

GRAPHIC PACKAGING HOLDING CO

Form 10-Q/A

October 01, 2009

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q/A  
Amendment No. 2**

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

**For the quarterly period ended June 30, 2009**

**or**

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

**For the transition period from**

**to**

**COMMISSION FILE NUMBER: 001-33988**

**Graphic Packaging Holding Company**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**26-0405422**

(I.R.S. employer identification no.)

**814 Livingston Court**

**Marietta, Georgia**

(Address of principal executive offices)

**30067**

(Zip Code)

**(770) 644-3000**

(Registrant's telephone number, including area code)

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 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

(Do not check if a 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

As of July 31, 2009, there were 343,242,186 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.



**TABLE OF CONTENTS**

|                                     |    |
|-------------------------------------|----|
| <u>EXPLANATORY NOTE</u>             | 3  |
| <u>PART I FINANCIAL INFORMATION</u> | 4  |
| <u>ITEM 1. FINANCIAL STATEMENTS</u> | 4  |
| <u>PART II OTHER INFORMATION</u>    | 29 |
| <u>ITEM 6. EXHIBITS</u>             | 29 |
| <u>SIGNATURES</u>                   | 30 |

**Table of Contents**

**EXPLANATORY NOTE**

Graphic Packaging Holding Company (the Company) is filing this Amendment No. 2 on Form 10-Q/A to its Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, (the Form 10-Q), filed with the U.S. Securities and Exchange Commission (SEC) on August 5, 2009, for the purpose of disclosing the financial information of the issuer and guarantors of debt securities in accordance with Rule 3-10 of Regulation S-X. This disclosure is contained in Item 1. Financial Statements, as Footnote 13 Guarantor Condensed Consolidating Financial Statements. Such disclosure is required because certain subsidiaries of Altivity Packaging, LLC (Altivity) became guarantors of Graphic Packaging International, Inc.'s debt securities on March 10, 2008 in connection with the combination of the businesses of Altivity and Graphic Packaging Corporation.

No other changes have been made to the Form 10-Q by this Amendment No. 2. The Form 10-Q, as amended, continues to speak as of the original filing date, does not reflect events that may have occurred subsequent to the original filing date and does not modify or update any other disclosures made in the Form 10-Q. Pursuant to the rules of the SEC, however, the Company is filing currently dated certifications of the Company's Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1 and 32.2.

**Table of Contents**

**PART I FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**GRAPHIC PACKAGING HOLDING COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| <i>In millions, except share and per share amounts</i> | <b>June 30,<br/>2009</b><br>(Unaudited) | <b>December<br/>31,<br/>2008</b> |
|--|---|----------------------------------|
| <b>ASSETS</b>  |   |                                  |
| Current Assets:  |   |                                  |
| Cash and Cash Equivalents                              | \$ 160.6                                | \$ 170.1                         |
| Receivables, Net                                       | 406.8                                   | 369.6                            |
| Inventories, Net                                       | 473.0                                   | 532.0                            |
| Other Current Assets                                   | 62.3                                    | 56.9                             |
| <b>Total Current Assets</b>                            | <b>1,102.7</b>                          | <b>1,128.6</b>                   |
| Property, Plant and Equipment, Net                     | 1,870.0                                 | 1,935.1                          |
| Goodwill   | 1,209.0                                 | 1,204.8                          |
| Intangible Assets, Net                                 | 641.4                                   | 664.6                            |
| Other Assets   | 48.2                                    | 50.0                             |
| <b>Total Assets</b>                                    | <b>\$ 4,871.3</b>                       | <b>\$ 4,983.1</b>                |
| <b>LIABILITIES</b>                                     |   |                                  |
| Current Liabilities:                                   |   |                                  |
| Short Term Debt and Current Portion of Long-Term Debt  | \$ 27.6                                 | \$ 18.6                          |
| Accounts Payable                                       | 299.9                                   | 333.4                            |
| Compensation and Employee Benefits                     | 100.0                                   | 87.2                             |
| Interest Payable                                       | 47.8                                    | 57.8                             |
| Other Accrued Liabilities                              | 168.7                                   | 188.6                            |
| <b>Total Current Liabilities</b>                       | <b>644.0</b>                            | <b>685.6</b>                     |
| Long-Term Debt   | 3,040.7                                 | 3,165.2                          |
| Deferred Income Tax Liabilities                        | 210.5                                   | 187.8                            |
| Accrued Pension and Postretirement Benefits            | 378.9                                   | 375.8                            |
| Other Noncurrent Liabilities                           | 47.8                                    | 43.5                             |
| <b>Total Liabilities</b>                               | <b>4,321.9</b>                          | <b>4,457.9</b>                   |

**SHAREHOLDERS EQUITY**

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|  |                   |                   |
|--|-------------------|-------------------|
| Preferred Stock, par value \$.01 per share; 100,000,000 shares authorized; no shares issued or outstanding   |                   |                   |
| Common Stock, par value \$.01 per share; 1,000,000,000 shares authorized; 343,242,186 and 342,522,470 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively | 3.4               | 3.4               |
| Capital in Excess of Par Value   | 1,957.1           | 1,955.4           |
| Accumulated Deficit  | (1,084.0)         | (1,075.4)         |
| Accumulated Other Comprehensive Loss   | (327.1)           | (358.2)           |
| <b>Total Shareholders Equity</b>   | <b>549.4</b>      | <b>525.2</b>      |
| <b>Total Liabilities and Shareholders Equity</b>   | <b>\$ 4,871.3</b> | <b>\$ 4,983.1</b> |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents

**GRAPHIC PACKAGING HOLDING COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

|  | <b>Three Months</b> |             | <b>Six Months Ended</b> |             |
|--|---------------------|-------------|-------------------------|-------------|
|  | <b>Ended</b>        |             | <b>June 30,</b>         |             |
|  | <b>June 30,</b>     |             | <b>June 30,</b>         |             |
|  | <b>2009</b>         | <b>2008</b> | <b>2009</b>             | <b>2008</b> |
| <i>In millions, except per share amounts</i>                               |                     |             |                         |             |
| Net Sales  | \$1,043.8           | \$1,141.7   | \$2,063.0               | \$1,866.0   |
| Cost of Sales  | 901.7               | 998.1       | 1,794.6                 | 1,635.8     |
| Selling, General and Administrative  | 123.7               | 89.7        | 213.8                   | 151.0       |
| Research, Development and Engineering                                      | 2.2                 | 1.9         | 3.6                     | 3.9         |
| Other Income, Net  | (71.8)              | (9.9)       | (70.1)                  | (12.1)      |
| Income from Operations   | 88.0                | 61.9        | 121.1                   | 87.4        |
| Interest Income  | 0.1                 | 0.4         | 0.2                     | 0.5         |
| Interest Expense   | (52.6)              | (57.5)      | (104.9)                 | (100.3)     |
| Loss on Early Extinguishment of Debt                                       | (6.1)               |             | (6.1)                   |             |
| Income (Loss) before Income Taxes and Equity in Net Earnings of Affiliates | 29.4                | 4.8         | 10.3                    | (12.4)      |
| Income Tax Expense   | (10.1)              | (9.6)       | (19.4)                  | (16.0)      |
| Income (Loss) before Equity in Net Earnings of Affiliates                  | 19.3                | (4.8)       | (9.1)                   | (28.4)      |
| Equity in Net Earnings of Affiliates                                       | 0.3                 | 0.5         | 0.5                     | 0.8         |
| Net Income (Loss)  | \$ 19.6             | \$ (4.3)    | \$ (8.6)                | \$ (27.6)   |
| Income (Loss) Per Share Basic  | \$ 0.06             | \$ (0.01)   | \$ (0.03)               | \$ (0.10)   |
| Income (Loss) Per Share Diluted  | \$ 0.06             | \$ (0.01)   | \$ (0.03)               | \$ (0.10)   |
| Weighted Average Number of Shares Outstanding Basic                        | 343.0               | 342.9       | 342.8                   | 288.7       |
| Weighted Average Number of Shares Outstanding Diluted                      | 344.3               | 342.9       | 342.8                   | 288.7       |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.



**Table of Contents**

**GRAPHIC PACKAGING HOLDING COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

| <i>In millions</i>   | <b>Six Months Ended<br/>June 30,</b> |                |
|--|--------------------------------------|----------------|
|  | <b>2009</b>                          | <b>2008</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                                      |                |
| Net Loss   | \$ (8.6)                             | \$ (27.6)      |
| Noncash Items Included in Net Loss:                              |                                      |                |
| Depreciation and Amortization                                    | 151.8                                | 117.7          |
| Write-off of Debt Issuance Costs on Early Extinguishment of Debt | 1.3                                  |                |
| Deferred Income Taxes  | 20.0                                 | 13.2           |
| Amount of Postemployment Expense Greater (Less) Than Funding     | 24.1                                 | (20.6)         |
| Amortization of Deferred Debt Issuance Costs                     | 4.1                                  | 3.7            |
| Other, Net   | 3.8                                  | 14.4           |
| Changes in Operating Assets & Liabilities                        | (22.4)                               | (84.8)         |
| Net Cash Provided by Operating Activities                        | 174.1                                | 16.0           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                                      |                |
| Capital Spending   | (66.4)                               | (83.3)         |
| Acquisition Costs Related to Altiivity                           |                                      | (29.8)         |
| Cash Acquired Related to Altiivity                               |                                      | 60.2           |
| Proceeds from Sale of Assets, Net of Selling Costs               | 9.8                                  | 0.7            |
| Other, Net   | (0.7)                                | (2.3)          |
| Net Cash Used in Investing Activities                            | (57.3)                               | (54.5)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                     |                                      |                |
| Proceeds from Issuance of Debt, Net of Original Issue Discount   | 238.4                                | 1,200.0        |
| Payments on Debt   | (225.3)                              | (1,174.5)      |
| Borrowings under Revolving Credit Facilities                     | 100.6                                | 381.8          |
| Payments on Revolving Credit Facilities                          | (227.4)                              | (345.9)        |
| Debt Issuance Costs and Early Tender Premiums                    | (11.2)                               | (16.3)         |
| Other, Net   | (1.4)                                | (0.6)          |
| Net Cash (Used in) Provided by Financing Activities              | (126.3)                              | 44.5           |
| Effect of Exchange Rate Changes on Cash                          |                                      | 0.5            |
| Net (Decrease) Increase in Cash and Cash Equivalents             | (9.5)                                | 6.5            |
| Cash and Cash Equivalents at Beginning of Period                 | 170.1                                | 9.3            |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                | <b>\$ 160.6</b>                      | <b>\$ 15.8</b> |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents

**GRAPHIC PACKAGING HOLDING COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**(Unaudited)**

| <i>In millions, except share amounts</i>     | Common Stock       |              | Capital<br>in<br>Excess of<br>Par<br>Value | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Accumulated<br>Comprehensive<br>Income<br>(Loss) |
|--|--------------------|--------------|--|------------------------|---|--|
|  | Shares             | Amount       |  |                        | (Loss)  | (Loss)   |
| <b>Balances at December 31, 2007</b>         | <b>200,978,569</b> | <b>\$2.0</b> | <b>\$1,191.6</b>                           | <b>\$ (975.7)</b>      | <b>\$ (73.9)</b>  |  |
| Net Loss                                     |                    |              |  | (99.7)                 |   | \$ (99.7)  |
| Other Comprehensive Income<br>(Loss):        |                    |              |  |                        |   |  |
| Derivative Instruments Loss                  |                    |              |  |                        | (60.6)  | (60.6)   |
| Pension Benefit Plans                        |                    |              |  |                        | (212.2)   | (212.2)  |
| Postretirement Benefit Plans                 |                    |              |  |                        | 2.4   | 2.4  |
| Postemployment Benefit Plans                 |                    |              |  |                        | 1.2   | 1.2  |
| Currency Translation Adjustment              |                    |              |  |                        | (15.1)  | (15.1)   |
| Total Comprehensive Loss                     |                    |              |  |                        |   | \$(384.0)  |
| Common Stock Issued for<br>Acquisition       | 139,445,038        | 1.4          | 761.4                                      |                        |   |  |
| Issuance of Shares for Stock-Based<br>Awards | 2,098,863          |              | 2.4  |                        |   |  |
| <b>Balances at December 31, 2008</b>         | <b>342,522,470</b> | <b>\$3.4</b> | <b>\$1,955.4</b>                           | <b>\$ (1,075.4)</b>    | <b>\$(358.2)</b>  |  |
| Net Loss                                     |                    |              |  | (8.6)                  |   | \$ (8.6)   |
| Other Comprehensive Income<br>(Loss):        |                    |              |  |                        |   |  |
| Derivative Instruments Income                |                    |              |  |                        | 22.3  | 22.3   |
| Pension Benefit Plans                        |                    |              |  |                        | 10.9  | 10.9   |
| Postretirement Benefit Plans                 |                    |              |  |                        | (0.4)   | (0.4)  |
| Postemployment Benefit Plans                 |                    |              |  |                        | 0.3   | 0.3  |
| Currency Translation Adjustment              |                    |              |  |                        | (2.0)   | (2.0)  |
| Total Comprehensive Income                   |                    |              |  |                        |   | \$ 22.5  |
| Issuance of Shares for Stock-Based<br>Awards | 719,716            |              | 1.7  |                        |   |  |
| <b>Balances at June 30, 2009</b>             | <b>343,242,186</b> | <b>\$3.4</b> | <b>\$1,957.1</b>                           | <b>\$ (1,084.0)</b>    | <b>\$(327.1)</b>  |  |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

**Table of Contents**

**GRAPHIC PACKAGING HOLDING COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Business***

Graphic Packaging Holding Company ( GPHC ) and, together with its subsidiaries, the Company ) is a leading provider of packaging solutions for a wide variety of products to multinational food, beverage and other consumer products companies. The Company is the largest North American producer of folding cartons and holds a leading market position in coated unbleached kraft paperboard, coated-recycled boxboard and multi-wall bags. The Company's customers include some of the most widely recognized companies in the world. The Company strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting plants, proprietary carton and packaging designs, and its commitment to customer service.

GPHC became a new publicly-traded parent company when, on March 10, 2008, the businesses of Graphic Packaging Corporation ( GPC ) and Altivity Packaging, LLC ( Altivity ) were combined through a series of transactions. All of the equity interests in Altivity's parent company were contributed to GPHC in exchange for 139,445,038 shares of GPHC's common stock, par value \$0.01. Stockholders of GPC received one share of GPHC common stock for each share of GPC common stock held immediately prior to the transactions. Subsequently, all of the equity interests in Altivity's parent company were contributed to GPHC's primary operating company, Graphic Packaging International, Inc. ( GPII ). Together, these transactions are referred to herein as the Altivity Transaction.

For accounting purposes, the Altivity Transaction was accounted for as a purchase by GPHC under the Financial Accounting Standards Board ( FASB ) Statement of Financial Accounting Standards ( SFAS ) No. 141, *Business Combinations*, ( SFAS 141 ). Under the purchase method of accounting, the assets and liabilities of Altivity were recorded, as of the date of the closing of the Altivity Transaction, at their respective fair values and added to those of GPII. The difference between the purchase price and the fair values of the assets acquired and liabilities assumed of Altivity was recorded as goodwill. The historical financial statements of GPC became the historical financial statements of GPHC. The accompanying Condensed Consolidated Statement of Operations for the six months ended June 30, 2008 includes three months and approximately three weeks of Altivity's results and six months of GPC's results.

On March 5, 2008, the United States Department of Justice issued a Consent Decree that required the divestiture of two mills, as a condition of the Altivity Transaction. On July 8, 2008, GPII signed an agreement with an affiliate of Sun Capital Partners, Inc. to sell two coated-recycled boxboard mills as required by the Consent Decree. The sale of the mills was completed on September 17, 2008. The mills that were sold are located in Philadelphia, Pennsylvania and in Wabash, Indiana.

GPHC and GPC conduct no significant business and have no independent assets or operations other than GPHC's ownership of GPC and GPC's ownership of GPII and its subsidiaries. GPHC and GPC fully and unconditionally guarantee substantially all of GPII's debt.

***Basis of Presentation***

The Company's Condensed Consolidated Financial Statements include all subsidiaries in which the Company has the ability to exercise direct or indirect control over operating and financial policies. Intercompany transactions and balances are eliminated in consolidation.

In the Company's opinion, the accompanying financial statements contain all normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods. The Company's year end Condensed Consolidated Balance Sheet data was derived from audited financial statements. The accompanying unaudited financial statements have been prepared in accordance with instructions to Form 10-Q and Rule 10-01 of Regulation S-X and do not include all the information required by accounting principles generally accepted in the United States of America for complete financial statements. Therefore, these financial statements should be read in conjunction with GPHC's Annual Report on Form 10-K for the year ended December 31, 2008. In addition, the preparation of the Condensed Consolidated Financial Statements in conformity with accounting

principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates and changes in these statements are recorded as known.

## **Table of Contents**

We have adopted SFAS No. 165, *Subsequent Events*, ( SFAS 165 ) effective with the quarter ended June 30, 2009 and have evaluated for disclosure subsequent events through August 5, 2009, the date of issuance of the Company's financial statements.

For a summary of the Company's significant accounting policies, please refer to GPHC's Annual Report on Form 10-K for the year ended December 31, 2008.

### ***Recent Accounting Pronouncements***

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, ( SFAS 157 ). SFAS 157 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles ( U.S. GAAP ) requiring use of fair value, establishes a framework for measuring fair value and expands disclosures about such fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007.

In February 2008, the FASB issued FASB Staff Position ( FSP ) No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, ( FSP 157-1 ). FSP 157-1 excludes certain leasing transactions accounted for under FASB Statement No. 13, *Accounting for Leases*, from the scope of SFAS 157.

In February 2008, the FASB issued FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*, ( FSP 157-2 ). FSP 157-2 delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company adopted SFAS 157 as of January 1, 2008, related to financial assets and financial liabilities, and as of January 1, 2009, related to nonfinancial assets and nonfinancial liabilities. See Note 9 Financial Instruments and Fair Value Measurement. The adoption of SFAS 157 did not have a significant impact on the Company's financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. FAS 107-1 and Accounting Principles Board Opinion ( APB ) 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, ( FSP 107-1 and APB 28-1 ) which is effective for interim periods ending after June 15, 2009. FSP 107-1 and APB 28-1 increase the frequency of fair value disclosures required by SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*. FSP 107-1 and APB 28-1 require fair value disclosures on a quarterly basis for any financial instruments that are not currently reflected on the balance sheet at fair value. Prior to the issuance of FSP 107-1 and APB 28-1, fair value of these assets and liabilities were only required to be disclosed once a year. The Company's adoption of FSP 107-1 and APB 28-1 did not have an impact on the Company's financial position, results of operations or cash flows. See Note 9 Financial Instruments and Fair Value Measurement.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, ( SFAS 141R ) which is effective for fiscal years beginning after December 15, 2008. SFAS 141R establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company will assess the impact of adoption when a business combination arises.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, ( FSP 141(R)-1 ). FSP 141(R)-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. FSP 141(R)-1 amends and clarifies SFAS 141R to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The Company will assess the impact of adoption when assets or liabilities arising from contingencies are acquired in a business combination.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an Amendment of ARB No. 51*, ( SFAS 160 ) which is effective for fiscal years beginning after December 15, 2008.

SFAS 160 amends Accounting Research Bulletin 51 ( ARB 51 ) to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB 51 s consolidation procedures for consistency with the requirements of SFAS 141R. The adoption of SFAS 160 did not have a material impact on the Company s financial position, results of operations or cash flows.

**Table of Contents**

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133*, ( SFAS 161 ) which is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures of derivative instruments and hedging activities. These requirements include the disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. See Note 9 Financial Instruments and Fair Value Measurement. The adoption of SFAS 161 did not have a material impact on the Company's financial position, results of operations or cash flows.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*, ( FSP 142-3 ). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*, ( SFAS 142 ). The intent of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other U.S. GAAP. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company will assess the impact of adoption when additional intangible assets are acquired or recognized.

In December 2008, the FASB issued FSP No. FAS 132 (R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*, ( FSP 132 (R)-1 ) which is effective for fiscal years ending after December 15, 2009. FSP 132 (R)-1 requires additional disclosures regarding plan assets of defined benefit pension or other postretirement plans. The required disclosures include a description of investment policies and strategies, the fair value of each major category of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets, and the significant concentrations of risk within plan assets. The adoption of FSP 132 (R)-1 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In May 2009, the FASB issued SFAS 165 which is effective for interim or annual periods ending after June 15, 2009. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Additionally, SFAS 165 requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. The adoption of SFAS 165 did not have an impact on the Company's financial position, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, ( SFAS 168 ). SFAS 168 replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes the FASB Accounting Standards Codification™ (the Codification ) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP, except for rules and interpretive releases of the Securities and Exchange Commission ( SEC ) under authority of federal securities laws, which are sources of authoritative U.S. GAAP for SEC registrants. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The adoption of SFAS 168 will not have an impact on the Company's financial position, results of operations or cash flows.

**NOTE 2 ALTIVITY TRANSACTION**

On March 10, 2008, the businesses of GPC and Altivity were combined in a transaction accounted for under SFAS 141. Altivity was the largest privately-held producer of folding cartons and a market leader in all of its major businesses, including coated-recycled boxboard, multi-wall bag and specialty packaging. Altivity operated recycled boxboard mills and consumer product packaging facilities in North America.

The Company determined that the relative outstanding share ownership, voting rights, and the composition of the governing body and senior management positions required GPC to be the acquiring entity for accounting purposes, resulting in the historical financial statements of GPC becoming the historical financial statements of the Company. Under the purchase method of accounting, the assets and liabilities of Altivity were recorded, as of the date of the closing of the Altivity Transaction, at their respective fair values and added to those of GPII. The purchase price for the acquisition was based on the average closing price of the Company's common stock on the NYSE for two days prior to, including, and two days subsequent to the public announcement of the transaction of \$5.47 per share and



capitalized transaction costs. The purchase price has been allocated to the assets acquired and liabilities assumed based

**Table of Contents**

on the estimated fair values at the date of the Altivity Transaction. The final purchase price allocation is as follows:

*In millions*

|                                  |               |
|----------------------------------|---------------|
| Purchase Price                   | \$ 762.8      |
| Acquisition Costs                | 30.3          |
| Assumed Debt                     | 1,167.6       |
| <br>Total Purchase Consideration | <br>\$1,960.7 |

*In millions*

|  |               |
|--|---------------|
| Cash and Cash Equivalents  | \$ 60.2       |
| Receivables, Net   | 181.2         |
| Inventories  | 265.0         |
| Prepays  | 13.1          |
| Property, Plant and Equipment                                    | 636.7         |
| Intangible Assets  | 561.1         |
| Other Assets   | 4.5           |
| <br>Total Assets Acquired  | <br>1,721.8   |
| Current Liabilities, Excluding Current Portion of Long-Term Debt | 256.0         |
| Pension and Postemployment Benefits                              | 35.3          |
| Other Noncurrent Liabilities                                     | 40.1          |
| <br>Total Liabilities Assumed                                    | <br>331.4     |
| <br>Net Assets Acquired  | <br>1,390.4   |
| <br>Goodwill   | <br>570.3     |
| <br>Total Estimated Fair Value of Net Assets Acquired            | <br>\$1,960.7 |

The Company has plans to close certain facilities of the acquired company and has established restructuring reserves that are considered liabilities assumed in the Altivity Transaction. See Note 3 Restructuring Reserves.

The excess of the purchase price over the aggregate fair value of net assets acquired was allocated to goodwill.

Management believes that the portion of the purchase price attributable to goodwill represents benefits expected as a result of the acquisition, including i) significant cost-reduction opportunities and synergies by combining sales and support functions and eliminating duplicate corporate functions, ii) diversifying the Company's product line and providing new opportunities for top-line growth, which will allow the Company to compete effectively in the global packaging market, and iii) expansion of the Company's manufacturing system to include expanded folding carton converting operations, multi-wall bag facilities, flexible packaging facilities, ink manufacturing facilities and label facilities.

The following table shows the allocation of goodwill by segment:

| <i>In millions</i> | <b>Paperboard<br/>Packaging</b> | <b>Multi-wall<br/>Bag</b> | <b>Specialty<br/>Packaging</b> | <b>Total</b> |
|--------------------|---------------------------------|---------------------------|--------------------------------|--------------|
|--------------------|---------------------------------|---------------------------|--------------------------------|--------------|

|          |         |        |        |         |
|----------|---------|--------|--------|---------|
| Goodwill | \$411.0 | \$61.9 | \$97.4 | \$570.3 |
|----------|---------|--------|--------|---------|

The Company expects to deduct approximately \$430 million of goodwill for tax purposes.  
 The following table summarizes acquired intangibles:

*In millions*

|  |         |
|--|---------|
| Customer Relationships                                 | \$546.4 |
| Non-Compete Agreements                                 | 8.2     |
| Trademarks and Patents                                 | 7.5     |
| Leases and Supply Contracts                            | (1.0)   |
| Total Estimated Fair Market Value of Intangible Assets | \$561.1 |

The fair value of intangible assets will be amortized on a straight-line basis over the remaining useful life of 17 years for customer relationships, four years for trademarks and patents, and the remaining contractual period for the non-compete, lease and supply contracts. Amortization expense is estimated to be approximately \$34 million for each of the next five years.

**Table of Contents**

The following unaudited pro forma consolidated results of operations assume that the acquisition of Altivity occurred as of the beginning of the periods presented and excludes the 2008 results for the two coated-recycled board mills divested in September 2008 and excludes charges associated with the Altivity Transaction. This pro forma data is based on historical information and does not necessarily reflect the actual results that would have occurred, nor is it indicative of future results of operations.

|   | <b>Three Months Ended<br/>June 30, 2008</b> | <b>Six Months Ended<br/>June 30, 2008</b> |
|---|---|---|
| <i>In millions</i>                        |   |   |
| Net Sales                                 | \$ 1,123.5                                  | \$ 2,220.1                                |
| Net Income (Loss)                         | \$ 3.8                                      | \$ (19.7)                                 |
| Income (Loss) Per Share Basic and Diluted | \$ 0.01                                     | \$ (0.06)                                 |

**NOTE 3 RESTRUCTURING RESERVES**

In conjunction with the Altivity Transaction, the Company formulated plans to close or exit certain production facilities of Altivity. Restructuring reserves were established for employee severance and benefit payments, facility closure costs and equipment removal. These restructuring reserves were established in accordance with the requirement of Emerging Issues Task Force ( EITF ) 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, and were considered liabilities assumed in the Altivity Transaction. The Company has announced the closure of seven Altivity facilities and has committed to four additional plant closures. The restructuring activities are expected to be substantially completed by December 31, 2010.

In addition, as of June 30, 2009, the Company has announced the closure of a GPC facility and a multi-wall bag facility. Termination benefits and retention bonuses related to workforce reduction were accrued in accordance with the requirements of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. The amount of termination benefits recorded in the second quarter and the first six months of 2009 was \$1.4 million and \$3.3 million, respectively, and is included in Selling, General and Administrative costs in the Condensed Consolidated Statements of Operations. No termination benefits were recorded in the second quarter and the first six months of 2008.

The portion of the restructuring reserves expected to be settled within one year is included in Other Accrued Liabilities on the Company's Condensed Consolidated Balance Sheets. The long-term portion of these reserves is included in Other Noncurrent Liabilities on the Company's Condensed Consolidated Balance Sheets.

The following table summarizes the transactions within the restructuring reserves at June 30, 2009:

|                              | <b>Severance<br/>and<br/>Benefits</b> | <b>Facility<br/>Closure<br/>Costs</b> | <b>Equipment<br/>Removal</b> | <b>Total</b> |
|------------------------------|---------------------------------------|---------------------------------------|------------------------------|--------------|
| <i>In millions</i>           |                                       |                                       |                              |              |
| Establish Reserve            | \$ 7.0                                | \$ 8.5                                | \$ 1.8                       | \$17.3       |
| Additions to Reserves        | 13.4                                  | 2.3                                   | 0.8                          | 16.5         |
| Cash Payments                | (6.1)                                 | (0.7)                                 | (0.5)                        | (7.3)        |
| Other Adjustments            | (0.4)                                 | (0.3)                                 | (0.1)                        | (0.8)        |
| Balance at December 31, 2008 | \$ 13.9                               | \$ 9.8                                | \$ 2.0                       | \$25.7       |
| Additions to Reserves        | 4.3                                   | 0.9                                   | 0.3                          | 5.5          |
| Cash Payments                | (6.5)                                 | (1.4)                                 | (0.3)                        | (8.2)        |
| Other Adjustments            | (2.3)                                 | (1.2)                                 |                              | (3.5)        |
| Balance at June 30, 2009     | \$ 9.4                                | \$ 8.1                                | \$ 2.0                       | \$19.5       |

Accelerated or incremental depreciation was recorded for assets that will be removed from service before the end of their useful lives due to the facility closures. The following table summarizes the accelerated depreciation:

| <i>In millions</i>       | <b>Three Months Ended</b> |             | <b>Six Months Ended</b> |             |
|--------------------------|---------------------------|-------------|-------------------------|-------------|
|                          | <b>June 30,</b>           |             | <b>June 30,</b>         |             |
|                          | <b>2009</b>               | <b>2008</b> | <b>2009</b>             | <b>2008</b> |
| Accelerated Depreciation | \$4.2                     | \$0.5       | \$8.3                   | \$0.5       |

12

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**Table of Contents****NOTE 4 INVENTORIES**

Inventories by major class:

| <i>In millions</i> | <b>June 30,<br/>2009</b> | <b>December<br/>31,<br/>2008</b> |
|--------------------|--------------------------|----------------------------------|
| Finished Goods     | \$256.5                  | \$ 301.3                         |
| Work in Progress   | 47.4                     | 46.0                             |
| Raw Materials      | 126.3                    | 116.5                            |
| Supplies           | 71.0                     | 77.9                             |
|                    | 501.2                    | 541.7                            |
| Less: Allowance    | (28.2)                   | (9.7)                            |
| Total              | \$473.0                  | \$ 532.0                         |

**NOTE 5 GOODWILL**

The following is a rollforward of goodwill by business segment as of June 30, 2009:

| <i>In millions</i>           | <b>Paperboard<br/>Packaging</b> | <b>Multi-wall<br/>Bag</b> | <b>Specialty<br/>Packaging</b> | <b>Total</b> |
|------------------------------|---------------------------------|---------------------------|--------------------------------|--------------|
| Balance at December 31, 2008 | \$ 1,050.3                      | \$61.9                    | \$92.6                         | \$ 1,204.8   |
| Purchase Accounting          | 2.2                             |                           | 4.8                            | 7.0          |
| Divestiture of Businesses    |                                 | (1.5)                     | (0.4)                          | (1.9)        |
| Foreign Currency Effects     |                                 |                           | (0.9)                          | (0.9)        |
| Balance at June 30, 2009     | \$ 1,052.5                      | \$60.4                    | \$96.1                         | \$ 1,209.0   |

**NOTE 6 DEBT**

On May 16, 2007, the Company entered into a new \$1,355 million Credit Agreement ( Credit Agreement ). The Credit Agreement provided for a \$300 million revolving credit facility due on May 16, 2013 and a \$1,055 million term loan facility due on May 16, 2014. The revolving credit facility bears interest at a rate of LIBOR plus 225 basis points and the term loan facility bears interest at a rate of LIBOR plus 200 basis points. The Company's obligations under the Credit Agreement are collateralized by substantially all of the Company's domestic assets.

On March 10, 2008, the Company entered into Amendment No. 1 and Amendment No. 2 to the Credit Agreement. Under such amendments, the Company obtained (i) a new \$1,200 million term loan facility, due on May 16, 2014, to refinance the outstanding amounts under Altivity's parent company's existing first and second lien credit facilities and (ii) an increase to the Company's existing revolving credit facility to \$400 million due on May 16, 2013. The Company's existing \$1,055 million term loan facility remains in place. The new term loan bears interest at LIBOR plus 275 basis points. The Company's weighted average interest rate on senior secured term debt will equal approximately LIBOR plus 237.5 basis points. In connection with the new term loan and revolver increase, the Company recorded approximately \$16 million of deferred financing costs.

On June 16, 2009, the Company completed the issuance and sale of \$245 million aggregate principal amount of its 9.5% Senior Notes due in 2017. The proceeds from the offering were \$238.4 million after deducting the original issue discount. The proceeds from the offering were used to refinance, through a tender offer, \$225 million aggregate principal amount of the 8.5% Senior Notes due in 2011 and to pay applicable early tender premiums and offering expenses.

In connection with the refinancing of its Senior Notes, the Company recorded a charge of \$6.1 million, which represented a portion of the unamortized deferred financing costs and the early tender premiums associated with the 8.5% Senior Notes due in 2011. This charge is reflected as Loss on Early Extinguishment of Debt in the Company's Condensed Consolidated Statements of Operations. In connection with the 9.5% Senior Notes due in 2017, the Company recorded approximately \$6.4 million of deferred financing costs. These costs will be amortized using the effective interest method over the term of the 9.5% Senior Notes.

**Table of Contents**

Long-Term Debt consisted of the following:

| <i>In millions</i>  | <b>June 30,<br/>2009</b> | <b>December<br/>31,<br/>2008</b> |
|---|--------------------------|----------------------------------|
| Senior Notes with interest payable semi-annually at 8.5%, payable in 2011   | \$ 200.0                 | \$ 425.0                         |
| Senior Notes with interest payable semi-annually at 9.5%, payable in 2017<br>(\$245.0 face amount less unamortized discount of \$6.6)       | 238.4                    |                                  |
| Senior Subordinated Notes with interest payable semi-annually at 9.5%,<br>payable in 2013   | 425.0                    | 425.0                            |
| Senior Secured Term Loan Facility with interest payable at various dates at<br>floating rates (3.03% at June 30, 2009) payable through 2014 | 1,000.3                  | 1,000.3                          |
| Senior Secured Term Loan Facility with interest payable at various dates at<br>floating rates (3.75% at June 30, 2009) payable through 2014 | 1,182.0                  | 1,182.3                          |
| Senior Secured Revolving Facility with interest payable at various dates at<br>floating rates (2.57% at June 30, 2009) payable in 2013      | 16.5                     | 143.2                            |
| Other   | 0.8                      | 0.8                              |
|   | 3,063.0                  | 3,176.6                          |
| Less, current portion   | 22.3                     | 11.4                             |
| Total   | \$3,040.7                | \$3,165.2                        |

At June 30, 2009, the Company and its U.S. and international subsidiaries had the following commitments, amounts outstanding and amounts available under revolving credit facilities:

| <i>In millions</i>        | <b>Total Amount<br/>of<br/>Commitments</b> | <b>Total<br/>Amount<br/>Outstanding</b> | <b>Total<br/>Amount<br/>Available<sup>(a)</sup></b> |
|---------------------------|--|---|---|
| Revolving Credit Facility | \$ 400.0                                   | \$ 16.5                                 | \$ 351.9  |
| International Facilities  | 15.6                                       | 5.3                                     | 10.3  |
| Total                     | \$ 415.6                                   | \$ 21.8                                 | \$ 362.2  |

Note:

(a) In accordance with its debt agreements, the Company's availability under its Revolving Credit Facility has been reduced by the amount of standby letters of credit issued of \$31.6 million as of June 30, 2009. These letters of credit are used as security against the Company's self-insurance obligations and workers' compensation obligations. These letters of credit expire at various dates through 2010 unless extended.

The Credit Agreement and the indentures governing the 8.5% Senior Notes, the 9.5% Senior Notes and the Senior Subordinated Notes (the "Notes") limit the Company's ability to incur additional indebtedness. Additional covenants contained in the Credit Agreement, among other things, restrict the ability of the Company to dispose of assets, incur guarantee obligations, prepay other indebtedness, make dividend and other restricted payments, create liens, make equity or debt investments, make acquisitions, modify terms of indentures under which the Notes are issued, engage in mergers or consolidations, change the business conducted by the Company and its subsidiaries, and engage in certain transactions with affiliates. Such restrictions, together with the highly leveraged nature of the Company, could limit the Company's ability to respond to changing market conditions, fund its capital spending program, provide for



unexpected capital investments or take advantage of business opportunities.

As of June 30, 2009, the Company was in compliance with the financial covenant in the Credit Agreement. The Company's ability to comply in future periods with the financial covenant in the Credit Agreement will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, business and other factors, many of which are beyond the Company's control, and will be substantially dependent on the selling prices for the Company's products, raw material and energy costs, and the Company's ability to successfully implement its overall business strategies, and meet its profitability objectives. If a violation of the financial covenant or any of the other covenants occurred, the Company would attempt to obtain a waiver or an amendment from its lenders, although no assurance can be given that the Company would be successful in this regard. The Credit Agreement and the indentures governing the Notes have certain cross-default or cross-acceleration provisions; failure to comply with these covenants in any agreement could result in a violation of such agreement which could, in turn, lead to violations of other agreements pursuant to such cross-default or cross-acceleration provisions. If an event of default occurs, the lenders are entitled to declare all amounts owed to be due and payable immediately.

**Table of Contents****NOTE 7 STOCK INCENTIVE PLANS**

GPC had eight equity compensation plans, all of which were assumed by the Company pursuant to the Altivity Transaction. The Company's only active plan as of June 30, 2009 is the Graphic Packaging Holding Company Amended and Restated 2004 Stock and Incentive Compensation Plan ( 2004 Plan ), pursuant to which the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units and other types of stock-based awards to employees and directors of the Company. Stock options and other awards granted under all of the Company's plans generally vest and expire in accordance with terms established at the time of grant.

**Stock Options**

GPC and the Company have not granted any stock options since 2004. During the six months ended June 30, 2009, no stock options were exercised and 648,795 stock options were cancelled. The total number of shares subject to options at June 30, 2009 was 6,467,092 at a weighted average exercise price of \$7.27.

**Stock Awards, Restricted Stock and Restricted Stock Units**

The Company's 2004 Plan permits the grant of stock awards, restricted stock and restricted stock units ( RSUs ). All RSUs vest and become payable in one to five years from date of grant. Upon vesting, RSUs are payable in cash and shares, based on the proportion set forth in the grant agreements.

Data concerning RSUs granted in the first six months of 2009 is as follows:

| <i>Shares in thousands</i>      | <b>Shares</b> | <b>Weighted Avg.<br/>Grant Date<br/>Fair<br/>Value Per<br/>Share</b> |
|---------------------------------|---------------|--|
| RSUs Employees                  | 8,390         | \$ 0.89  |
| Stock Awards Board of Directors | 651           | \$ 1.52  |

The value of the RSUs is based on the market value of the Company's common stock on the date of grant. The RSUs payable in cash are subject to variable accounting and marked to market accordingly. The RSUs payable in cash are recorded as liabilities, whereas the RSUs payable in shares are recorded in Shareholders' Equity.

During the first six months of 2009, the Company also issued 15,607 shares of phantom stock, representing compensation earned during 2008 and deferred by one of its directors. These shares of phantom stock are fully vested on the date of grant and are payable upon termination of service as a director. The Company also has an obligation to issue 48,653 shares in payment of employee deferred compensation.

During the six months ended June 30, 2009 and 2008, \$1.7 million and \$6.4 million were charged to compensation expense for RSUs, respectively. Of the amount charged to expense during the first six months of 2008, \$7.1 million was attributable to the accelerated vesting of RSUs and other payments triggered by the change of control resulting from the Altivity Transaction on March 10, 2008.

The unrecognized expense as of June 30, 2009 is approximately \$11 million and is expected to be recognized over a weighted average period of three years.

**NOTE 8 PENSIONS AND OTHER POSTRETIREMENT BENEFITS**

The Company maintains both defined benefit pension plans and postretirement health care plans. The plans provide medical and life insurance coverage to eligible salaried and hourly retired employees and their dependents. Currently, the plans are closed to newly-hired salaried and non-union hourly employees.

The Company's funding policies with respect to its North American pension plans are to contribute funds to trusts as necessary to at least meet the minimum funding requirements. Plan assets are invested in equities and fixed income securities.

**Table of Contents*****Pension and Postretirement Expense***

The pension and postretirement expenses related to the North American plans consisted of the following:

| <i>In millions</i>               | <b>Pension Benefits</b>   |                 |                         |                 | <b>Postretirement Health Care Benefits</b> |                 |                         |                 |
|----------------------------------|---------------------------|-----------------|-------------------------|-----------------|--|-----------------|-------------------------|-----------------|
|                                  | <b>Three Months Ended</b> |                 | <b>Six Months Ended</b> |                 | <b>Three Months Ended</b>                  |                 | <b>Six Months Ended</b> |                 |
|                                  | <b>June 30,</b>           | <b>June 30,</b> | <b>June 30,</b>         | <b>June 30,</b> | <b>June 30,</b>                            | <b>June 30,</b> | <b>June 30,</b>         | <b>June 30,</b> |
|                                  | <b>2009</b>               | <b>2008</b>     | <b>2009</b>             | <b>2008</b>     | <b>2009</b>                                | <b>2008</b>     | <b>2009</b>             | <b>2008</b>     |
| Components of Net Periodic Cost: |                           |                 |                         |                 |  |                 |                         |                 |
| Service Cost                     | \$ 4.7                    | \$ 4.5          | \$ 9.5                  | \$ 8.3          | \$ 0.4                                     | \$ 0.4          | \$ 0.8                  | \$ 0.7          |
| Interest Cost                    | 11.1                      | 9.9             | 22.0                    | 19.2            | 0.8  | 0.9             | 1.7                     | 1.7             |
| Expected Return on Plan Assets   | (9.1)                     | (10.4)          | (18.2)                  | (20.4)          |  |                 |                         |                 |
| Amortizations:                   |                           |                 |                         |                 |  |                 |                         |                 |
| Prior Service Cost               | 0.3                       | 0.7             | 0.6                     | 1.5             | (0.1)                                      |                 | (0.1)                   |                 |
| Actuarial Loss (Gain)            | 5.1                       | 0.4             | 10.1                    | 0.8             | (0.1)                                      | (0.1)           | (0.3)                   | (0.2)           |
| Net Periodic Cost                | \$12.1                    | \$ 5.1          | \$ 24.0                 | \$ 9.4          | \$ 1.0                                     | \$ 1.2          | \$ 2.1                  | \$ 2.2          |

The Company made contributions of \$13.0 million and \$30.2 million to its pension plans during the first six months of 2009 and 2008, respectively. The Company expects to make contributions of \$60 million to \$70 million for the full year 2009. During 2008, the Company made \$56.8 million of contributions to its pension plans.

The Company made postretirement health care benefit payments of \$1.3 million and \$1.1 million during the first six months of 2009 and 2008, respectively. The Company estimates its postretirement health care benefit payments for the full year 2009 to be approximately \$4 million. During 2008, the Company made postretirement health care benefit payments of \$2.7 million.

**NOTE 9 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT**

The Company enters into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, ( SFAS 133 ), and those not designated as hedging instruments under SFAS 133. The Company uses interest rate swaps, natural gas swap contracts, and forward exchange contracts.

***Interest Rate Risk***

The Company uses interest rate swaps to manage interest rate risks on future interest payments caused by interest rate changes on its variable rate term loan facility. At June 30, 2009, the Company had interest rate swap agreements with a notional amount of \$2.2 billion, including \$400 million in forward starting interest rate swaps, which expire on various dates from 2010 to 2012 under which the Company will pay fixed rates of 2.24% to 5.06% and receive the three-month LIBOR rates. At December 31, 2008, the Company had interest rate swap agreements with a notional amount of \$1.6 billion, which expire on various dates from 2009 to 2012 under which the Company will pay fixed rates of 2.37% to 5.06% and receive the three-month LIBOR rates.

These derivative instruments are designated as cash flow hedges and to the extent they are effective in offsetting the variability of the hedged cash flows, changes in the derivatives fair value are not included in current earnings but are included in Accumulated Other Comprehensive Loss. These changes in fair value will subsequently be reclassified into earnings as a component of Interest Expense as interest is incurred on amounts outstanding under the term loan facility. Ineffectiveness measured in the hedging relationship is recorded in earnings in the period it occurs.

During the first six months of 2009, there were minimal amounts of ineffectiveness related to changes in the fair value of interest rate swap agreements. Additionally, there were no amounts excluded from the measure of effectiveness.

***Commodity Risk***

To manage risks associated with future variability in cash flows and price risk attributable to certain commodity purchases, the Company enters into natural gas swap contracts to hedge prices for a designated percentage of its expected natural gas usage. Such contracts are designated as cash flow hedges. As of June 30, 2009, the Company had entered into natural gas swap contracts to hedge prices for approximately 72% and 20% of its expected natural gas usage for the remainder of 2009 and 2010, respectively. When a contract matures, the resulting gain or loss is reclassified into Cost of Sales concurrently with the recognition of the commodity purchased. The ineffective portion of the swap contracts' change in fair value, if any, would be recognized immediately in earnings. During the first six months of 2009, there were minimal amounts of ineffectiveness related to changes in the fair value of natural gas swap contracts. Additionally, there were no amounts excluded from the measure of effectiveness.

**Table of Contents****Foreign Currency Risk**

The Company enters into forward exchange contracts to manage risks associated with future variability in cash flows resulting from anticipated foreign currency transactions that may be adversely affected by changes in exchange rates. Such contracts are designated as cash flow hedges. Gains/losses, if any, related to these contracts are recognized in Other Income, Net when the anticipated transaction affects income.

At June 30, 2009 and December 31, 2008, forward exchange contracts existed that expire on various dates throughout 2009. Those purchased forward exchange contracts outstanding at June 30, 2009 and December 31, 2008, when measured in U.S. dollars at exchange rates at June 30, 2009 and December 31, 2008, respectively, had notional amounts totaling \$38.1 million and \$80.8 million.

No amounts were reclassified to earnings during the first six months of 2009 in connection with forecasted transactions that were no longer considered probable of occurring, and there was no ineffectiveness related to changes in the fair value of foreign currency forward contracts. Additionally, there were no amounts excluded from the measure of effectiveness.

**Derivatives not Designated as Hedges**

The Company enters into forward exchange contracts to effectively hedge substantially all of accounts receivable resulting from transactions denominated in foreign currencies in order to manage risks associated with foreign currency transactions adversely affected by changes in exchange rates. At June 30, 2009 and December 31, 2008, multiple foreign currency forward exchange contracts existed, with maturities ranging up to three months. Those foreign currency exchange contracts outstanding at June 30, 2009 and December 31, 2008, when aggregated and measured in U.S. dollars at exchange rates at June 30, 2009 and December 31, 2008, respectively, had net notional amounts totaling \$12.2 million and \$4.4 million. Unrealized gains and losses resulting from these contracts are recognized in Other Income, Net.

**Fair Value of Financial Instruments**

The Company's derivative instruments are carried at fair value. The Company has determined that the inputs to the valuation of these derivative instruments are level 2 in the fair value hierarchy.

As of June 30, 2009, there has not been any significant impact to the fair value of the Company's derivative liabilities due to its own credit risk. Similarly, there has not been any significant adverse impact to the Company's derivative assets based on evaluation of the Company's counterparties' credit risks.

The fair value of the Company's derivative instruments as of June 30, 2009 is as follows:

| <i>In millions</i>   | <b>Derivative Assets</b>      |                      | <b>Derivative Liabilities</b> |                      |
|--|-------------------------------|----------------------|-------------------------------|----------------------|
|  | <b>Balance Sheet Location</b> | <b>June 30, 2009</b> | <b>Balance Sheet Location</b> | <b>June 30, 2009</b> |
| <b>Derivative Contracts Not Designated as Hedging Instruments under SFAS No. 133</b> |                               |                      |                               |                      |
| Commodity Contracts  | Other Current Assets          | \$                   | Other Accrued Liabilities     | \$ 15.9              |
| Foreign Currency Contracts   | Other Current Assets          | 1.7                  | Other Accrued Liabilities     | 1.4                  |
| Interest Rate Swap Agreements  | Other Current Assets          |                      | Other Accrued Liabilities     | 42.4                 |
|  |                               | \$ 1.7               |                               | \$ 59.7              |

**Derivative Contracts Not  
Designated as Hedging  
Instruments under SFAS  
No. 133**

|                            | Other Current<br>Assets | \$     | Other Accrued<br>Liabilities | \$      |
|----------------------------|-------------------------|--------|------------------------------|---------|
| Foreign Currency Contracts |                         | \$     |                              | \$      |
|                            |                         | \$     |                              | \$      |
| Total Derivative Contracts |                         | \$ 1.7 |                              | \$ 59.7 |

The fair values of the Company's other financial assets and liabilities at June 30, 2009 and December 31, 2008 approximately equal the carrying values reported on the Condensed Consolidated Balance Sheets except for Long-Term Debt. The fair value of the Company's Long-Term Debt was \$2,891.9 million and \$2,438.5 million as compared to the carrying amounts of \$3,063.0 million and \$3,176.6 million as of June 30, 2009 and December 31, 2008, respectively. The fair value of Long-Term Debt is based on quoted market prices.

**Table of Contents****Effect of Derivative Instruments**

The effect of derivative instruments in cash flow hedging relationships on the Company's Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2009 is as follows:

|                               | Amount of<br>(Loss) Gain<br>Recognized in<br>Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) |   |   | Amount of<br>(Loss) Gain<br>Recognized in<br>Income<br>(effective<br>portion) |   |   | Amount of<br>Gain<br>Recognized<br>in Income<br>(ineffective<br>portion) |   |
|-------------------------------|--|---|---|---|---|---|--|---|
|                               | Three<br>Months<br>Ended<br>June<br>30,<br>2009  | Six<br>Months<br>Ended<br>June<br>30,<br>2009 | Location of Loss<br>Recognized<br>in Income<br>(effective<br>portion) | Three<br>Months<br>Ended<br>June<br>30,<br>2009                               | Six<br>Months<br>Ended<br>June<br>30,<br>2009 | Location of Gain<br>Recognized<br>in Income<br>(ineffective<br>portion) | Three<br>Months<br>Ended<br>June<br>30,<br>2009                          | Six<br>Months<br>Ended<br>June<br>30,<br>2009 |
|                               | <i>In millions</i>   |   |   |   |   |   |  |   |
| Commodity Contracts           | \$(1.0)  | \$(13.8)                                      | Cost of Sales   | \$(10.2)  | \$(22.1)                                      | Cost of Sales   | \$0.1  | \$0.6   |
| Foreign Currency Contracts    | (1.7)  | 2.8   | Other<br>Income, Net  | 0.9   | 0.4   | Other<br>Income, Net  |  |   |
| Interest Rate Swap Agreements | 4.4  | (8.0)   | Interest Expense  | (10.5)  | (19.6)  | Interest Expense  | 0.1  | 0.1   |
| Total                         | \$ 1.7   | \$(19.0)                                      |   | \$(19.8)  | \$(41.3)                                      |   | \$0.2  | \$0.7   |

The effect of derivative instruments not designated as hedging instruments on the Company's Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2009 is as follows:

|                            | Location of<br>Gain<br>Recognized<br><br>in Income on<br><br>Derivatives | Amount of Gain<br>Recognized in Income       |                                      |
|----------------------------|--|--|--------------------------------------|
|                            |  | Three<br>Months<br>Ended<br>June 30,<br>2009 | Six Months<br>Ended<br>June 30, 2009 |
|                            |  | <i>In millions</i>                           |                                      |
| Foreign Currency Contracts | Other Income,<br>Net   | \$0.2  | \$ 0.2                               |

**Accumulated Derivative Instruments (Loss) Gain**

The following is a reconciliation of changes in fair value which have been recorded as Accumulated Derivative Instruments (Loss) Gain in the Statement of Shareholders' Equity as of June 30, 2009:

*In millions*

|                                     |              |
|-------------------------------------|--------------|
| Balance at January 1, 2009          | \$(68.5)     |
| Reclassification to earnings        | 41.3         |
| Current period change in fair value | (19.0)       |
| <br>Balance at June 30, 2009        | <br>\$(46.2) |

At June 30, 2009, the Company expects to reclassify approximately \$31 million of losses in the next twelve months from Accumulated Derivative Instruments (Loss) Gain to earnings, contemporaneously with and offsetting changes in the related hedged exposure. The actual amount that will be reclassified to future earnings may vary as a result of changes in market conditions.

#### **NOTE 10 ENVIRONMENTAL AND LEGAL MATTERS**

##### ***Environmental Matters***

The Company is subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, solid waste and hazardous wastes, the investigation and remediation of contamination resulting from historical site operations and releases of hazardous substances, and the health and safety of employees.

Compliance initiatives could result in significant costs, which could negatively impact the Company's financial position, results of operations or cash flows. Any failure to comply with such laws and regulations or any permits and authorizations required thereunder could subject the Company to fines, corrective action or other sanctions.

In addition, some of the Company's current and former facilities are the subject of environmental investigations and remediations resulting from historical operations and the release of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations may be imposed in the future or for which



**Table of Contents**

indemnification claims may be asserted against the Company. Also, potential future closures or sales of facilities may necessitate further investigation and may result in future remediation at those facilities.

During the first quarter of 2006, the Company self-reported certain violations of its Title V permit under the federal Clean Air Act for its West Monroe, Louisiana mill to the Louisiana Department of Environmental Quality (the LADEQ ). The violations relate to the collection, treatment and reporting of hazardous air pollutants. The Company recorded \$0.6 million of expense in the first quarter of 2006 for compliance costs to correct the technical issues causing the Title V permit violations. The Company received a consolidated Compliance Order and notice of potential penalty dated July 5, 2006 from the LADEQ indicating that the Company may be required to pay civil penalties for violations that occurred from 2001 through 2005. In June 2009, the Company entered into a settlement agreement with the LADEQ resolving all of the violations. In connection therewith, the Company paid a \$240,000 fine to the LADEQ and donated \$50,000 to Louisiana State University agriculture center s 4-H Camp Grant Walker as a beneficial environmental project.

In 2007, at the request of the County Administrative Board of Östergötland, Sweden, the Company conducted a risk classification of its mill property located in Norrköping, Sweden. Based on the information collected through this activity, the Company determined that some remediation of the site was reasonably probable and recorded a \$3.0 million reserve in the third quarter of 2007. Pursuant to the Sale and Purchase Agreement dated October 16, 2007 between Graphic Packaging International Holding Sweden AB (the Seller ) and Lagrummet December nr 1031 Aktiebolg under which the Company s Swedish operations were sold, the Seller retains liability for certain environmental claims after the sale. In addition, during 2008, the Company determined an additional liability of \$0.9 million was necessary and recorded this in discontinued operations within the Company s Condensed Consolidated Statements of Operations. The Company paid \$3.4 million against the reserve in 2008 and an additional \$0.6 million during the second quarter of 2009. The Company does not currently expect to have any further environmental liability for this site.

On October 8, 2007, the Company received a notice from the United States Environmental Protection Agency (the EPA ) indicating that it is a potentially responsible party for the remedial investigation and feasibility study to be conducted at the Devil s Swamp Lake site in East Baton Rouge Parish, Louisiana. The Company expects to enter into negotiations with the EPA regarding its potential responsibility and liability, but it is too early in the investigation process to quantify possible costs with respect to such site.

The Company has established reserves for those facilities or issues where liability is probable and the costs are reasonably estimable. The Company believes that the amounts accrued for all of its loss contingencies, and the reasonably possible loss beyond the amounts accrued, are not material to the Company s financial position, results of operations or cash flows. The Company cannot estimate with certainty other future corrective compliance, investigation or remediation costs. Costs relating to historical usage or indemnification claims that the Company considers to be reasonably possible are not quantifiable at this time. The Company will continue to monitor environmental issues at each of its facilities and will revise its accruals, estimates and disclosures relating to past, present and future operations, as additional information is obtained.

***Legal Matters***

The Company is a party to a number of lawsuits arising in the ordinary conduct of its business. Although the timing and outcome of these lawsuits cannot be predicted with certainty, the Company does not believe that disposition of these lawsuits will have a material adverse effect on the Company s financial position, results of operations or cash flows.

**NOTE 11 BUSINESS SEGMENT INFORMATION**

The Company reports its results in three business segments: paperboard packaging, multi-wall bag and specialty packaging. These segments are evaluated by the chief operating decision maker based primarily on Income from Operations. The Company s reportable segments are based upon strategic business units that offer different products. The paperboard packaging segment is highly integrated and includes a system of mills and plants that produces a broad range of paperboard grades convertible into folding cartons. Folding cartons are used primarily to protect products, such as food, detergents, paper products, beverages, and health and beauty aids, while providing point of purchase advertising. The paperboard packaging business segment includes the design, manufacture and installation of

packaging machinery related to the assembly of cartons and the production and sale of corrugating medium and kraft paper from paperboard mills in the U.S.

The multi-wall bag business segment converts kraft and specialty paper into multi-wall bags, consumer bags and specialty retail bags. The bags are designed to ship and protect a wide range of industrial and consumer products including fertilizers, chemicals, concrete and pet and food products.

**Table of Contents**

The specialty packaging business segment primarily includes flexible packaging, label solutions, laminations, inks and coatings. This segment converts a wide variety of technologically advanced films for use in the food, pharmaceutical and industrial end-markets. Flexible packaging paper and metallized paper labels and heat transfer labels are used in a wide range of consumer applications.

Prior year segment results have been reclassified for the allocation of certain corporate costs.

Business segment information is as follows:

| <i>In millions</i>                    | <b>Three Months Ended</b> |             | <b>Six Months Ended</b> |             |
|---------------------------------------|---------------------------|-------------|-------------------------|-------------|
|                                       | <b>June 30,</b>           |             | <b>June 30,</b>         |             |
|                                       | <b>2009</b>               | <b>2008</b> | <b>2009</b>             | <b>2008</b> |
| <b>NET SALES:</b>                     |                           |             |                         |             |
| Paperboard Packaging                  | \$ 879.3                  | \$ 928.5    | \$1,719.7               | \$1,585.6   |
| Multi-wall Bag                        | 115.3                     | 143.5       | 240.1                   | 193.5       |
| Specialty Packaging                   | 49.2                      | 69.7        | 103.2                   | 86.9        |
| Total                                 | \$1,043.8                 | \$1,141.7   | \$2,063.0               | \$1,866.0   |
| <b>INCOME (LOSS) FROM OPERATIONS:</b> |                           |             |                         |             |
| Paperboard Packaging                  | \$ 85.4                   | \$ 66.8     | \$ 141.4                | \$ 121.2    |
| Multi-wall Bag                        | (1.7)                     | 6.1         | 1.4                     | 9.9         |
| Specialty Packaging                   | 3.6                       | 2.7         | 6.1                     | 3.0         |
| Corporate                             | 0.7                       | (13.7)      | (27.8)                  | (46.7)      |
| Total                                 | \$ 88.0                   | \$ 61.9     | \$ 121.1                | \$ 87.4     |

**NOTE 12 EARNINGS PER SHARE**

| <i>In millions, except per share data</i> | <b>Three Months Ended</b> |             | <b>Six Months Ended</b> |             |
|---|---------------------------|-------------|-------------------------|-------------|
|   | <b>June 30,</b>           |             | <b>June 30,</b>         |             |
|   | <b>2009</b>               | <b>2008</b> | <b>2009</b>             | <b>2008</b> |
| Net Income (Loss)                         | \$ 19.6                   | \$ (4.3)    | \$ (8.6)                | \$ (27.6)   |
| Weighted Average Shares:                  |                           |             |                         |             |
| Basic                                     | 343.0                     | 342.9       | 342.8                   | 288.7       |
| Stock Awards                              | 1.3                       |             |                         |             |
| Diluted                                   | 344.3                     | 342.9       | 342.8                   | 288.7       |
| Earnings Per Share:                       |                           |             |                         |             |
| Basic                                     | \$ 0.06                   | \$ (0.01)   | \$ (0.03)               | \$ (0.10)   |
| Diluted                                   | \$ 0.06                   | \$ (0.01)   | \$ (0.03)               | \$ (0.10)   |

The effect of 6,054,592 out-of-the-money options and 15,000 RSUs were excluded from the above calculation for the quarter ended June 30, 2009 because the effect would have been anti-dilutive.

**NOTE 13 GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

This disclosure is required because certain subsidiaries of Altiivity became guarantors of GPII debt securities on March 10, 2008, the date of the closing of the Altiivity Transaction.

These condensed consolidating financial statements reflect GPHC and GPC (collectively the Parent ); GPII, the Subsidiary Issuer; and the Subsidiary Guarantors, which consist of all material 100% owned subsidiaries of GPII other than its foreign subsidiaries. These nonguarantor subsidiaries are herein referred to as Nonguarantor Subsidiaries. Separate complete financial statements of the Subsidiary Guarantors are not presented because the guarantors are jointly and severally, fully and unconditionally liable under the guarantees.

**Table of Contents**

| <i>In millions</i>  | <b>June 30, 2009</b> |                              |  |   |                                       | <b>Consolidated</b> |
|---|----------------------|------------------------------|--|---|---------------------------------------|---------------------|
|   | <b>Parent</b>        | <b>Subsidiary<br/>Issuer</b> | <b>Combined<br/>Guarantor<br/>Subsidiaries</b> | <b>Combined<br/>Nonguarantor<br/>Subsidiaries</b> | <b>Consolidating<br/>Eliminations</b> |                     |
| <b>ASSETS</b>   |                      |                              |  |   |                                       |                     |
| Current Assets:   |                      |                              |  |   |                                       |                     |
| Cash and Cash Equivalents                                   | \$                   | \$ 145.0                     | \$   | \$ 15.6   | \$                                    | \$ 160.6            |
| Receivables, Net  |                      | 280.4                        | 45.0   | 81.4  |                                       | 406.8               |
| Inventories   |                      | 350.7                        | 64.3   | 58.2  | (0.2)                                 | 473.0               |
| Intercompany  | 0.8                  | 261.2                        | (169.9)  | (92.1)  |                                       |                     |
| Other Current Assets  |                      | 53.3                         | 0.8  | 8.2   |                                       | 62.3                |
| <b>Total Current Assets</b>                                 | <b>0.8</b>           | <b>1,090.6</b>               | <b>(59.8)</b>                                  | <b>71.3</b>                                       | <b>(0.2)</b>                          | <b>1,102.7</b>      |
| Property, Plant and<br>Equipment, Net                       |                      | 1,648.4                      | 147.5  | 74.3  | (0.2)                                 | 1,870.0             |
| Investment in Consolidated<br>Subsidiaries                  | 548.6                | 144.3                        | (1.9)  | 112.3   | (803.3)                               |                     |
| Goodwill  |                      | 1,178.5                      |  | 30.5  |                                       | 1,209.0             |
| Other Assets  |                      | 670.5                        | 1.0  | 18.1  |                                       | 689.6               |
| <b>Total Assets</b>   | <b>\$549.4</b>       | <b>\$ 4,732.3</b>            | <b>\$ 86.8</b>                                 | <b>\$ 306.5</b>                                   | <b>\$ (803.7)</b>                     | <b>\$ 4,871.3</b>   |
| <b>LIABILITIES</b>  |                      |                              |  |   |                                       |                     |
| Current Liabilities:  |                      |                              |  |   |                                       |                     |
| Short-Term Debt and<br>Current Portion of<br>Long-Term Debt | \$                   | \$ 22.3                      | \$   | \$ 5.3  | \$                                    | \$ 27.6             |
| Accounts Payable  |                      | 224.3                        | 41.4   | 34.2  |                                       | 299.9               |
| Other Accrued Liabilities                                   |                      | 282.6                        | 16.4   | 17.5  |                                       | 316.5               |
| <b>Total Current Liabilities</b>                            |                      | <b>529.2</b>                 | <b>57.8</b>                                    | <b>57.0</b>                                       |                                       | <b>644.0</b>        |
| Long-Term Debt  |                      | 3,040.7                      |  |   |                                       | 3,040.7             |
| Deferred Income Tax<br>Liabilities                          |                      | 200.8                        | 0.9  | 8.8   |                                       | 210.5               |
| Other Noncurrent<br>Liabilities                             |                      | 413.0                        |  | 13.7  |                                       | 426.7               |
| <b>Total Liabilities</b>                                    |                      | <b>4,183.7</b>               | <b>58.7</b>                                    | <b>79.5</b>                                       |                                       | <b>4,321.9</b>      |
| <b>SHAREHOLDERS<br/>EQUITY</b>                              |                      |                              |  |   |                                       |                     |

|  |         |           |         |          |            |            |
|--|---------|-----------|---------|----------|------------|------------|
| <b>Total Shareholders<br/>Equity</b>                 | 549.4   | 548.6     | 28.1    | 227.0    | (803.7)    | 549.4      |
| <b>Total Liabilities and<br/>Shareholders Equity</b> | \$549.4 | \$4,732.3 | \$ 86.8 | \$ 306.5 | \$ (803.7) | \$ 4,871.3 |

**Table of Contents**

| <i>In millions</i>                                    | <b>December 31, 2008</b> |                              |  |   |                                       | <b>Consolidated</b> |
|---|--------------------------|------------------------------|--|---|---------------------------------------|---------------------|
|   | <b>Parent</b>            | <b>Subsidiary<br/>Issuer</b> | <b>Combined<br/>Guarantor<br/>Subsidiaries</b> | <b>Combined<br/>Nonguarantor<br/>Subsidiaries</b> | <b>Consolidating<br/>Eliminations</b> |                     |
| <b>ASSETS</b>   |                          |                              |  |   |                                       |                     |
| Current Assets:                                       |                          |                              |  |   |                                       |                     |
| Cash and Cash Equivalents                             | \$                       | \$ 170.8                     | \$ (7.5)                                       | \$ 6.8  | \$                                    | \$ 170.1            |
| Receivables, Net                                      |                          | 233.4                        | 56.1   | 80.1  |                                       | 369.6               |
| Inventories   |                          | 397.0                        | 82.8   | 55.2  | (3.0)                                 | 532.0               |
| Intercompany  | (1.0)                    | 292.5                        | (178.3)  | (113.2)   |                                       |                     |
| Other Current Assets                                  |                          | 50.7                         | 1.1  | 5.1   |                                       | 56.9                |
| <b>Total Current Assets</b>                           | <b>(1.0)</b>             | <b>1,144.4</b>               | <b>(45.8)</b>                                  | <b>34.0</b>                                       | <b>(3.0)</b>                          | <b>1,128.6</b>      |
| Property, Plant and Equipment, Net                    |                          |                              |  |   |                                       |                     |
|   |                          | 1,699.4                      | 157.8  | 78.1  | (0.2)                                 | 1,935.1             |
| Investment in Consolidated Subsidiaries               | 526.2                    | 68.7                         | 4.1  | 107.9   | (706.9)                               |                     |
| Goodwill  |                          | 1,230.6                      | (25.4)   | (1.1)   | 0.7                                   | 1,204.8             |
| Other Assets  |                          | 705.8                        | 1.4  | 7.4   |                                       | 714.6               |
| <b>Total Assets</b>                                   | <b>\$525.2</b>           | <b>\$ 4,848.9</b>            | <b>\$ 92.1</b>                                 | <b>\$ 226.3</b>                                   | <b>\$ (709.4)</b>                     | <b>\$ 4,983.1</b>   |
| <b>LIABILITIES</b>                                    |                          |                              |  |   |                                       |                     |
| Current Liabilities:                                  |                          |                              |  |   |                                       |                     |
| Short-Term Debt and Current Portion of Long-Term Debt |                          |                              |  |   |                                       |                     |
|   | \$                       | \$ 11.9                      | \$   | \$ 6.7  | \$                                    | \$ 18.6             |
| Accounts Payable                                      |                          | 250.0                        | 47.8   | 35.6  |                                       | 333.4               |
| Other Accrued Liabilities                             |                          | 302.6                        | 17.2   | 13.7  | 0.1                                   | 333.6               |
| <b>Total Current Liabilities</b>                      |                          | <b>564.5</b>                 | <b>65.0</b>                                    | <b>56.0</b>                                       | <b>0.1</b>                            | <b>685.6</b>        |
| Long-Term Debt  |                          |                              |  |   |                                       |                     |
|   |                          | 3,165.2                      |  |   |                                       | 3,165.2             |
| Deferred Income Tax Liabilities                       |                          | 184.3                        | 0.9  | 2.6   |                                       | 187.8               |
| Other Noncurrent Liabilities                          |                          | 408.7                        | 0.1  | 10.6  | (0.1)                                 | 419.3               |
| <b>Total Liabilities</b>                              |                          | <b>4,322.7</b>               | <b>66.0</b>                                    | <b>69.2</b>                                       |                                       | <b>4,457.9</b>      |
| <b>SHAREHOLDERS EQUITY</b>                            |                          |                              |  |   |                                       |                     |

|  |         |           |         |          |            |            |
|--|---------|-----------|---------|----------|------------|------------|
| <b>Total Shareholders<br/>Equity</b>                 | 525.2   | 526.2     | 26.1    | 157.1    | (709.4)    | 525.2      |
| <b>Total Liabilities and<br/>Shareholders Equity</b> | \$525.2 | \$4,848.9 | \$ 92.1 | \$ 226.3 | \$ (709.4) | \$ 4,983.1 |



**Table of Contents**

| <i>In millions</i>                                    | <b>Three Months Ended June 30, 2009</b> |                              |  |   |                                       |                     |
|---|---|------------------------------|--|---|---------------------------------------|---------------------|
|   | <b>Parent</b>                           | <b>Subsidiary<br/>Issuer</b> | <b>Combined<br/>Guarantor<br/>Subsidiaries</b> | <b>Combined<br/>Nonguarantor<br/>Subsidiaries</b> | <b>Consolidating<br/>Eliminations</b> | <b>Consolidated</b> |
| Net Sales   | \$                                      | \$ 845.4                     | \$ 130.9                                       | \$ 101.0  | \$ (33.5)                             | \$ 1,043.8          |
| Cost of Sales   |   | 721.3                        | 121.3  | 92.6  | (33.5)                                | 901.7               |
| Selling, General and<br>Administrative                |   | 107.2                        | 8.5  | 8.0   |                                       | 123.7               |
| Research, Development and<br>Engineering              |   | 1.1                          | 1.1  |   |                                       | 2.2                 |
| Other Income, Net                                     |   | (62.8)                       | (5.5)  | (3.5)   |                                       | (71.8)              |
| Income from Operations                                |   | 78.6                         | 5.5  | 3.9   |                                       | 88.0                |
| Interest Expense, Net                                 |   | (52.1)                       | 0.1  | (0.5)   |                                       | (52.5)              |
| Loss on Early<br>Extinguishment of Debt               |   | (6.1)                        |  |   |                                       | (6.1)               |
| Income before Income<br>Taxes                         |   | 20.4                         | 5.6  | 3.4   |                                       | 29.4                |
| Income Tax Expense                                    |   | (9.0)                        |  | (1.1)   |                                       | (10.1)              |
| Income before Equity in<br>Net Earnings of Affiliates |   | 11.4                         | 5.6  | 2.3   |                                       | 19.3                |
| Equity in Net Earnings of<br>Affiliates               |   |                              |  | 0.3   |                                       | 0.3                 |
| Equity in Net Earnings of<br>Subsidiaries             | 19.6                                    | 8.2                          | 0.9  |   | (28.7)                                |                     |
| Net Income (Loss)                                     | \$ 19.6                                 | \$ 19.6                      | \$ 6.5   | \$ 2.6  | \$ (28.7)                             | \$ 19.6             |

**Table of Contents**

| <i>In millions</i>  | <b>Three Months Ended June 30, 2008</b> |                              |  |   |                                       |                     |
|---|---|------------------------------|--|---|---------------------------------------|---------------------|
|   | <b>Parent</b>                           | <b>Subsidiary<br/>Issuer</b> | <b>Combined<br/>Guarantor<br/>Subsidiaries</b> | <b>Combined<br/>Nonguarantor<br/>Subsidiaries</b> | <b>Consolidating<br/>Eliminations</b> | <b>Consolidated</b> |
| Net Sales   | \$                                      | \$ 582.6                     | \$ 470.0                                       | \$ 120.1  | \$ (31.0)                             | \$ 1,141.7          |
| Cost of Sales   |   | 502.2                        | 419.9  | 108.1   | (32.1)                                | 998.1               |
| Selling, (Income)<br>Expense, General and<br>Administrative     |   | 34.9                         | 46.8   | 8.0   |                                       | 89.7                |
| Research, Development and<br>Engineering                        |   | 1.8                          |  | 0.1   |                                       | 1.9                 |
| Other (Income) Expense,<br>Net                                  |   | (12.9)                       | 3.6  | (0.6)   |                                       | (9.9)               |
| Income (Loss) from<br>Operations                                |   | 56.6                         | (0.3)  | 4.5   | 1.1                                   | 61.9                |
| Interest Expense, Net   |   | (56.6)                       | 0.3  | (0.8)   |                                       | (57.1)              |
| Income (Loss) before<br>Income Taxes                            |   |                              |  | 3.7   | 1.1                                   | 4.8                 |
| Income Tax Expense  |   | (5.0)                        | (3.2)  | (1.4)   |                                       | (9.6)               |
| (Loss) Income before<br>Equity In Net Earnings of<br>Affiliates |   | (5.0)                        | (3.2)  | 2.3   | 1.1                                   | (4.8)               |
| Equity in Net Earnings of<br>Affiliates                         |   |                              |  | 0.5   |                                       | 0.5                 |
| Equity in Net Earnings of<br>Subsidiaries                       | (4.3)                                   | 0.7                          | 1.1  |   | 2.5                                   |                     |
| Net (Loss) Income   | \$ (4.3)                                | \$ (4.3)                     | \$ (2.1)                                       | \$ 2.8  | \$ 3.6                                | \$ (4.3)            |

**Table of Contents**

| <i>In millions</i>  | <b>Six Months Ended June 30, 2009</b> |                              |  |   |                                       |                     |
|---|---------------------------------------|------------------------------|--|---|---------------------------------------|---------------------|
|   | <b>Parent</b>                         | <b>Subsidiary<br/>Issuer</b> | <b>Combined<br/>Guarantor<br/>Subsidiaries</b> | <b>Combined<br/>Nonguarantor<br/>Subsidiaries</b> | <b>Consolidating<br/>Eliminations</b> | <b>Consolidated</b> |
| Net Sales   | \$                                    | \$ 1,670.6                   | \$ 274.2                                       | \$ 186.5  | \$ (68.3)                             | \$ 2,063.0          |
| Cost of Sales   |                                       | 1,446.9                      | 246.4  | 172.4   | (71.1)                                | 1,794.6             |
| Selling, General and<br>Administrative                          |                                       | 179.3                        | 19.5   | 15.0  |                                       | 213.8               |
| Research, Development and<br>Engineering                        |                                       | 2.4                          | 1.1  | 0.1   |                                       | 3.6                 |
| Other Income, Net   |                                       | (61.5)                       | (5.6)  | (3.0)   |                                       | (70.1)              |
| Income from Operations  |                                       | 103.5                        | 12.8   | 2.0   | 2.8                                   | 121.1               |
| Interest Expense, Net   |                                       | (103.7)                      | 0.1  | (1.1)   |                                       | (104.7)             |
| Loss on Early<br>Extinguishment of Debt                         |                                       | (6.1)                        |  |   |                                       | (6.1)               |
| (Loss) Income before<br>Income Taxes                            |                                       | (6.3)                        | 12.9   | 0.9   | 2.8                                   | 10.3                |
| Income Tax Expense  |                                       | (16.9)                       |  | (2.5)   |                                       | (19.4)              |
| (Loss) Income before<br>Equity in Net Earnings of<br>Affiliates |                                       | (23.2)                       | 12.9   | (1.6)   | 2.8                                   | (9.1)               |
| Equity in Net Earnings of<br>Affiliates                         |                                       |                              |  | 0.5   |                                       | 0.5                 |
| Equity in Net Earnings of<br>Subsidiaries                       | (8.6)                                 | 14.6                         | 2.0  |   | (8.0)                                 |                     |
| Net (Loss) Income   | \$ (8.6)                              | \$ (8.6)                     | \$ 14.9  | \$ (1.1)  | \$ (5.2)                              | \$ (8.6)            |

**Table of Contents**

| <i>In millions</i>  | <b>Six Months Ended June 30, 2008</b> |                              |  |   |                                       |                     |
|---|---------------------------------------|------------------------------|--|---|---------------------------------------|---------------------|
|   | <b>Parent</b>                         | <b>Subsidiary<br/>Issuer</b> | <b>Combined<br/>Guarantor<br/>Subsidiaries</b> | <b>Combined<br/>Nonguarantor<br/>Subsidiaries</b> | <b>Consolidating<br/>Eliminations</b> | <b>Consolidated</b> |
| Net Sales   | \$                                    | \$ 1,154.7                   | \$ 577.7                                       | \$ 205.1  | \$ (71.5)                             | \$ 1,866.0          |
| Cost of Sales   |                                       | 992.5                        | 527.5  | 185.8   | (70.0)                                | 1,635.8             |
| Selling, General and<br>Administrative                          |                                       | 77.2                         | 58.6   | 15.2  |                                       | 151.0               |
| Research, Development and<br>Engineering                        |                                       | 3.7                          |  | 0.2   |                                       | 3.9                 |
| Other (Income) Expense,<br>Net                                  |                                       | (14.8)                       | 3.6  | (0.9)   |                                       | (12.1)              |
| Income (Loss) from<br>Operations                                |                                       | 96.1                         | (12.0)   | 4.8   | (1.5)                                 | 87.4                |
| Interest Expense, Net   |                                       | (98.6)                       | 0.4  | (1.6)   |                                       | (99.8)              |
| Income (Loss) before<br>Income Taxes                            |                                       | (2.5)                        | (11.6)   | 3.2   | (1.5)                                 | (12.4)              |
| Income Tax Expense  |                                       | (9.9)                        | (4.2)  | (1.9)   |                                       | (16.0)              |
| (Loss) Income before<br>Equity in Net Earnings of<br>Affiliates |                                       | (12.4)                       | (15.8)   | 1.3   | (1.5)                                 | (28.4)              |
| Equity in Net Earnings of<br>Affiliates                         |                                       |                              |  | 0.8   |                                       | 0.8                 |
| Equity in Net Earnings of<br>Subsidiaries                       | (27.6)                                | (15.2)                       | 1.3  |   | 41.5                                  |                     |
| Net (Loss) Income   | \$ (27.6)                             | \$ (27.6)                    | \$ (14.5)                                      | \$ 2.1  | \$ 40.0                               | \$ (27.6)           |

**Table of Contents**

| <i>In millions</i>   | <b>Six Months Ended June 30, 2009</b> |                          |  |   |                                   | <b>Consolidated</b> |
|--|---------------------------------------|--------------------------|--|---|-----------------------------------|---------------------|
|  | <b>Parent</b>                         | <b>Subsidiary Issuer</b> | <b>Combined Guarantor Subsidiaries</b> | <b>Combined Nonguarantor Subsidiaries</b> | <b>Consolidating Eliminations</b> |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                                       |                          |  |   |                                   |                     |
| Net (Loss) Income  | \$ (8.6)                              | \$ (8.6)                 | \$ 14.9                                | \$ (1.1)                                  | \$ (5.2)                          | \$ (8.6)            |
| Noncash Items Included in Net (Loss) Income:                     |                                       |                          |  |   |                                   |                     |
| Depreciation and Amortization                                    |                                       | 133.4                    | 13.5                                   | 4.9                                       |                                   | 151.8               |
| Write-off of Debt Issuance Costs on Early Extinguishment of Debt |                                       | 1.3                      |  |   |                                   | 1.3                 |
| Deferred Income Taxes  |                                       | 15.9                     |  | 4.1                                       |                                   | 20.0                |
| Amount of Postemployment Expense Greater (Less) Than Funding     |                                       | 24.9                     |  | (0.8)                                     |                                   | 24.1                |
| Amortization of Deferred Debt Issuance Costs                     |                                       | 4.1                      |  |   |                                   | 4.1                 |
| Equity in Subsidiaries   | 8.6                                   | (14.6)                   | (2.0)                                  |   | 8.0                               |                     |
| Other, Net   |                                       | 5.0                      | (1.2)                                  |   |                                   | 3.8                 |
| Changes in Operating Assets and Liabilities                      |                                       | (11.4)                   | (15.5)                                 | 7.3                                       | (2.8)                             | (22.4)              |
| Net Cash Provided by Operating Activities                        |                                       | 150.0                    | 9.7                                    | 14.4                                      |                                   | 174.1               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                                       |                          |  |   |                                   |                     |
| Capital Spending   |                                       | (57.1)                   | (5.1)                                  | (4.2)                                     |                                   | (66.4)              |
| Proceeds from Sales of Assets, Net of Selling Costs              |                                       | 5.7                      | 4.1                                    |   |                                   | 9.8                 |
| Other, Net   |                                       | 0.5                      | (1.2)                                  |   |                                   | (0.7)               |
| Net Cash Used in Investing Activities                            |                                       | (50.9)                   | (2.2)                                  | (4.2)                                     |                                   | (57.3)              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                     |                                       |                          |  |   |                                   |                     |
| Proceeds from Issuance of Debt                                   |                                       | 238.4                    |  |   |                                   | 238.4               |

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|   |                 |                |                 |         |
|---|-----------------|----------------|-----------------|---------|
| Payments on Debt  | (225.3)         |                |                 | (225.3) |
| Borrowings under<br>Revolving Credit Facilities           | 100.6           |                |                 | 100.6   |
| Payments on Revolving<br>Credit Facilities                | (227.4)         |                |                 | (227.4) |
| Debt Issuance Costs and<br>Early Tender Premiums          | (11.2)          |                |                 | (11.2)  |
| Other, Net  |                 |                | (1.4)           | (1.4)   |
| Net Cash Used in<br>Financing Activities                  | (124.9)         |                | (1.4)           | (126.3) |
| Effect of Exchange Rate<br>Changes on Cash                |                 |                |                 |         |
| Net (Decrease) Increase in<br>Cash and Cash Equivalents   | (25.8)          | 7.5            | 8.8             | (9.5)   |
| Cash and Cash Equivalents<br>at Beginning of Period       | 170.8           | (7.5)          | 6.8             | 170.1   |
| <b>CASH AND CASH<br/>EQUIVALENTS AT END<br/>OF PERIOD</b> | <b>\$ 145.0</b> | <b>\$ 15.6</b> | <b>\$ 160.6</b> |         |

**Table of Contents**

| <i>In millions</i>  | <b>Six Months Ended June 30, 2008</b> |                              |  |   |                                       |                     |
|---|---------------------------------------|------------------------------|--|---|---------------------------------------|---------------------|
|   | <b>Parent</b>                         | <b>Subsidiary<br/>Issuer</b> | <b>Combined<br/>Guarantor<br/>Subsidiaries</b> | <b>Combined<br/>Nonguarantor<br/>Subsidiaries</b> | <b>Consolidating<br/>Eliminations</b> | <b>Consolidated</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |                                       |                              |  |   |                                       |                     |
| Net (Loss) Income   | \$ (27.6)                             | \$ (27.6)                    | \$ (14.5)                                      | \$ 2.1  | \$ 40.0                               | \$ (27.6)           |
| Noncash Items Included in<br>Net (Loss) Income:           |                                       |                              |  |   |                                       |                     |
| Depreciation and<br>Amortization                          |                                       | 85.2                         | 27.9   | 4.6   |                                       | 117.7               |
| Deferred Income Taxes                                     |                                       | 9.7                          | 3.8  | (0.3)   |                                       | 13.2                |
| Amount of<br>Postemployment Expense<br>Less Than Funding  |                                       | (19.7)                       |  | (0.9)   |                                       | (20.6)              |
| Amortization of Deferred<br>Debt Issuance Costs           |                                       | 3.7                          |  |   |                                       | 3.7                 |
| Equity in Subsidiaries<br>Other, Net                      | 27.6                                  | 15.2                         | (1.3)  |   | (41.5)                                | 14.4                |
| Changes in Operating<br>Assets and Liabilities            |                                       | (74.1)                       | (12.5)   | 0.3   | 1.5                                   | (84.8)              |
| Net Cash (Used in)<br>Provided by Operating<br>Activities |                                       | (17.9)                       | 28.2   | 5.7   |                                       | 16.0                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>              |                                       |                              |  |   |                                       |                     |
| Capital Spending  |                                       | (56.0)                       | (21.7)   | (5.6)   |                                       | (83.3)              |
| Acquisition Costs Related<br>to Activity                  |                                       | (29.8)                       |  |   |                                       | (29.8)              |
| Cash Acquired Related to<br>Activity                      |                                       | 60.2                         |  |   |                                       | 60.2                |
| Proceeds from Sales of<br>Assets, Net of Selling<br>Costs |                                       | 0.7                          |  |   |                                       | 0.7                 |
| Other, Net  |                                       | (2.3)                        |  |   |                                       | (2.3)               |
| Net Cash Used in<br>Investing Activities                  |                                       | (27.2)                       | (21.7)   | (5.6)   |                                       | (54.5)              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>              |                                       |                              |  |   |                                       |                     |
|   |                                       | 1,200.0                      |  |   |                                       | 1,200.0             |

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|   |           |           |            |           |            |           |            |           |             |
|---|-----------|-----------|------------|-----------|------------|-----------|------------|-----------|-------------|
| Proceeds from Issuance of Debt                      |           |           |            |           |            |           |            |           |             |
| Payments on Debt                                    | (1,174.5) |           |            |           | (1,174.5)  |           |            |           |             |
| Borrowings under Revolving Credit Facilities        | 381.8     |           |            |           | 381.8      |           |            |           |             |
| Payments on Revolving Credit Facilities             | (345.9)   |           |            |           | (345.9)    |           |            |           |             |
| Debt Issuance Costs                                 | (16.3)    |           |            |           | (16.3)     |           |            |           |             |
| Other, Net  |           |           | (0.6)      |           | (0.6)      |           |            |           |             |
| Net Cash Provided by (Used in) Financing Activities | 45.1      |           | (0.6)      |           | 44.5       |           |            |           |             |
| Effect of Exchange Rate Changes on Cash             |           |           | 0.5        |           | 0.5        |           |            |           |             |
| Net Increase in Cash and Cash Equivalents           |           | 6.5       |            |           | 6.5        |           |            |           |             |
| Cash and Cash Equivalents at Beginning of Period    | 0.1       |           | 9.2        |           | 9.3        |           |            |           |             |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | <b>\$</b> | <b>\$</b> | <b>0.1</b> | <b>\$</b> | <b>6.5</b> | <b>\$</b> | <b>9.2</b> | <b>\$</b> | <b>15.8</b> |



**Table of Contents**

**PART II OTHER INFORMATION**

**ITEM 6. EXHIBITS**

a) Exhibit Index

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 31.1                  | Certification required by Rule 13a-14(a).   |
| 31.2                  | Certification required by Rule 13a-14(a).   |
| 32.1                  | Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code. |
| 32.2                  | Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code. |

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

**GRAPHIC PACKAGING HOLDING COMPANY**

(Registrant)

|                            |  |                 |
|----------------------------|--|-----------------|
| /s/ STEPHEN A.<br>HELLRUNG | Senior Vice President, General Counsel and Secretary | October 1, 2009 |
|----------------------------|--|-----------------|

Stephen A. Hellrung

|                      |   |                 |
|----------------------|---|-----------------|
| /s/ DANIEL J. BLOUNT | Senior Vice President and Chief Financial Officer | October 1, 2009 |
|----------------------|---|-----------------|

Daniel J. Blount (Principal Financial Officer)

|                      |   |                 |
|----------------------|---|-----------------|
| /s/ DEBORAH R. FRANK | Vice President and Chief Accounting Officer | October 1, 2009 |
|----------------------|---|-----------------|

Deborah R. Frank (Principal Accounting Officer)