GRAPHIC PACKAGING HOLDING CO
Form 10-Q/A
October 01, 2009

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 September 30, 2008

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 (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 þ 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 October 31, 2008, there were 342,521,411 shares of the registrant s Common Stock, par value $0.01 per share, outstanding.

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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 September 30, 2008, (the Form 10-Q), filed with the U.S. Securities and Exchange Commission (SEC) on November 5, 2008, 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 14 - 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.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GRAPHIC PACKAGING HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

In millions, except share and per share amounts	**September 30, 2008** (Unaudited)	**December 31, 2007**
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 161.1	$ 9.3
Receivables, Net	427.7	226.7
Inventories	568.9	318.6
Other Current Assets	43.5	31.7
Total Current Assets	1,201.2	586.3
Property, Plant and Equipment, Net	1,957.7	1,376.2
Goodwill	1,198.8	641.5
Intangible Assets, Net	675.0	140.4
Other Assets	51.5	32.9
Total Assets	$ 5,084.2	$ 2,777.3
LIABILITIES		
Current Liabilities:		
Short Term Debt and Current Portion of Long Term Debt	$ 6.2	$ 6.6
Accounts Payable	337.3	222.4
Other Accrued Liabilities	266.6	177.8
Total Current Liabilities	610.1	406.8
Long Term Debt	3,247.8	1,871.8
Deferred Tax Liabilities	162.9	141.5
Accrued Pension and Postretirement Benefits	159.0	170.3
Other Noncurrent Liabilities	46.4	42.9
Total Liabilities	4,226.2	2,633.3
SHAREHOLDERS EQUITY		
Preferred Stock, par value $.01 per share; 100,000,000 shares authorized; no shares issued or outstanding		
	3.4	2.0

Common Stock, par value $.01 per share; 1,000,000,000 shares authorized; 342,521,411 and 200,978,569 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively		
Capital in Excess of Par Value	1,955.2	1,191.6
Accumulated Deficit	(1,017.7)	(975.7)
Accumulated Other Comprehensive Loss	(82.9)	(73.9)
Total Shareholders Equity	858.0	144.0
Total Liabilities and Shareholders Equity	$ 5,084.2	$ 2,777.3

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

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

In millions, except per share amounts	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net Sales	$1,165.7	$612.1	$3,031.7	$1,819.3
Cost of Sales	1,015.3	507.1	2,651.1	1,576.4
Selling, General and Administrative	92.5	44.3	243.5	129.7
Research, Development and Engineering	2.1	2.1	6.0	6.7
Other Expense (Income), Net	3.3	(3.0)	(8.8)	(6.9)
Income from Operations	52.5	61.6	139.9	113.4
Interest Income	0.5	0.1	1.0	0.3
Interest Expense	(57.9)	(41.4)	(158.2)	(127.8)
Loss on Early Extinguishment of Debt				(9.5)
(Loss) Income before Income Taxes and Equity in Net Earnings of Affiliates	(4.9)	20.3	(17.3)	(23.6)
Income Tax Expense	(9.0)	(5.4)	(25.0)	(19.1)
(Loss) Income before Equity in Net Earnings of Affiliates	(13.9)	14.9	(42.3)	(42.7)
Equity in Net Earnings of Affiliates	0.4	0.2	1.2	0.7
(Loss) Income from Continuing Operations	(13.5)	15.1	(41.1)	(42.0)
Loss from Discontinued Operations, Net of Taxes	(0.9)	(29.0)	(0.9)	(31.9)
Net Loss	$ (14.4)	$ (13.9)	$ (42.0)	$ (73.9)
(Loss) Income Per Share Basic				
Continuing Operations	$ (0.04)	$ 0.07	$ (0.14)	$ (0.21)
Discontinued Operations		(0.14)		(0.16)
Total	$ (0.04)	$ (0.07)	$ (0.14)	$ (0.37)
(Loss) Income Per Share Diluted				
Continuing Operations	$ (0.04)	$ 0.07	$ (0.14)	$ (0.21)
Discontinued Operations		(0.14)		(0.16)
Total	$ (0.04)	$ (0.07)	$ (0.14)	$ (0.37)
Weighted Average Number of Shares Outstanding Basic	342.5	202.1	306.8	201.7
Weighted Average Number of Shares Outstanding Diluted	342.5	206.4	306.8	201.7

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

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

In millions	Nine Months Ended September 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (42.0)	$ (73.9)
Noncash Items Included in Net Loss:		
Depreciation and Amortization	190.0	149.7
Loss on Early Extinguishment of Debt		9.5
Deferred Income Taxes	20.8	14.1
Pension, Postemployment and Postretirement Benefits Expense, Net of Contributions	(38.6)	(5.2)
Amortization of Deferred Debt Issuance Costs	5.9	5.5
Impairment Charge		25.2
Other, Net	20.2	7.2
Changes in Operating Assets & Liabilities	(113.5)	(87.7)
Net Cash Provided by Operating Activities	42.8	44.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Spending	(126.4)	(61.6)
Acquisition Costs Related to Altivity	(30.3)	
Cash Acquired Related to Altivity	60.2	
Proceeds from Disposal of Property, Net of Disposal Costs	20.3	
Other, Net	(4.6)	(2.6)
Net Cash Used in Investing Activities	(80.8)	(64.2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Debt	1,200.0	1,135.0
Payments on Debt	(1,195.6)	(1,140.3)
Borrowings under Revolving Credit Facilities	747.4	681.2
Payments on Revolving Credit Facilities	(544.5)	(644.0)
Debt Issuance Costs	(16.3)	(7.0)
Other, Net	(0.5)	(0.2)
Net Cash Provided by Financing Activities	190.5	24.7
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(0.7)	0.8
Net Increase in Cash and Cash Equivalents	151.8	5.7
Cash and Cash Equivalents at Beginning of Period	9.3	7.3

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 161.1	$ 13.0

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

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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, 2006	**200,584,591**	**$2.0**	**$1,186.8**	**$ (901.1)**	**$ (106.0)**	**$**
Net Loss				(74.6)		(74.6)
Other Comprehensive Income (Loss):						
Accumulated Derivative Instruments Loss					(2.5)	(2.5)
Pension Benefit Plans					25.2	25.2
Postretirement Benefit Plans					3.3	3.3
Postemployment Benefit Plans					1.5	1.5
Currency Translation Adjustment					4.6	4.6
Total Comprehensive Loss						$ (42.5)
Issuance of Common Stock	393,978		1.3			
Stock-based Compensation			3.5			
Balances at December 31, 2007	**200,978,569**	**$2.0**	**$1,191.6**	**$ (975.7)**	**$ (73.9)**	
Net Loss				(42.0)		$ (42.0)
Other Comprehensive Income (Loss):						
Accumulated Derivative Instruments Loss					(4.6)	(4.6)
Pension Benefit Plans					3.3	3.3
Postretirement Benefit Plans					(0.1)	(0.1)
Postemployment Benefit Plans					0.4	0.4
Currency Translation Adjustment					(8.0)	(8.0)
Total Comprehensive Loss						$ (51.0)
Issuance of Common Stock	141,542,842	1.4	765.1			
Stock-based Compensation			(1.5)			
Balances at September 30, 2008	**342,521,411**	**$3.4**	**$1,955.2**	**$ (1,017.7)**	**$ (82.9)**	

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 ORGANIZATION

On March 10, 2008, the businesses of Graphic Packaging Corporation (GPC) and Altivity Packaging, LLC (Altivity) were combined through a series of transactions. A new publicly-traded parent company, Graphic Packaging Holding Company (GPHC and, together with its subsidiaries, the Company) was formed, and all of the equity interests in Bluegrass Container Holdings, LLC (BCH), 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 BCH 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 No. 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 market 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 nine months ended September 30, 2008 includes six months and approximately three weeks of Altivity. See Note 3 Altivity Transaction.

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.

The Company is a leading provider of packaging solutions for a wide variety of products to food, beverage and other consumer products companies. Additionally, the Company is one of the largest producers of folding cartons and holds a leading market position in coated-recycled boxboard, multi-wall bag and specialty 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 conducts no significant business and has no independent assets or operations other than its ownership of GPC, GPII, BCH and Altivity. GPHC fully and unconditionally guarantees substantially all of the debt of its subsidiaries.

NOTE 2 ACCOUNTING POLICIES

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 GPC s Annual Report on Form 10-K for the year ended December 31, 2007. 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.

The Company has reclassified the presentation of certain prior period information to conform to the current presentation format. This includes the reclassification of warehousing expense from Selling, General and Administrative expense to Cost of Sales and the reclassification of the amortization of intangibles from Other Expense (Income), Net to either Selling, General and Administrative expense or Cost of Sales depending on the nature of the underlying assets. These reclassifications had no impact on the Condensed Consolidated Balance Sheets, Income from Operations, Condensed Consolidated Statements of Shareholders Equity or Condensed Consolidated Statements of Cash Flows and had an immaterial impact on certain captions on the Condensed Consolidated Statements of Operations.

The results of operations for Graphic Packaging International Sweden (GP-Sweden), the Company s discontinued operations, have been eliminated from the Company s continuing operations and classified as discontinued operations for each period presented within the Company s Condensed Consolidated Statement of Operations. The Company has not reclassified assets and liabilities related to discontinued operations as Assets Held for Sale or Liabilities Held for Sale. See Note 13 Discontinued Operations.

For a summary of the Company s significant accounting policies, please refer to GPC s Annual Report on Form 10-K for the year ended December 31, 2007.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements,* (SFAS No. 157). SFAS No. 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 disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007.

In February 2008, the FASB issued FASB Staff Position (FSP) No. 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 No. 157-1). FSP No. 157-1 amends SFAS No. 157 to exclude SFAS No. 13, *Accounting for Leases,* (SFAS No. 13) and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. This scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under SFAS No. 141 or SFAS No. 141 (revised 2007), *Business Combinations*, (SFAS No. 141R), regardless of whether those assets and liabilities are related to leases. FSP No. 157-1 was effective upon the Company s adoption of SFAS No. 157 as of January 1, 2008.

In February 2008, the FASB issued FSP No. 157-2, *Partial Deferral of the Effective Date of Statement 157,* (FSP No. 157-2). FSP No. 157-2 delays the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 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 has adopted SFAS No. 157 as of January 1, 2008 related to financial assets and financial liabilities. See Note 10 Fair Value Measurement. The Company is currently evaluating the impact of SFAS No. 157 related to nonfinancial assets and nonfinancial liabilities on the Company s financial position, results of operations and cash flows.

In October 2008, the FASB issued FSP No. 157-3, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active,* (FSP No. 157-3), which clarifies the application of SFAS No. 157 when the market for a financial asset is inactive. Specifically, FSP No. 157-3 clarifies (1) how management s internal assumptions should be considered in measuring fair value when observable data are not present, (2) how observable market information from an inactive market should be taken into account, and (3) how the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. The guidance in FSP No. 157-3 was effective immediately upon issuance and did not have a material impact on the Company s financial position, results of operations and cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*, (SFAS No. 159) which is effective for fiscal years beginning after November 15, 2007. This statement permits an entity to choose to measure many financial instruments and certain other items at fair value on specified election dates. The Company adopted SFAS No. 159 effective January 1, 2008 and did not elect the fair value option established by SFAS No. 159. As such, the adoption had no impact on the Company s financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141R which is effective for fiscal years beginning after December 15, 2008. SFAS No. 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 impact on the Company of adopting SFAS No 141R will depend on the nature, terms and size of the business combinations completed after the effective date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, (SFAS No. 160) which is effective for fiscal years beginning after December 15, 2008. SFAS No. 160 amends Accounting Research Bulletin 51 (ARB No. 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 No. 51 s consolidation procedures for consistency with the requirements of SFAS No. 141R. The Company is currently evaluating the impact of SFAS No. 160 on its 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 No. 161) which is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS No. 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.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets,* (FSP No. 142-3). FSP No. 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 FASB Statement No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). The intent of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141R and other U.S. generally accepted accounting principles. FSP No. 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 is currently evaluating the impact of FSP No. 142-3 on its financial position, results of operations and cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, (SFAS No. 162) which is effective November 15, 2008. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with accounting principles generally accepted in the U.S. The adoption of SFAS No. 162 is not expected to have any impact on the Company s financial position, results of operations and cash flows.

NOTE 3 ALTIVITY TRANSACTION

On March 10, 2008, the businesses of GPC and Altivity were combined in a transaction accounted for under SFAS No. 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 six recycled boxboard mills and 51 consumer product packaging facilities in North America.

In connection with the Altivity Transaction, all of the equity interests in BCH were contributed to GPHC in exchange for 139,445,038 shares of GPHC s common stock, or approximately 40.6 percent of the Company s outstanding shares of common stock. 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

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BCH were contributed to GPHC s primary operating company, GPII.

The Company determined that the relative outstanding share ownership, voting rights, and the composition of the governing body and senior management positions require 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 market values at the date of the Altivity Transaction. The preliminary purchase price allocation is as follows:

In millions	
Purchase Price	$ 762.8
Acquisition Cost	30.3
Assumed Debt	1,167.6
Total Purchase Consideration	$1,960.7

In millions	
Cash and Cash Equivalents	$ 60.2
Receivables, Net	181.2
Inventories	263.7
Prepaids	13.1
Property, Plant and Equipment	636.1
Intangible Assets	561.1
Other Assets	4.7
Total Assets Acquired	1,720.1
Current Liabilities, Excluding Current Portion of Long Term Debt	252.7
Pension and Postemployment Benefits	32.8
Other Noncurrent Liabilities	31.2
Total Liabilities Assumed	316.7
Net Assets Acquired	1,403.4
Goodwill	557.3
Total Estimated Fair Value of Net Assets Acquired	$1,960.7

As of September 30, 2008, the preliminary purchase accounting is still subject to final adjustment and could change in subsequent periods. The Company has not finalized its review of all Altivity environmental and tax matters and other liabilities. The Company has plans to close certain facilities and has established restructuring reserves that are considered liabilities assumed in the Altivity Transaction. See Note 11 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 September 30, 2008	$404.8	$60.9	$91.6	$557.3

The Company expects to amortize approximately $440 million of goodwill for tax purposes through the year 2021.

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The following table summarizes acquired intangibles:

In millions	
Customer Relationships	$546.4
Non-Compete Agreement	8.2
Trademarks and Patents	7.5
Lease and Supply Contracts	(1.0)
Total 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, 4 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. 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.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
In millions	**2008**	**2007**	**2008**	**2007**
Net Sales	$1,165.7	$1,129.0	$3,422.8	$3,314.5
Net Income (Loss)	(7.0)	20.0	(24.0)	(50.3)
Income (Loss) Per Share Basic	(0.02)	0.05	(0.07)	(0.15)
Income (Loss) Per Share Diluted	(0.02)	0.06	(0.07)	(0.15)

NOTE 4 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 September 30, 2008 is the Graphic Packaging Corporation 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-based compensation expense for all share-based payment awards granted, after the Company s adoption of SFAS No. 123R, *Share-Based Payment*, (SFAS No. 123R) on January 1, 2006, is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R.

Stock Options

GPC and the Company have not granted any stock options since 2004. During the nine months ended September 30, 2008, no stock options were exercised and 5,270,056 stock options were cancelled. The total number of shares subject to options at September 30, 2008 was 7,460,182 at a weighted average exercise price of $7.18.

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 restricted stock and RSUs vest and become unrestricted in one to five years from date of grant. Upon vesting, RSUs are payable 50% in cash and 50% in shares of common stock.

Data concerning RSUs and stock awards granted in the first nine months of 2008 is as follows:

	Shares	Weighted Avg. Grant Date Fair Value Per Share
RSUs Employees	1,139,970	$ 2.72
Stock Awards Board of Directors	433,697	$ 2.28

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.

The value of stock awards is based on the market value of the Company s common stock at the date of grant and recorded in Shareholders Equity.

During the first nine months of 2008, the Company also issued 56,823 shares of phantom stock, representing compensation 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 57,215 shares in payment of employee deferred compensation, which is recorded as a liability at its fair market value.

During the nine months ended September 30, 2008 and 2007, $6.8 million and $6.6 million was charged to compensation expense, respectively. Of the amount charged to expense during 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 at September 30, 2008 is approximately $2 million and is expected to be recognized over a weighted average period of two years.

NOTE 5 INVENTORIES

Inventories by major class:

In millions	September 30, 2008	December 31, 2007
Finished goods	$ 318.3	$ 157.8
Work in progress	55.5	27.9
Raw materials	123.4	79.8
Supplies	77.8	58.9
	575.0	324.4
Less Allowances	6.1	5.8
Total	$ 568.9	$ 318.6

NOTE 6 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 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. The Company believes that the LADEQ will assess a penalty of approximately $0.3 million to be paid partially in cash and partially through the completion of beneficial environmental projects.

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 is 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 Lagrumment December nr 1031 Aktiebolg under which the Company s Swedish operations were sold, the Seller retains liability for certain environmental claims after the sale. During the third quarter of 2008, the Company paid $2.9 million which reduced the reserve. The Company also determined that additional remediation of the site would be required by the County Administrative Board and recorded an addition of $0.9 million to the reserve. The reserve was recorded in discontinued operations within the Company s Condensed Consolidated Statement of Operations.

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.

In connection with the Altivity Transaction, the Company acquired several sites with on-going administrative proceedings related to air emission and water discharge permit exceedances and soil contamination issues. The Company is currently in the process of reviewing the facts and status of such proceedings, but in all cases it is too early in the proceedings to be able to determine liability and reasonably estimate costs relating to such proceedings. The Company does not believe, however, that any of the proceedings will result in material liabilities or penalties.

The Company has established reserves for those facilities or issues where liability is probable and the costs are reasonably estimable. Except for the Title V permit issue, for which a penalty has been estimated, it is too early in the investigation and regulatory process to make a determination of the probability of liability and reasonably estimate costs. Nevertheless, 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, all of which the Company currently considers to be remote. 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 consolidated financial position, results of operations or cash flows.

NOTE 7 BUSINESS SEGMENT INFORMATION

As a result of the Altivity Transaction, the Company s reporting segments were revised as follows: the Company s containerboard/other was combined into the paperboard packaging segment and additionally, two new segments were created, 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 also includes the design, manufacture and installation of packaging machinery related to the assembly of cartons and the production and sale of linerboard, 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.

The specialty packaging business segment primarily includes flexible packaging, label solutions, laminations, and ink 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 metallicized paper labels and heat transfer labels are used in a wide range of consumer applications.

Segment disclosures contained in this Form 10-Q have been revised to conform to the new presentation for all reporting periods.

Business segment information is as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
In millions	**2008**	**2007**	**2008**	**2007**
NET SALES:				
Paperboard Packaging	$ 946.9	$590.6	$2,532.5	$1,760.3
Multi-wall Bag	169.7	21.5	391.2	59.0
Specialty Packaging	49.1		108.0	
Total	$1,165.7	$612.1	$3,031.7	$1,819.3
INCOME (LOSS) FROM OPERATIONS:				
Paperboard Packaging	$ 74.8	$ 67.8	$ 216.3	$ 136.0
Multi-wall Bag	13.3	2.3	27.3	4.1
Specialty Packaging	6.3		10.0	
Corporate	(41.9)	(8.5)	(113.7)	(26.7)
Total	$ 52.5	$ 61.6	$ 139.9	$ 113.4

	September 30, 2008	**December 31, 2007**
In millions		

ASSETS:		
Paperboard Packaging	$ 3,836.2	$ 2,676.4
Multi-wall Bag	495.5	29.7
Specialty Packaging	220.0	
Corporate	532.5	71.2
Total	$ 5,084.2	$ 2,777.3

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NOTE 8 PENSIONS AND OTHER POSTRETIREMENT BENEFITS

GPC maintains defined-benefit pension plans for substantially all of its North American employees. Benefits are based on years of service and average base compensation levels over a period of years. Effective January 1, 2008, the plans were amended to exclude salaried and non-union hourly employees hired on or after January 1, 2008.

GPC also sponsors various postretirement health care plans that provide medical and life insurance coverage to eligible salaried and hourly retired employees and their dependents. One of the salaried plans closed to new employees who began employment after December 31, 1993 and another salaried plan closed to new employees who began after June 15, 1999.

Altivity sponsors noncontributory defined-benefit pension plans covering substantially all U.S. hourly employees. Altivity also sponsors noncontributory and contributory defined-benefit plans for its Canadian operations. Certain salaried and hourly employees also participate in health care and postretirement defined benefit plans.

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

Pension and Postretirement Expense

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

	Pension Benefits				**Postretirement Benefits**			
	Three Months Ended September 30,		**Nine Months Ended September 30,**		**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
In millions	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Service Cost	$ 4.7	$ 3.4	$ 13.0	$ 10.2	$0.5	$ 0.2	$ 1.2	$ 0.8
Interest Cost	10.1	8.8	29.5	26.2	0.8	0.8	2.5	2.0
Expected Return on Plan Assets	(10.7)	(9.1)	(31.2)	(27.1)				
Amortizations:								
Prior Service Cost	0.7	0.8	2.0	2.2				
Actuarial Loss	0.6	0.5	1.5	1.7		(0.1)	(0.2)	(0.1)
Net Periodic Cost	$ 5.4	$ 4.4	$ 14.8	$ 13.2	$1.3	$ 0.9	$ 3.5	$ 2.7

The Company made contributions of $54.9 million and $21.5 million to its pension plans during the first nine months of 2008 and 2007, respectively. The Company expects to make contributions of approximately $56 million for the full year 2008. During 2007, the Company made $24.9 million of contributions to its U.S. pension plans.

The Company made postretirement benefit payments of $1.6 million and $0.9 million during the first nine months of 2008 and 2007, respectively. The Company estimates its postretirement benefit payments for the full year 2008 to be approximately $3 million. During 2007, the Company made postretirement benefit payments of $1.0 million.

NOTE 9 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 rates of either LIBOR plus 225 basis points or prime plus 125 basis points and the term loan facility bears interest at a rate of LIBOR plus 200 basis points. The Company continuously monitors the spread between LIBOR and prime to ensure the most economic decision. The facilities under the Credit Agreement replace the revolving credit facility due on August 8, 2009 and the term loan due on August 8, 2010 under the Company s previous senior secured credit agreement. The Company s obligations under the new Credit Agreement are collateralized by substantially all of the Company s domestic assets.

In connection with the May 16, 2007 replacement of the Company s previous revolving credit and term loan facilities and in accordance with Emerging Issues Task Force (EITF) 96-19, *Debtor s Accounting for a Modification or Exchange of Debt Instruments* and EITF 98-14, *Debtor s Accounting for Changes in Line-of- Credit or*

Revolving-Debt Arrangements, the Company recorded a charge of $9.5 million, which represented a portion of the unamortized deferred financing costs associated with the previous revolving credit and term loan facilities. This charge is reflected as Loss on Early Extinguishment of Debt in the Company s Condensed Consolidated Statement of Operations. In connection with the new Credit Agreement, the Company recorded approximately $7 million of deferred financing costs.

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. The Company has interest rate swaps covering approximately 63% of its variable rate debt. 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	**September 30, 2008**	**December 31, 2007**
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 (4.79% at September 30, 2008) payable through 2014	1,000.3	1,010.0
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (5.98% at September 30, 2008) payable through 2014	1,182.5	
Senior Secured Revolving Facility with interest payable at various dates at floating rates (5.81% at September 30, 2008) payable in 2013	214.7	11.0
Other	0.8	1.0
	3,248.3	1,872.0
Less, current portion	0.5	0.2
Total	$ 3,247.8	$ 1,871.8

At September 30, 2008, the Company and its U.S. and international subsidiaries had the following commitments, amounts outstanding and amounts available under revolving credit facilities:

In millions	**Total Amount of Commitments**	**Total Amount Outstanding**	**Total Amount Available[(a)]**
Revolving Credit Facility	$ 400.0	$ 214.7	$ 149.2
International Facilities	15.3	5.7	9.6
Total	$ 415.3	$ 220.4	$ 158.8

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 $36.1 million as of September 30, 2008. These letters of credit are used as security against its self-insurance obligations and workers compensation obligations. These letters of credit expire at various dates through 2009 unless extended.

The Credit Agreement and the indentures governing the Senior Notes and 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 and disruptions in the credit market, 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 September 30, 2008, 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 including the credit markets 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 objective. 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.

NOTE 10 FAIR VALUE MEASUREMENT

In September 2006, the FASB issued SFAS No. 157, which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies to accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS No. 157 defines fair value based upon an exit price model, whereby fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 clarifies that fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

Relative to SFAS No. 157, the FASB issued FSP No. 157-1, FSP No. 157-2, and FSP No. 157-3. FSP No. 157-1 amends SFAS No. 157 to exclude SFAS No. 13, *Accounting for Leases*, and its related interpretive accounting pronouncements that address leasing transactions, and FSP No. 157-2 delays the effective date of the application of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. Non-recurring nonfinancial assets and nonfinancial liabilities include those measured at fair value in goodwill impairment testing, indefinite lived intangible assets measured at fair value for impairment testing, asset retirement obligations initially measured at fair value, and those assets and liabilities initially measured at fair value in a business combination. FSP No. 157-3 clarifies the application of SFAS No. 157 when the market for a financial asset is inactive.

The Company adopted SFAS No. 157 for financial assets and financial liabilities as of January 1, 2008, in accordance with the provisions of SFAS No. 157 and the related guidance of FSP No. 157-1, FSP No. 157-2, and FSP No. 157-3. The adoption did not have a significant impact on the Company s financial position, results of operations or cash flows. The Company intends to utilize the best available information in measuring fair value. The Company has determined that its financial assets and financial liabilities are valued using Level 2 inputs in the fair value hierarchy.

Valuation Hierarchy

SFAS No. 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 inputs quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 inputs unobservable inputs based on the Company s own assumptions used to measure assets and liabilities at fair value.

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A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2008:

In millions	**Total Carrying Value at September 30, 2008**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Commodity Contracts	$ (19.9)		$ (19.9)	
Foreign Currency Contracts, Net of Liabilities	2.7		2.7	
Interest Rate Swap Agreements	(7.0)		(7.0)	
Total	$ (24.2)		$ (24.2)	

These financial assets can be found in the Other Current Assets and the financial liabilities in the Other Accrued Liabilities and Other Noncurrent Liabilities on the Company s Condensed Consolidated Balance Sheets. As of September 30, 2008, there has not been any 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.

During the third quarter of 2008, the Company recorded an unfavorable $0.3 million mark to market adjustment to income for an interest rate swap. The year to date favorable impact of this mark to market adjustment to income was $10.4 million. The interest rate swap is now designated as a hedge and subsequent mark to market adjustments for effectiveness are recorded in Other Comprehensive Income.

NOTE 11 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, equipment removal and facility closure costs. These restructuring reserves were established in accordance with the requirement of 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 four Altivity facilities and has committed to six additional plant closures. The restructuring activities are expected to be substantially completed by December 31, 2010.

In addition, during the third quarter 2008, the Company announced the closure of a GPC 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 third quarter of 2008 was $0.8 million within Selling, General, and Administrative expense.

The following table summarizes the transactions within the restructuring reserves which are included in Other Accrued Liabilities and Other Noncurrent Liabilities as of September 30, 2008:

In millions	**Severance and Benefits**	**Facility Closure Costs**	**Equipment Removal**	**Total**

Establish Reserves	$ 7.0	$ 8.5	$ 1.8	$17.3
Cash Payments	(0.2)		(0.1)	(0.3)
Balance at June 30, 2008	$ 6.8	$ 8.5	$ 1.7	$17.0
Additions to Reserves	8.3	1.5	0.1	9.9
Cash Payments	(4.6)	(0.3)	(0.2)	(5.1)
Balance at September 30, 2008	$ 10.5	$ 9.7	$ 1.6	$21.8

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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 third quarter of 2008 was $2.6 million and $3.1 million year to date.

NOTE 12 EARNINGS PER SHARE

The following table summarizes the weighted average number of common shares used in the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
In millions	**2008**	**2007**	**2008**	**2007**
Weighted Average Number of Common Shares:				
Basic	342.5	202.1	306.8	201.7
Dilutive Effect of Stock Options		0.3		
Dilutive Effect of Restricted Stock Units		4.0		
Diluted	342.5	206.4	306.8	201.7

During the three and nine months ended September 30, 2008 and the nine months ended September 30, 2007, options in the amount of 7.0 million, 7.0 million and 11.9 million, respectively, were outstanding but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the common shares.

NOTE 13 DISCONTINUED OPERATIONS

On October 16, 2007, Graphic Packaging International Holding Sweden AB (the Seller), an indirect wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Lagrumment December nr 1031 Aktiebolg, a company organized under the laws of Sweden that will be renamed Fiskeby International Holding AB (the Purchaser), and simultaneously completed the transactions contemplated by such agreement. Pursuant to such Purchase and Sales Agreement, the Purchaser acquired all of the outstanding shares of GP-Sweden. GP-Sweden and its subsidiaries are in the business of developing, manufacturing and selling paper and packaging boards made from recycled fiber. The Sale and Purchase Agreement specifies that the purchase price is $8.6 million and contains customary representations and warranties of the Seller.

The Purchaser is affiliated with Jeffery H. Coors, the former Vice Chairman and a member of the Board of Directors of the Company. The Seller undertook the sale of GP-Sweden to the Purchaser after a thorough exploration of strategic alternatives with respect to GP-Sweden. The transactions contemplated by the Sale and Purchase Agreement were approved by the Audit Committee of the Board of Directors of the Company pursuant to its Policy Regarding Related Party Transactions and by the full Board of Directors other than Mr. Coors.

In accordance with FASB SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), the Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. During the third quarter of 2007, the Company recognized an Impairment Charge of $25.2 million relating to GP-Sweden. The Company s plan to sell the operations led to the testing for impairment of long-lived assets. The fair value of the impaired assets was determined based on selling price less cost to sell. The Impairment Charge is reflected as a component of Loss from Discontinued Operations, Net of Taxes on the Condensed Consolidated Statements of Operations.

During the third quarter of 2008, the Company determined an additional $0.9 million environmental reserve related to GP-Sweden was necessary and recorded this in discontinued operations within the Company s Condensed Consolidated Statement of Operations. See Note 6 Environmental and Legal Matters.

The long-lived assets of GP-Sweden comprise operations and cash flows that can be distinguished from the rest of the Company. Since these cash flows will be eliminated from ongoing operations, the results of operations were reported in Discontinued Operations for all periods presented.

Summarized financial information for discontinued operations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2008**	**2007**	**2008**	**2007**
Net Sales	$	$ 25.3	$	$ 78.1
Loss from Discontinued Operations, Net of Taxes	(0.9)	(29.0)	(0.9)	(31.9)

GP-Sweden was included in the Paperboard Packaging segment and the Europe geographic area.

NOTE 14 GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

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

	September 30, 2008					
In millions	**Parent**	**Subsidiary Issuer**	**Combined Guarantor Subsidiaries**	**Combined Nonguarantor Subsidiaries**	**Consolidating Eliminations**	**Consolidated**
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$	$ 142.8	$ 9.4	$ 8.9	$	$ 161.1
Receivables, Net		185.7	158.5	83.5		427.7
Inventories		279.9	225.7	68.1	(4.8)	568.9
Intercompany	(1.1)	1,032.4	(907.4)	(123.9)		
Other Current Assets		29.0	6.5	8.0		43.5
Total Current Assets	(1.1)	1,669.8	(507.3)	44.6	(4.8)	1,201.2
Property, Plant and Equipment, Net		1,313.6	561.2	83.1	(0.2)	1,957.7
Investment in Consolidated Subsidiaries	859.1	220.5	15.8	131.8	(1,227.2)	
Goodwill		880.8	316.8	0.5	0.7	1,198.8
Other Assets		715.8	3.6	7.1		726.5
Total Assets	$858.0	$4,800.5	$ 390.1	$ 267.1	$(1,231.5)	$5,084.2
LIABILITIES						
Current Liabilities:						
Short-Term Debt and Current Portion of Long-Term Debt	$	$ 0.5	$ 0.1	$ 5.6	$	$ 6.2
Accounts Payable		170.7	126.3	40.3		337.3
Other Accrued Liabilities		192.5	59.1	15.0		266.6
Total Current Liabilities		363.7	185.5	60.9		610.1
Long-Term Debt		3,247.8				3,247.8
Deferred Income Tax Liabilities		159.3	0.9	2.7		162.9
Other Noncurrent Liabilities		170.6	30.2	4.6		205.4
Total Liabilities		3,941.4	216.6	68.2		4,226.2

SHAREHOLDERS EQUITY						
Total Shareholders Equity	858.0	859.1	173.5	198.9	(1,231.5)	858.0
Total Liabilities and Shareholders Equity	$858.0	$4,800.5	$ 390.1	$ 267.1	$(1,231.5)	$5,084.2

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	Three Months Ended September 30, 2008					
In millions	**Parent**	**Subsidiary Issuer**	**Combined Guarantor Subsidiaries**	**Combined Nonguarantor Subsidiaries**	**Consolidating Eliminations**	**Consolidated**
Net Sales	$	$597.3	$483.5	$ 116.2	$ (31.3)	$ 1,165.7
Cost of Sales		522.7	419.0	105.6	(32.0)	1,015.3
Selling, General and Administrative		66.6	18.5	7.4		92.5
Research, Development and Engineering		1.9		0.2		2.1
Other Expense (Income), Net		5.0	(1.5)	(0.2)		3.3
Income from Operations		1.1	47.5	3.2	0.7	52.5
Interest Expense, Net		(56.4)	0.7	(1.7)		(57.4)
(Loss) Income before Income Taxes		(55.3)	48.2	1.5	0.7	(4.9)
Income Tax Expense		(5.0)	(3.1)	(0.9)		(9.0)
(Loss) Income before Equity In Net Earnings of Affiliates		(60.3)	45.1	0.6	0.7	(13.9)
Equity in Net Earnings of Affiliates				0.4		0.4
Equity in Net Earnings of Subsidiaries	(14.4)	46.8	0.6		(33.0)	
(Loss) Income from Continuing Operations	(14.4)	(13.5)	45.7	1.0	(32.3)	(13.5)
Loss from Discontinued Operations, Net of Taxes		(0.9)				(0.9)
Net (Loss) Income	$(14.4)	$ (14.4)	$ 45.7	$ 1.0	$ (32.3)	$ (14.4)

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	Nine Months Ended September 30, 2008					
In millions	Parent	Subsidiary Issuer	Combined Guarantor Subsidiaries	Combined Nonguarantor Subsidiaries	Consolidating Eliminations	Consolidated
Net Sales	$	$1,752.0	$1,061.2	$ 321.3	$(102.8)	$ 3,031.7
Cost of Sales		1,515.2	946.5	291.4	(102.0)	2,651.1
Selling, General and Administrative		143.8	77.1	22.6		243.5
Research, Development and Engineering		5.6		0.4		6.0
Other (Income) Expense, Net		(9.8)	2.1	(1.1)		(8.8)
Income (Loss) from Operations		97.2	35.5	8.0	(0.8)	139.9
Interest Expense, Net		(155.0)	1.1	(3.3)		(157.2)
(Loss) Income before Income Taxes		(57.8)	36.6	4.7	(0.8)	(17.3)
Income Tax Expense		(14.9)	(7.3)	(2.8)		(25.0)
(Loss) Income before Equity in Net Earnings of Affiliates		(72.7)	29.3	1.9	(0.8)	(42.3)
Equity in Net Earnings of Affiliates				1.2		1.2
Equity in Net Earnings of Subsidiaries	(42.0)	31.6	1.9		8.5	
(Loss) Income from Continuing Operations	(42.0)	(41.1)	31.2	3.1	7.7	(41.1)
Loss from Discontinued Operations, Net of Taxes		(0.9)				(0.9)
Net (Loss) Income	$(42.0)	$ (42.0)	$ 31.2	$ 3.1	$ 7.7	$ (42.0)

	Nine Months Ended September 30, 2008					
In millions	Parent	Subsidiary Issuer	Combined Guarantor Subsidiaries	Combined Nonguarantor Subsidiaries	Consolidating Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net (Loss) Income	$(42.0)	$ (42.0)	$ 31.2	$ 3.1	$ 7.7	$ (42.0)
Noncash Items Included in Net (Loss) Income:						
Depreciation and Amortization		150.0	33.1	6.9		190.0
Deferred Income Taxes		14.6	6.9	(0.7)		20.8
Amount of Postemployment Expense Less Than Funding		(38.2)		(0.4)		(38.6)
Amortization of Deferred Debt Issuance Costs		5.9				5.9
Equity in Subsidiaries	42.0	(31.6)	(1.9)		(8.5)	
Other, Net		(5.1)	25.3			20.2
Changes in Operating Assets and Liabilities		(57.7)	(54.2)	(2.4)	0.8	(113.5)
Net Cash (Used in) Provided by Operating Activities		(4.1)	40.4	6.5		42.8
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital Spending		(89.8)	(31.0)	(5.6)		(126.4)
Acquisition Costs Related to Altivity		(30.3)				(30.3)
Cash Acquired Related to Altivity		60.2				60.2
Proceeds from Sales of Assets, Net of Selling Costs		20.3				20.3
Other, Net		(4.6)				(4.6)
Net Cash Used in Investing Activities		(44.2)	(31.0)	(5.6)		(80.8)
CASH FLOWS FROM FINANCING ACTIVITIES:						
		1,200.0				1,200.0

Proceeds from Issuance of Debt						
Payments on Debt		(1,195.6)				(1,195.6)
Borrowings under Revolving Credit Facilities		747.4				747.4
Payments on Revolving Credit Facilities		(544.5)				(544.5)
Debt Issuance Costs		(16.3)				(16.3)
Other, Net				(0.5)		(0.5)
Net Cash Provided by (Used in) Financing Activities		191.0		(0.5)		190.5
Effect of Exchange Rate Changes on Cash				(0.7)		(0.7)
Net Increase (Decrease) in Cash and Cash Equivalents		142.7	9.4	(0.3)		151.8
Cash and Cash Equivalents at Beginning of Period		0.1		9.2		9.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	$ 142.8	$ 9.4	$ 8.9	$	$ 161.1

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PART II OTHER INFORMATION

ITEM 6. EXHIBITS

a) Exhibit Index

Exhibit Number	Description
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.

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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. HELLRUNG Stephen A. Hellrung	Senior Vice President, General Counsel and Secretary	October 1, 2009
/s/ DANIEL J. BLOUNT Daniel J. Blount	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	October 1, 2009
/s/ DEBORAH R. FRANK Deborah R. Frank	Vice President and Chief Accounting Officer (Principal Accounting Officer)	October 1, 2009

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