NYSE and the cash dividends declared per common share during the last two years.

Quarter Ended	2014		Dividends Declared	2013		Dividends Declared
	Sales Price High	Low		Sales Price High	Low	
March 31	\$75.10	\$61.35	\$0.40	\$44.93	\$37.86	\$0.31
June 30	72.74	65.00	0.40	50.78	42.36	0.40
September 30	72.82	63.11	0.40	61.32	48.45	0.40
December 31	80.14	57.06	0.40	64.39	55.66	0.40

Stockholders

On January 30, 2015, there were 73 holders of record of our common stock.

Dividend Policy

PCA expects to continue to pay regular cash dividends, although there is no assurance as to the timing or level of future dividend payments because these depend on future earnings, capital requirements, and financial condition. The timing and amount of future dividends are subject to the determination of PCA's Board of Directors.

On February 26, 2015, PCA announced an increase of its quarterly cash dividend on its common stock from an annual payout of \$1.60 per share to an annual payout of \$2.20 per share. The first quarterly dividend of \$0.55 per share will be paid on April 15, 2015 to shareholders of record as of March 13, 2015.

Purchases of Equity Securities

Stock Repurchase Program

On December 14, 2011, PCA announced that its Board of Directors had authorized the repurchase of an additional \$150.0 million of its common stock. In 2014, the Company did not repurchase any shares of common stock. In 2013, the Company repurchased 171,263 shares of common stock for \$7.8 million, or an average price of \$45.54 per share. All shares repurchased under this authorization were retired prior to the end of 2013. As of December 31, 2014, \$98.1 million of the \$150.0 million authorization remained available for repurchase of the Company's common stock. All shares repurchased under this authorization have been retired.

The Company withholds shares from vesting employee equity awards to cover employee tax liabilities. Total shares withheld in 2014 were 183,170 at an average price of \$71.94, or \$13.2 million. Total shares withheld in 2013 were 223,995 at an average price of \$48.91, or \$11.0 million.

The following table presents information related to our repurchases of common stock made under our plan announced on December 14, 2011, and shares withheld to cover taxes on vesting of equity awards, during the three months ended December 31, 2014:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
October 1-31, 2014	—	\$—	—	\$98,086
November 1-30, 2014	—	—	—	98,086
December 1-31, 2014	14,706	76.55	—	98,086
Total	14,706	(a) \$76.55	—	\$98,086

(a) 14,706 shares were withheld from employees to cover income and payroll taxes on equity awards that vested during the period.

Performance Graph

The graph below compares PCA's cumulative 5-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index; the S&P Midcap 400 index; and a Peer Group that includes three publicly-traded companies, which are International Paper Company, Kapstone Paper and Packaging Corporation, and Rock-Tenn Company. The graph tracks the performance of a \$100 investment (including the reinvestment of all dividends) in our common stock, in each index, and in the peer groups' common stock from December 31, 2009, through December 31, 2014. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

	Cumulative Total Return					
	December 31					
	2009	2010	2011	2012	2013	2014
Packaging Corporation of America	\$100.00	\$115.11	\$115.88	\$182.34	\$308.86	\$389.45
S&P 500	100.00	115.06	117.49	136.30	180.44	205.14
S&P Midcap 400	100.00	126.64	124.45	146.69	195.84	214.97
Peer Group	100.00	105.80	117.87	160.44	220.35	251.79

The information in the graph and table above is not deemed "filed" with the Securities and Exchange Commission and is not to be incorporated by reference in any of PCA's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this Annual Report on Form 10-K, except to the extent that PCA specifically incorporates such information by reference.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical financial data of PCA (dollars and shares in millions, except per share data). The information contained in the table should be read in conjunction with the disclosures in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

	Year Ended December 31				
	2014 (a)	2013 (a)	2012	2011	2010
Statement of Income Data (b):					
Net Sales	\$5,852.6	\$3,665.3	\$2,843.9	\$2,620.1	\$2,435.6
Net Income	392.6	441.3	160.2	158.8	210.0
Net income per common share:					
— basic	3.99	4.57	1.66	1.60	2.07
— diluted	3.99	4.52	1.64	1.58	2.05
Weighted average common shares outstanding:					
— basic	97.0	96.6	96.4	99.3	101.7
— diluted	97.1	97.5	97.5	100.4	102.6
Earnings, before interest, taxes, depreciation, and amortization (EBITDA)	\$1,083.7	\$683.7	\$608.4	\$437.6	\$349.2
(c)					
Cash dividends declared per common share	1.60				