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. 1

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

For the quarterly period ended March 31, 2009

or

o **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	**26-0405422**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
814 Livingston Court	**30067**
Marietta, Georgia	(Zip Code)
(Address of principal executive offices)	

(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 þ No o

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 o No o

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

As of April 30, 2009, there were 342,590,876 shares of the registrant s Common Stock, par value $0.01 per share, outstanding.

TABLE OF CONTENTS

Table of Contents

EXPLANATORY NOTE

Graphic Packaging Holding Company (the Company) is filing this Amendment No. 1 on Form 10-Q/A to its Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, (the Form 10-Q), filed with the U.S. Securities and Exchange Commission (SEC) on May 7, 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 11 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. 1. 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

In millions, except share and per share amounts	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 181.0	$ 170.1
Receivables, Net	388.1	369.6
Inventories, Net	521.2	532.0
Other Current Assets	66.3	56.9
Total Current Assets	1,156.6	1,128.6
Property, Plant and Equipment, Net	1,896.5	1,935.1
Goodwill	1,211.8	1,204.8
Intangible Assets, Net	653.3	664.6
Other Assets	45.0	50.0
Total Assets	$ 4,963.2	$ 4,983.1
LIABILITIES		
Current Liabilities:		
Short Term Debt and Current Portion of Long-Term Debt	$ 18.9	$ 18.6
Accounts Payable	304.9	333.4
Compensation and Employee Benefits	93.8	87.2
Interest Payable	34.5	57.8
Other Accrued Liabilities	185.2	188.6
Total Current Liabilities	637.3	685.6
Long-Term Debt	3,208.5	3,165.2
Deferred Income Tax Liabilities	203.1	187.8
Accrued Pension and Postretirement Benefits	380.2	375.8
Other Noncurrent Liabilities	45.3	43.5
Total Liabilities	4,474.4	4,457.9
SHAREHOLDERS EQUITY		

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; 342,590,876 and 342,522,470 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	3.4	3.4
Capital in Excess of Par Value	1,955.6	1,955.4
Accumulated Deficit	(1,103.6)	(1,075.4)
Accumulated Other Comprehensive Loss	(366.6)	(358.2)
Total Shareholders Equity	488.8	525.2
Total Liabilities and Shareholders Equity	$ 4,963.2	$ 4,983.1

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

4

Table of Contents

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

In millions, except per share amounts	**Three Months Ended March 31, 2009**	**2008**
Net Sales	$1,019.2	$724.3
Cost of Sales	892.9	637.7
Selling, General and Administrative	90.1	61.3
Research, Development and Engineering	1.4	2.0
Other Expense (Income), Net	1.7	(2.2)
Income from Operations	33.1	25.5
Interest Income	0.1	0.1
Interest Expense	(52.3)	(42.8)
Loss before Income Taxes and Equity in Net Earnings of Affiliates	(19.1)	(17.2)
Income Tax Expense	(9.3)	(6.4)
Loss before Equity in Net Earnings of Affiliates	(28.4)	(23.6)
Equity in Net Earnings of Affiliates	0.2	0.3
Net Loss	$ (28.2)	$ (23.3)
Loss Per Share Basic and Diluted	$ (0.08)	$ (0.10)
Weighted Average Number of Shares Outstanding Basic and Diluted	342.6	234.5

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

5

Table of Contents

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

In millions	Three Months Ended March 31, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (28.2)	$ (23.3)
Noncash Items Included in Net Loss:		
Depreciation and Amortization	76.4	50.6
Deferred Income Taxes	9.3	5.1
Amount of Postemployment Expense Greater (Less) Than Funding	12.2	(25.6)
Amortization of Deferred Debt Issuance Costs	2.1	1.6
Other, Net	3.8	16.9
Changes in Operating Assets & Liabilities	(73.7)	(100.5)
Net Cash Provided by (Used in) Operating Activities	1.9	(75.2)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Spending	(36.0)	(35.9)
Acquisition Costs Related to Altivity		(29.1)
Cash Acquired Related to Altivity		60.2
Proceeds from Sale of Assets, Net of Selling Costs		0.7
Other, Net	1.0	(0.6)
Net Cash Used in Investing Activities	(35.0)	(4.7)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Debt		1,200.0
Payments on Debt		(1,168.4)
Borrowings under Revolving Credit Facilities	93.4	251.0
Payments on Revolving Credit Facilities	(49.3)	(174.8)
Debt Issuance Costs		(15.1)
Other, Net	0.4	(0.6)
Net Cash Provided by Financing Activities	44.5	92.1
Effect of Exchange Rate Changes on Cash	(0.5)	0.4
Net Increase in Cash and Cash Equivalents	10.9	12.6
Cash and Cash Equivalents at Beginning of Period	170.1	9.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$181.0	$ 21.9

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

6

Table of Contents

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

In millions, except share amounts	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)
Balances at December 31, 2007	**200,978,569**	**$2.0**	**$1,191.6**	**$ (975.7)**	**$ (73.9)**	
Net Loss				(99.7)		$ (99.7)
Other Comprehensive Income (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 Acquisition	139,445,038	1.4	761.4			
Options and Other Stock-Based Awards	2,098,863		2.4			
Balances at December 31, 2008	**342,522,470**	**$3.4**	**$1,955.4**	**$(1,075.4)**	**$ (358.2)**	
Net Loss				(28.2)		$ (28.2)
Other Comprehensive Income (Loss):						
Derivative Instruments Income					0.8	0.8
Pension Benefit Plans					5.4	5.4
Postretirement Benefit Plans					(0.2)	(0.2)
Postemployment Benefit Plans					0.2	0.2
Currency Translation Adjustment					(14.6)	(14.6)
Total Comprehensive Loss						$ (36.6)
Options and Other Stock-Based Awards	68,406		0.2			
Balances at March 31, 2009	**342,590,876**	**$3.4**	**$1,955.6**	**$(1,103.6)**	**$ (366.6)**	

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

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 food, beverage and other consumer products companies. The Company is the largest producer of folding cartons and holds a leading market position in coated-recycled boxboard and specialty bag packaging. 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, its proprietary carton designs and packaging machines, 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 GPC. 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 three months ended March 31, 2008 includes approximately three weeks of Altivity s results and three months of GPC s results.

On March 5, 2008, the United States Department of Justice issued a Consent Decree that required the divesture 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 conducts no significant business and has no independent assets or operations other than its ownership of GPC, GPII and Altivity. GPHC fully and unconditionally guarantees 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

8

revenues and expenses during the reporting period. Actual amounts could differ from those estimates and changes in these statements are recorded as known.

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 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 8 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 and 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. FSP 107-1 and APB 28-1 are not expected to have an impact on the Company s financial position, results of operations or cash flows.

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 and cash flows.

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 8 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 and 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. generally accepted accounting principles. 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 in 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 and 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 GPC. 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 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
Total Purchase Consideration	$1,960.7

Table of Contents

In millions	
Cash and Cash Equivalents	$ 60.2
Receivables, Net	181.2
Inventories	265.0
Prepaids	13.1
Property, Plant and Equipment	636.7
Intangible Assets	561.1
Other Assets	4.5
Total Assets Acquired	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
Total Liabilities Assumed	331.4
Net Assets Acquired	1,390.4
Goodwill	570.3
Total Estimated Fair Value of Net Assets Acquired	$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 1) significant cost-reduction opportunities and synergies by combining sales and support functions and eliminating duplicate corporate functions, 2) 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 3) expansion of the Company s manufacturing system which will now 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:

In millions	**Paperboard Packaging**	**Multi-wall Bag**	**Specialty Packaging**	**Total**
Balance at March 31, 2009	$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.

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. 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.

Table of Contents

In millions	Three Months Ended March 31, 2009	2008
Net Sales	$1,019.2	$1,096.6
Net Loss	$ (13.3)	$ (23.5)
Loss Per Share Basic and Diluted	$ (0.04)	$ (0.07)

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 March 31, 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 first quarter of 2009 was $1.9 million and is included in Selling, General and Administrative costs in the Condensed Consolidated Statements of Operations. The Company did not record any termination benefits in the first quarter 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 March 31, 2009:

In millions	Severance and Benefits	Facility Closure Costs	Equipment Removal	Total
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	2.9	0.9	0.3	4.1
Cash Payments	(2.3)	(0.7)	(0.1)	(3.1)
Other Adjustments	(2.3)	(1.2)		(3.5)
Balance at March 31, 2009	$ 12.2	$ 8.8	$ 2.2	$23.2

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 amount of accelerated depreciation recorded in the first quarter of 2009 was $4.1 million.

Table of Contents

NOTE 4 INVENTORIES

Inventories by major class:

In millions	March 31, 2009	December 31, 2008
Finished Goods	$286.7	$ 301.3
Work in Progress	49.6	46.0
Raw Materials	125.6	116.5
Supplies	69.3	77.9
	531.2	541.7
Less: Allowance	(10.0)	(9.7)
Total	$521.2	$ 532.0

NOTE 5 DEBT

On May 16, 2007, the Company entered into a new $1,355 million Credit Agreement (Credit Agreement). The Credit Agreement provides 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 new 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 will remain 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.

Long-Term Debt consisted of the following:

In millions	March 31, 2009	December 31, 2008
Senior Notes with interest payable semi-annually at 8.5%, payable in 2011	$ 425.0	$ 425.0
Senior Subordinated Notes with interest payable semi-annually at 9.5%, payable in 2013	425.0	425.0
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (3.13% at March 31, 2009) payable through 2014	1,000.3	1,000.3
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (3.90% at March 31, 2009) payable through 2014	1,182.3	1,182.3
Senior Secured Revolving Facility with interest payable at various dates at floating rates (2.75% at March 31, 2009) payable in 2013	186.5	143.2
Other	0.8	0.8
	3,219.9	3,176.6

Less, current portion	11.4	11.4
Total	$3,208.5	$3,165.2

At March 31, 2009, the Company and its U.S. and international subsidiaries had the following commitments, amounts outstanding and amounts available under revolving credit facilities:

	Total Amount of	Total Amount