GRAPHIC PACKAGING HOLDING CO
Form 10-K
February 06, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

þ	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the fiscal year ended December 31, 2013
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 of incorporation)	(I.R.S. employer identification no.)
1500 Riveredge Parkway, Suite 100, Atlanta, Georgia	30328
(Address of principal executive offices)	(Zip Code)

(770) 240-7200
Registrant's telephone number, including area code:
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights Associated with the Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a smaller reporting company)		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of voting and non-voting common equity held by non-affiliates at June 30, 2013 was approximately $1.6 billion.

As of January 31, 2014 there were approximately 324,746,642 shares of the registrant's Common Stock, $0.01 par value per share outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive Proxy Statement for the 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements regarding the expectations of Graphic Packaging Holding Company (“GPHC” and, together with its subsidiaries, the “Company”), including, but not limited to, statements regarding cost savings from its continuous improvement programs, capital investment, depreciation and amortization, interest expense, debt reduction, synergies from acquisitions, pension plan contributions and postretirement health care benefit payments, in this report constitute “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from the Company’s historical experience and its present expectations. These risks and uncertainties include, but are not limited to, inflation of and volatility in raw material and energy costs, continuing pressure for lower cost products, the Company’s ability to implement its business strategies, including productivity initiatives and cost reduction plans, the Company’s debt level, currency movements and other risks of conducting business internationally, and the impact of regulatory and litigation matters, including those that could impact the Company’s ability to utilize its net operating losses to offset taxable income and those that impact the Company's ability to protect and use its intellectual property. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made and the Company undertakes no obligation to update such statements. Additional information regarding these and other risks is contained in Part I, Item 1A., Risk Factors.

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PART I

ITEM 1. BUSINESS

Overview

Graphic Packaging Holding Company (“GPHC” and, together with its subsidiaries, the “Company”) is committed to providing consumer packaging that makes a world of difference. The Company is a leading provider of packaging solutions to food, beverage and other consumer products companies. The Company is the largest U.S. producer of folding cartons and holds leading market positions in coated unbleached kraft paperboard, coated-recycled paperboard and multi-wall bags.

The Company’s customers include many of the world’s most widely recognized companies and brands with prominent market positions in the beverage, food and other consumer products industries. The Company strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting plants, proprietary carton and packaging designs, and its commitment to quality and service.

During November of 2013, certain shareholders of the Company sold approximately 47.9 million shares of common stock in a secondary public offering at $8.38 per share. The shares were sold by certain affiliates of TPG Capital, L.P. (the “TPG Entities”), certain Coors family trusts and the Adolph Coors Foundation (the “Coors Family Stockholders”), Clayton, Dubilier & Rice Fund V Limited Partnership (the “CD&R Fund”) and Old Town, S.A. (“Old Town”), (“Old Town”, and together with the TPG Entities, the Coors Family Stockholders, the Adolph Coors Foundation, and the CD&R Fund, the "Selling Stockholders"). In connection with the offering, the Company repurchased approximately 23.9 million shares at $8.38 per share resulting in aggregate purchase price of $200 million (the "Share Repurchase"). The Share Repurchase was funded with a combination of cash on hand and borrowings under the Company’s revolving credit facility. After these transactions the shares outstanding held by the Selling Stockholders decreased from approximately 35% to approximately 23%.

During 2013, prior to the November secondary, the Selling Stockholders sold 15 million, 15 million and 28 million shares of common stock in separate secondary public offerings at prices of $7.00, $7.73 and $8.45 per share, respectively. The shares outstanding held by the Selling Stockholders in these offerings decreased from approximately 53% at December 31, 2012 to approximately 35%.

On September 30, 2013, the Company completed the sale of certain assets related to the flexible plastics business and the sale of its uncoated-recycled board (“URB”) mill. The flexible plastics business was part of the Flexible Packaging segment and the URB mill was part of the Paperboard Packaging segment, and in aggregate, accounted for approximately 2% of net consolidated sales.

On December 31, 2012, the Company acquired Contego Packaging Holdings, Ltd. ("Contego"), a leading food and consumer product packaging company based in the United Kingdom. Under the terms of the transaction, the Company paid approximately $93 million and assumed debt of approximately $35 million in an all cash transaction. Contego operates four folding carton facilities that convert approximately 150,000 tons of paperboard annually. The acquisition is included in the paperboard packaging segment. This transaction is herein referred to as the "Contego Transaction".

On December 31, 2012, the Company acquired A&R Carton Holding BV’s Beer and Beverage packaging business in Europe ("A&R"). Under the terms of the transaction, the Company paid approximately $25 million and assumed approximately $2 million in debt in an all cash transaction. A&R includes two manufacturing facilities that convert approximately 30,000 tons of paperboard annually. The acquisition is included in the paperboard packaging segment.

This transaction is herein referred to as the "A&R Transaction". The A&R Transaction and the Contego Transaction are collectively referred to as the "European Acquisitions".

During December of 2012, the Selling Stockholders sold 18.5 million shares of common stock in a secondary public offering at $6.10 per share, as well as an additional 2.8 million shares pursuant to the underwriters' overallotment option. In connection with the offering, the Company also repurchased approximately 49.2 million shares of its common stock from the Selling Stockholders at $6.10 per share. The Company funded the share repurchase with an incremental term loan borrowing. The shares outstanding held by the Selling Stockholders decreased from approximately 65% to approximately 53%.

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During December 2011, the Company combined its multi-wall bag and specialty plastics packaging businesses with the kraft paper and multi-wall bag businesses of Delta Natural Kraft, LLC and Mid-America Packaging, LLC (collectively "DNK"), both wholly-owned subsidiaries of Capital Five Investments, LLC ("CVI"). Under the terms of the transaction, the Company formed a new limited liability company, Graphic Flexible Packaging, LLC ("GFP"), and contributed the net assets of its multi-wall bag and specialty plastics packaging businesses to it. CVI concurrently contributed its ownership interests in DNK to GFP. Neither party received cash consideration as part of the transaction. After the combination, the Company owns approximately 87% of GFP and consolidates its results of operations. The remaining 13% of GFP is owned by CVI. GFP is included in the flexible packaging segment. This transaction is herein referred to as the "DNK Transaction".

Products

The Company reports its results in two business segments: paperboard packaging and flexible packaging. The Company operates in four geographic areas: the United States ("U.S.")/Canada, Central/South America, Europe and Asia Pacific. For business segment and geographic area information for each of the last three fiscal years, see Note 16 in the Notes to Consolidated Financial Statements included herein under "Item 8., Financial Statements and Supplementary Data."

Paperboard Packaging

The Company's paperboard packaging products deliver brand, marketing and performance benefits at a competitive cost. The Company supplies paperboard cartons and carriers designed to protect and contain products while providing:

- convenience through ease of carrying, storage, delivery, dispensing of product and food preparation for consumers;
- a smooth surface printed with high-resolution, multi-color graphic images that help improve brand awareness and visibility of products on store shelves; and
- durability, stiffness and wet and dry tear strength; leak, abrasion and heat resistance; barrier protection from moisture, oxygen, oils and greases, as well as enhanced microwave heating performance.

The Company provides a wide range of paperboard packaging solutions for the following end-use markets:

- beverage, including beer, soft drinks, energy drinks, water and juices;
- food, including cereal, desserts, frozen, refrigerated and microwavable foods and pet foods;
- prepared foods, including snacks, quick-serve foods for restaurants and food service products; and
- household products, including dishwasher and laundry detergent, health care and beauty aids, and tissues and papers.

The Company's packaging applications meet the needs of its customers for:

Strength Packaging. The Company's products provide sturdiness to meet a variety of packaging needs, including tear and wet strength, puncture resistance, durability and compression strength (providing stacking strength to meet store display packaging requirements).

Promotional Packaging. The Company offers a broad range of promotional packaging options that help differentiate its customers' products in the marketplace. These promotional enhancements improve brand awareness and visibility on store shelves.

Convenience Packaging. These packaging solutions improve package usage and food preparation:

- beverage multiple-packaging — Multi-packs for beer, soft drinks, energy drinks, water and juices;
- active microwave technologies — Substrates that improve the preparation of foods in the microwave; and
- easy opening and closing features — Pour spouts and sealable liners.

Barrier Packaging. The Company provides packages that protect against moisture, grease, oil, oxygen, sunlight, insects and other potential product-damaging factors.

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The Company produces paperboard at its mills; prints, cuts and glues ("converts") the paperboard into folding cartons at its converting plants; and designs and manufactures specialized, proprietary packaging machines that package bottles and cans and, to a lesser extent, non-beverage consumer products. The Company also installs its packaging machines at customer plants and provides support, service and advanced performance monitoring of the machines.

The Company offers a variety of laminated, coated and printed packaging structures that are produced from its coated unbleached kraft ("CUK"), coated-recycled board ("CRB"), kraft paper containerboard and URB, as well as other grades of paperboard that are purchased from third-party suppliers.

Below is the production at each of the Company's mills in the paperboard packaging segment during 2013:

Location	Product	# of Machines	2013 Net Tons Produced
West Monroe, LA	CUK	2	777,000
Macon, GA	CUK	2	604,000
Kalamazoo, MI	CRB	2	459,000
Battle Creek, MI	CRB	2	173,000
Middletown, OH	CRB	1	163,000
Santa Clara, CA	CRB	1	141,000
Pekin, IL [a]	URB	1	34,000
West Monroe, LA	Containerboard	1	128,000
West Monroe, LA	Kraft Paper	1	48,000

Note:
(a) Mill was sold on September 30, 2013.

The Company consumes most of its coated board output in its carton converting operations, which is an integral part of the customer value proposition. In 2013, approximately 82% of mill production of CUK and CRB was consumed internally.

CUK Production. The Company is the largest of three worldwide producers of CUK. CUK is a specialized high-quality grade of coated paperboard with excellent wet and dry tear strength characteristics and printability for high resolution graphics that make it particularly well-suited for a variety of packaging applications.

CRB Production. The Company is the largest domestic producer of CRB. CRB is manufactured entirely from recycled fibers, primarily old corrugated containers ("OCC"), doubled-lined kraft cuttings from corrugated box plants ("DLK"), old newspapers ("ONP"), and box cuttings. The recycled fibers are re-pulped, formed on paper machines, and clay-coated to provide an excellent printing surface for superior quality graphics and appearance characteristics.

Containerboard/Kraft Paper. The Company manufactures corrugated medium and kraft paper for sale in the open market and internal use. Corrugated medium is combined with linerboard to make corrugated containers. Kraft paper is used primarily to make grocery bags and sacks.

The Company converts CUK and CRB, as well as other grades of paperboard, into cartons at converting plants the Company operates in various locations globally, including a converting plant associated with its joint venture in Japan, contract converters and at licensees outside the U.S. The converting plants print, cut and glue paperboard into cartons designed to meet customer specifications.

The Company's labels business focuses on heat transfer labels and lithographic labels and provides customers with high-quality labels utilizing multiple technology applications. The Company operates dedicated label plants which produce labels for food, beverage, pharmaceutical, automotive, household and industrial products, detergents, and the health and beauty markets.

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Flexible Packaging

The Company’s flexible packaging segment includes multi-wall bag facilities and the Pine Bluff, AR mill, which produced approximately 140,000 tons of kraft paper in 2013. In 2013, approximately 58% of the Company's mill production of kraft paper was consumed internally.

The Company is a leading supplier of flexible packaging in North America. Products include multi-wall bags, such as pasted value, pinched bottom, sewn open mouth and woven polypropylene, and coated paper. Coated paper products include institutional french fry packaging, barrier pouch rollstock and freezer paper. Key end-markets include food and agriculture, building and industrial materials, chemicals, minerals, and pet foods. Prior to the sale, approximately 27% of the plastics produced were consumed internally. The Company’s facilities are strategically located, allowing it to provide a high level of service to customers, minimize freight and logistics costs, improve order turnaround times and improve supply chain reliability.

Joint Ventures

The Company is a party to a joint venture with Rengo Riverwood Packaging, Ltd. (in Japan) in which it holds a 50% ownership interest. The joint venture agreement covers CUK supply, use of proprietary carton designs and marketing and distribution of packaging systems.

Marketing and Distribution

The Company markets its products principally to multinational beverage, food, and other well-recognized consumer product companies. The beverage companies include Anheuser-Busch, Inc., MillerCoors LLC, PepsiCo, Inc. and The Coca-Cola Company. Consumer product customers include Mondelez International Inc., Kraft Foods, Inc., General Mills, Inc., Nestlé USA, Inc., Kellogg Company, HAVI Global Solutions, LLC and Kimberly-Clark Corporation, among others. The Company also sells paperboard in the open market to independent and integrated paperboard converters.

Distribution of the Company’s principal products is primarily accomplished through sales offices in the U.S., Australia, Brazil, China, Germany, Italy, Japan, Mexico, Spain, the Netherlands and the United Kingdom, and, to a lesser degree, through broker arrangements with third parties.

During 2013, the Company did not have any one customer that represented 10% or more of its net sales.

Competition

Although a relatively small number of large competitors hold a significant portion of the paperboard packaging market, the Company’s business is subject to strong competition. There are two major CUK producers in the U.S. - MeadWestvaco Corporation and the Company. Internationally, The Klabin Company in Brazil produces similar grades of paperboard.

In beverage packaging, cartons made from CUK compete with substitutes such as plastics and corrugated packaging for packaging glass or plastic bottles, cans and other primary containers. Although plastics and corrugated packaging are typically priced lower than CUK, the Company believes that cartons made from CUK offer advantages over these materials in areas such as distribution, brand awareness, carton designs, package performance, package line speed, environmental friendliness and design flexibility.

In non-beverage consumer packaging, the Company’s paperboard competes with MeadWestvaco’s CUK, as well as CRB and solid bleached sulfate (“SBS”) from numerous competitors, and internationally, folding boxboard and white-lined chip. There are a large number of producers in the paperboard markets. Suppliers of paperboard compete primarily on the basis of price, strength and printability of their paperboard, quality and service.

The Company’s multi-wall bag business competes with a small number of large competitors. Additionally, the Company faces increasing competition from imported products, primarily from Asia.

Raw Materials

Paperboard Packaging

The paperboard packaging produced by the Company comes from pine trees and recycled fibers. Pine pulpwood, paper and recycled fibers (including DLK and OCC) and energy used in the manufacture of paperboard, as well as poly sheeting, plastic

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resins and various chemicals used in the coating of paperboard, represent the largest components of the Company's variable costs of paperboard production.

For the West Monroe, LA and Macon, GA mills, the Company relies on private landowners and the open market for all of its pine pulpwood and recycled fiber requirements, supplemented by CUK clippings that are obtained from its converting operations. The Company believes that adequate supplies from both private landowners and open market fiber sellers currently are available in close proximity to meet its fiber needs at these mills.

The paperboard grades produced at the Kalamazoo, MI, Battle Creek, MI, Middletown, OH, and Santa Clara, CA, mills are made from 100% recycled fiber. The Company procures its recycled fiber from external suppliers and internal converting operations. The market price of each of the various recycled fiber grades fluctuates with supply and demand. The Company's internal recycled fiber procurement function enables the Company to attain the lowest market price for its recycled fiber given the Company's highly fragmented supplier base. The Company believes there are adequate supplies of recycled fiber to serve its mills.

In addition to paperboard that is supplied to its converting operations from its own mills, the Company converts a variety of other paperboard grades such as SBS. The Company purchases such paperboard requirements, including additional CRB from outside vendors. The majority of external paperboard purchases are acquired through long-term arrangements with other major industry suppliers.

The labels business purchases its primary raw materials, which include heat transfer papers and coated one-side and two-side papers, from a limited number of suppliers. In addition, the group purchases wet strength and metalized paper for specific, niche label applications and shrink sleeve film substrates through a variety of agreements, generally with terms of one to six years.

Flexible Packaging

For its Pine Bluff, AR mill, the Company relies on private landowners and the open market for all of its pine pulpwood and recycled fiber requirements. The multi-wall bag business uses a combination of natural kraft, high performance, bleached, metallic and clay-coated papers in its converting operations. The paper is supplied either internally or directly through other North American paper mills, under supply agreements that are typically renewed annually.

Energy

Energy, including natural gas, fuel oil and electricity, represents a significant portion of the Company's manufacturing costs. The Company has entered into contracts designed to manage risks associated with future variability in cash flows and price risk related to future energy cost increases for a portion of its natural gas requirements, primarily at its U.S. mills. The Company's hedging program for natural gas is discussed in Note 9 in the Notes to Consolidated Financial Statements included herein under "Item 8., Financial Statements and Supplementary Data."

Backlog

Orders from the Company's principal customers are manufactured and shipped with minimal lead time. The Company did not have a material amount relating to backlog orders at December 31, 2013 or 2012.

Seasonality

The Company’s net sales, income from operations and cash flows from operations are subject to moderate seasonality, with demand usually increasing in the late spring through early fall due to the beverage, folding carton, housing and construction markets.

Research and Development

The Company’s research and development team works directly with its sales, marketing and consumer insight personnel to understand long-term consumer and retailer trends and create relevant new packaging. These innovative solutions provide customers with differentiated packaging to meet customer needs. The Company’s development efforts include, but are not limited to, extending the shelf life of customers’ products; reducing production and waste costs; enhancing the heat-managing characteristics of food packaging; and refining packaging appearance through new printing techniques and materials.

Sustainability represents one of the strongest trends in the packaging industry. The Company’s strategy is to combine sustainability with innovation to create new packaging solutions for its customers.

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For more information on research and development expenses see Note 1 in the Notes to Consolidated Financial Statements included herein under “Item 8., Financial Statements and Supplementary Data.”

Patents and Trademarks

As of December 31, 2013, the Company had a large patent portfolio, presently owning, controlling or holding rights to more than 1,800 U.S. and foreign patents, with more than 700 U.S. and foreign patent applications currently pending. The Company’s patent portfolio consists primarily of patents relating to packaging machinery, manufacturing methods, structural carton designs, active microwave packaging technology, barrier protection packaging, multi-wall packaging and manufacturing methods. These patents and processes are significant to the Company’s operations and are supported by trademarks such as Cap-Sac®, DI-NA-CAL®, Fridge Vendor®, IntegraPak™, Kitchen Master®, MicroFlex-Q® , MicroRite®, Quilt Wave®, Qwik Crisp®, Soni-Lok®, Soni-Seal®, Tite-Pak®, The Yard Master®, and Z-Flute®. The Company takes significant steps to protect its intellectual property and proprietary rights.

Culture and Employees

The Company’s corporate vision — consumer packaging that makes a world of difference — and values of respect, integrity, relationships, teamwork and accountability guide employee behavior, expectations and relations. The Company’s ongoing efforts to build a high-performance culture and improve the manner in which work is done across the Company includes a significant focus on continuous improvement utilizing processes like Lean Sigma and Six Sigma. In 2013, employees across the globe participated in lean and six sigma events.

As of December 31, 2013, the Company had approximately 12,900 employees worldwide , of which approximately 54% were represented by labor unions and covered by collective bargaining agreements or covered by work councils in Europe. As of December 31, 2013, approximately 500 of the Company’s employees were working under an expired contract, which is currently being negotiated, and approximately 1,700 were covered under collective bargaining agreements that expire within one year. The Company considers its employee relations to be satisfactory.

Environmental Matters

The Company is subject to federal, state and local environmental regulations and employs a team of professionals in order to maintain compliance at each of its facilities. For additional information on such regulation and compliance, see “Environmental Matters” in “Item 7., Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 13 in the Notes to Consolidated Financial Statements included herein under “Item 8., Financial Statements and Supplementary Data.”

Available Information

The Company’s website is located at http://www.graphicpkg.com. The Company makes available, free of charge through its website, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such materials are electronically filed or furnished to the Securities and Exchange Commission (the “SEC”). The Company also makes certain investor presentations and access to analyst conference calls available through its website. The information contained or incorporated into the Company’s website is not a part of this Annual Report on Form 10-K.

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Item 1A. RISK FACTORS

The following risks could affect (and in some cases have affected) the Company's actual results and could cause such results to differ materially from estimates or expectations reflected in certain forward-looking statements:

The Company's financial results could be adversely impacted if there are significant increases in prices for raw materials, energy, transportation and other necessary supplies, and the Company is unable to raise prices, or improve productivity and reduce costs.

Limitations in the availability of, and increases in, the costs of raw materials, including petroleum-based materials, energy, wood, transportation and other necessary goods and services, could have an adverse effect on the Company's financial results. Because negotiated sales contracts and the market largely determine the pricing for its products, the Company is at times limited in its ability to raise prices and pass through to its customers any inflationary or other cost increases that the Company may incur.

The Company uses productivity improvements to reduce costs and offset inflation. These include global continuous improvement initiatives that use statistical process control to help design and manage many types of activities, including production and maintenance. The Company's ability to realize anticipated savings from these improvements is subject to significant operational, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. If the Company cannot pass through price increases or successfully implement cost savings plans, it may not be able to continue to compete successfully against other manufacturers. In addition, any failure to generate the anticipated efficiencies and savings could adversely affect the Company's financial results.

The Company's ability to use its net operating losses to offset its future taxable income may be limited under Section 382 of the Internal Revenue Code.

As of December 31, 2013, the Company had approximately $892.3 million of net operating losses (“NOLs”) available to offset future taxable income for U.S. federal income tax purposes. The Company's ability to use such NOLs to offset taxable income can be limited, however, if the Company undergoes an “ownership change” within the meaning of Section 382 of the Internal Revenue Code (“Section 382”). In general, an ownership change occurs whenever the aggregate percentage of the Company's common stock owned directly or indirectly by its stockholders who own five percent or more of the Company's common stock (“Significant Stockholders”) increases by more than 50 percentage points over the lowest aggregate percentage of the Company's common stock owned directly or indirectly by such Significant Stockholders at any time during the preceding three years. In addition, under certain circumstances, issuances, sales or other dispositions or acquisitions of the ownership interests in the Company's Significant Stockholders can be deemed an ownership change for the Company.

If an ownership change occurs, Section 382 establishes an annual limitation on the amount of NOL that may be used to offset federal taxable income in future years. As a result, the Company's cash tax liability for such years could increase significantly. The magnitude of the annual limitation on the use of deferred tax assets and the effect of such limitation on the Company is difficult to assess and depends in part on the market value of the Company at the time of the ownership change and prevailing interest rates.

The Company's indebtedness may adversely affect its financial condition and its ability to react to changes in its business.

As of December 31, 2013, the Company had an aggregate principal amount of $2,253.6 million of outstanding debt. Because of the Company's debt level, a portion of its cash flows from operations will be dedicated to payments on indebtedness and the Company's ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be restricted in the future.

Additionally, the Company’s Credit Agreement dated March 16, 2012, as amended (the “Credit Agreement”) and the indenture governing its 7.875% Senior Notes due 2018 and the 4.75% Senior Notes due 2021 (the “Indenture”) prohibit or restrict, among other things, the disposal of assets, the incurrence of additional indebtedness (including guarantees), payment of dividends, loans or advances and certain other types of transactions. These restrictions could limit the Company's flexibility to respond to changing market conditions and competitive pressures. The debt obligations and restrictions may also leave the Company more vulnerable

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to a downturn in general economic conditions or its business, or unable to carry out capital expenditures that are necessary or important to its growth strategy and productivity improvement programs.

The Company's future growth and financial results could be adversely impacted, if the Company is unable to identify and finance strategic acquisitions and to successfully integrate the acquired businesses.

The Company has made several acquisitions in recent years. The Company's ability to continue to make strategic acquisitions and to integrate the acquired businesses successfully, including obtaining anticipated cost savings or synergies and expected operating results within a reasonable period of time, is an important factor in the Company's future growth. If the Company is unable to realize the expected revenue and cash flow growth and other benefits, the Company may be required to spend additional time or money on integration efforts that would otherwise have been spent on the development and expansion of its business. In addition, the Company's ability to finance acquisitions may be adversely impacted by the Company's financial position and access to credit markets.

The Company is subject to environmental, health and safety laws and regulations, and costs to comply with such laws and regulations, or any liability or obligation imposed under new laws or regulations, could negatively impact its financial condition and results of operations.

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, the investigation and remediation of contamination resulting from releases of hazardous substances, and the health and safety of employees. The Company cannot currently assess the impact that future emission standards, climate control initiatives and enforcement practices will have on the Company's operations and capital expenditure requirements. Environmental liabilities and obligations may result in significant costs, which could negatively impact the Company's financial position, results of operations or cash flows. See Note 13 in the Notes to Consolidated Financial Statements included herein under “Item 8., Financial Statements and Supplementary Data.”

The Company may not be able to develop and introduce new products and adequately protect its intellectual property and proprietary rights, which could harm its future success and competitive position.

The Company works to increase market share and profitability through product innovation and the introduction of new products. The inability to develop new or better products in a timely manner may impact the Company's competitive position.

The Company's future success and competitive position also depends, in part, upon its ability to obtain and maintain protection for certain proprietary carton and packaging machine technologies used in its value-added products, particularly those incorporating the Cap-Sac, DI-NA-CAL, Fridge Vendor, IntegraPak, Kitchen Master, MicroFlex-Q, MicroRite, Quilt Wave, Qwik Crisp, Soni-Lok, Soni-Seal, Tite-Pak, The Yard Master and Z-Flute technologies. Failure to protect the Company's existing intellectual property rights may result in the loss of valuable technologies or may require it to license other companies' intellectual property rights. It is possible that any of the patents owned by the Company may be invalidated, rendered unenforceable, circumvented, challenged or licensed to others or any of its pending or future patent applications may not be issued within the scope of the claims sought by the Company, if at all. Further, others may develop technologies that are similar or superior to the Company's technologies, duplicate its technologies or design around its patents, and steps taken by the Company to protect its technologies may not prevent misappropriation of such technologies.

Competition could have an adverse effect on the Company's financial results.

The Company competes with other paperboard manufacturers and carton converters, both domestically and internationally. The Company's products compete with those made from other manufacturers' CUK board and other substrates, as well as SBS and recycled clay-coated news (“CCN”). Substitute products include plastic, shrink film and corrugated containers. In addition, while the Company has long-term relationships with many of its customers, the underlying contracts may be re-bid or renegotiated from time to time, and the Company may not be successful in renewing on favorable terms or at all. The Company works to maintain market share through efficiency, product innovations and strategic sourcing to its customers; however, pricing and other competitive pressures may occasionally result in the loss of a customer relationship.

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The Company's pension plans are currently underfunded, and the Company may be required to make cash payments to the plans, reducing the cash available for its business.

The Company's cash flows may be adversely impacted by the Company's pension funding obligations. The Company's pension funding obligations are dependent upon multiple factors resulting from actual plan experience and assumptions of future experience. The Company has unfunded obligations of $153.2 million under its domestic and foreign defined benefit pension plans. The funded status of these plans is dependent upon various factors, including returns on invested assets, the level of certain market interest rates and the discount rate used to determine the pension obligations. Unfavorable returns on the plan assets or unfavorable changes in applicable laws or regulations could materially change the timing and amount of required plan funding, which would reduce the cash available to the Company for other purposes.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Headquarters

The Company leases its principal executive offices in Atlanta, GA and maintains country headquarters in Australia, China, Germany, Italy, and Japan.

Operating Facilities

A listing of the principal properties owned or leased and operated by the Company is set forth below. The Company’s buildings are adequate and suitable for the business of the Company. The Company also leases certain smaller facilities, warehouses and office space throughout the U.S. and in foreign countries from time to time. The operating locations include 7 mills, 38 paperboard converting plants, and 11 flexible packaging plants.

Segment and Location	Related Products or Use of Facility
Paperboard Packaging:	
Battle Creek, MI	CRB
Kalamazoo, MI	CRB
Macon, GA	CUK
Middletown, OH	CRB
Santa Clara, CA	CRB
West Monroe, LA	CUK; Containerboard; Research and Development
Atlanta, GA	Folding Cartons
Bremen, Germany	Folding Cartons
Bristol, Avon, United Kingdom	Folding Cartons
Carol Stream, IL	Folding Cartons; Design Center
Centralia, IL	Folding Cartons
Charlotte, NC	Folding Cartons
Elk Grove, IL [(a)]	Folding Cartons
Fort Smith, AR [(a)]	Folding Cartons
Gordonsville, TN	Folding Cartons

Greensboro, NC	Labels
Hoogerheide, Netherlands	Folding Cartons

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Igualada, Barcelona, Spain	Folding Cartons
Irvine, CA	Folding Cartons
Jundiai, Sao Paulo, Brazil	Folding Cartons
Kalamazoo, MI	Folding Cartons
Kendallville, IN	Folding Cartons
Lawrenceburg, TN	Folding Cartons
Leeds, United Kingdom	Folding Cartons
Lumberton, NC	Folding Cartons
Marion, OH	Folding Cartons
Masnieres, France	Folding Cartons
Menasha, WI	Folding Cartons
Mississauga, Ontario, Canada	Folding Cartons; Research and Development
Mitchell, SD	Folding Cartons
Norwood, OH	Labels
Oroville, CA	Folding Cartons
Pacific, MO	Folding Cartons
Perry, GA	Folding Cartons
Piscataway, NJ	Folding Cartons
Portlaoise, Ireland	Folding Cartons
Queretaro, Mexico	Folding Cartons
Renton, WA	Folding Cartons
Sneek, Netherlands	Folding Cartons
Solon, OH	Folding Cartons
Tuscaloosa, AL	Folding Cartons
Valley Forge, PA	Folding Cartons; Design Center
Wausau, WI	Folding Cartons
West Monroe, LA [a]	Folding Cartons
Flexible Packaging:	
Arcadia, LA	Multi-wall Bag
Eastman, GA	Multi-wall Bag
Fowler, IN	Multi-wall Bag
Kansas City, MO	Multi-wall Bag
Louisville, KY	Multi-wall Bag
New Philadelphia, OH	Multi-wall Bag
North Portland, OR	Multi-wall Bag
Pine Bluff, AR	Kraft Paper
Pine Bluff, AR	Multi-wall Bag
Quincy, IL	Multi-wall Bag
Salt Lake City, UT	Multi-wall Bag
Wellsburg, WV	Multi-wall Bag
Other:	
Concord, NH	Research and Development; Design Center
Crosby, MN	Packaging Machinery Engineering Design and Manufacturing
Atlanta, GA	Research and Development; Packaging Machinery and Design

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Note:
(a) Multiple facilities in this location.

ITEM 3. LEGAL PROCEEDINGS

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. See Note 13 in the Notes to Consolidated Financial Statements included herein under "Item 8., Financial Statements and Supplementary Data."

ITEM 4. MINE SAFETY DISCLOSURES

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G.(3) of Form 10-K, the following list is included as an unnumbered item in Part I of this Report in lieu of being included in the definitive proxy statement that will be filed within 120 days after December 31, 2013.

David W. Scheible, 57, was appointed Chairman of the Board of GPHC on May 22, 2013. He was appointed to the Board of Directors of GPHC upon its formation (under the name New Giant Corporation) in June 2007. Prior to the combination of the businesses of Graphic Packaging Corporation ("GPC") and Altivity Packaging LLC, on March 10, 2008 (the " Altivity Transaction"), he had served as a director, President and Chief Executive Officer of GPC since January 1, 2007. Prior to that time, Mr. Scheible had served as Chief Operating Officer of GPC since October 2004. Mr. Scheible served as Executive Vice President of Commercial Operations from August 2003 until October 2004. Mr. Scheible served as Graphic Packaging International Corporation's Chief Operating Officer from 1999 until August 2003. He also served as President of Graphic Packaging International Corporation's Flexible Division from January to June 1999. Previously, Mr. Scheible was affiliated with the Avery Dennison Corporation, working most recently as its Vice President and General Manager of the Specialty Tape Division from 1995 through 1999 and Vice President and General Manager of the Automotive Division from 1993 to 1995. Mr. Scheible serves on the Board of Directors of Benchmark Electronics, Inc., a provider of integrated electronics manufacturing, design and engineering services.

Daniel J. Blount, 58, is the Senior Vice President and Chief Financial Officer of GPHC. Prior to the Altivity Transaction, he had served as Senior Vice President and Chief Financial Officer of GPC since September 2005. From October 2003 until September 2005, he was the Senior Vice President, Integration of GPC. From August 2003 until October 2003, he was the Senior Vice President, Integration, Chief Financial Officer and Treasurer. From June 2003 until August 2003, he was Senior Vice President, Chief Financial Officer and Treasurer of Riverwood Holding, Inc. From September 1999 until June 2003, Mr. Blount was Senior Vice President and Chief Financial Officer of Riverwood Holding, Inc. Mr. Blount was named Vice President and Chief Financial Officer of Riverwood Holding, Inc. in September 1998. Prior to joining Riverwood Holding, Inc., Mr. Blount spent 13 years at Montgomery Kone, Inc., an elevator, escalator and moving ramp product manufacturer, installer and service provider, most recently serving as Senior Vice President, Finance.

Carla J. Chaney, 43, is the Senior Vice President, Human Resources of GPHC, a position she has held since July 15, 2013. Mrs. Chaney joined GPHC from Exide Technologies, a leading global supplier of stored electrical energy. Mrs. Chaney was with Exide Technologies from February 2012 to July 2013 and served most recently as Executive Vice

President, Human Resources and Communications. Prior to Exide Technologies, Mrs. Chaney held a variety of leadership roles with Newell Rubbermaid, Inc. from 2004 to 2011, including Group Vice President, Human Resources for the Home & Family business segment, Regional Vice President, Human Resources, EMEA; Corporate Vice President, Global Organization and People Development; and Vice President, Human Resources, Culinary Lifestyles Business. Mrs. Chaney also worked for Georgia-Pacific from 1992 to 2004.

Michael P. Doss, 47, is the Chief Operating Officer of GPHC. Mr. Doss previously held the position of Executive Vice President, Commercial Operations of GPHC. Prior to this Mr. Doss held the position of Senior Vice President, Consumer Packaging Division. Prior to the Altivity Transaction, he had served as Senior Vice President, Consumer Products Packaging of GPC since September

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2006. From July 2000 until September 2006, he was the Vice President of Operations, Universal Packaging Division. Since joining Graphic Packaging International Corporation in 1990, Mr. Doss has held positions of increasing management responsibility, including Plant Manager at the Gordonsville, TN and Wausau, WI plants. Mr. Doss was Director of Web Systems for the Universal Packaging Division prior to his promotion to Vice President of Operations.

R. Allen Ennis, 45, is the Senior Vice President, Flexible Division, of GPHC. Mr. Ennis joined GPII in 2011 from Sierra Pacific Packaging, a state-of-the-art food and beverage folding carton manufacturing company. He served as Chief Executive Officer of Sierra Pacific Packaging since founding the company in 1994 until the acquisition by GPII in 2011.

Stephen A. Hellrung, 66, is the Senior Vice President, General Counsel and Secretary of GPHC. Prior to the Altivity Transaction, he had served as Senior Vice President, General Counsel and Secretary of GPC since October 2003. He was Senior Vice President, General Counsel and Secretary of Lowe's Companies, Inc., a home improvement specialty retailer, from April 1999 until June 2003. Prior to joining Lowe's Companies, Mr. Hellrung held similar positions with The Pillsbury Company and Bausch & Lomb, Incorporated.

Alan R. Nichols, 51, is the Senior Vice President, Mills Division of GPHC. He served as Vice President, Mills from August 2008 until March 2009. From March 2008 until August 2008, Mr. Nichols was Vice President, CRB Mills. Prior to the Altivity Transaction, Mr. Nichols served as Vice President, CRB Mills for Altivity Packaging, LLC from February 2007 until March 2008 and was the Division Manufacturing Manager, Mills for Altivity Packaging and the Consumer Products Division of Smurfit-Stone Container Corporation from August 2005 to February 2007. From February 2001 until August 2005, Mr. Nichols was the General Manager of the Wabash Mill for Smurfit-Stone.

Michael R. Schmal, 60, is the Senior Vice President, Beverage Packaging Division of GPHC. Prior to the Altivity Transaction, he had served as Senior Vice President, Beverage of GPC since August 2003. From October 1996 until August 2003, Mr. Schmal was the Vice President and General Manager, Brewery Group of Riverwood Holding, Inc. Prior to that time, Mr. Schmal held various positions with Riverwood Holding, Inc. since 1981.

Stephen R. Scherger, 49, is the Senior Vice President, Consumer Packaging of GPHC. Mr. Scherger joined GPHC in April of 2012 from MeadWestvaco Corporation, where he served as President, Beverage and Consumer Electronics. Mr. Scherger was with MeadWestvaco Corporation from 1986 to 2012 and held positions including Vice President, Corporate Strategy; Vice President and General Manager, Packaging Systems; Vice President and CFO, Papers Group and other executive-level positions.

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PART II

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

GPHC's common stock (together with the associated stock purchase rights) is traded on the New York Stock Exchange under the symbol "GPK." The historical range of the high and low sales price per share for each quarter of 2013 and 2012 are as follows:

	2013		2012	
	High	Low	High	Low
First Quarter	$7.60	$6.55	$5.76	$4.38
Second Quarter	8.06	7.26	5.67	4.51
Third Quarter	8.89	7.91	5.90	5.18
Fourth Quarter	9.60	8.06	6.69	5.51

No cash dividends have been paid during the last three years to the Company's common stockholders. The Company's intent is not to pay dividends at this time. Additionally, the Company's credit facilities and the indenture governing its debt securities place limitations on the Company's ability to pay cash dividends on its common stock (see "Covenant Restrictions" in "Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 5 in the Notes to Consolidated Financial Statements included herein under "Item 8., Financial Statements and Supplementary Data").

On January 31, 2014, there were approximately 1,800 stockholders of record and approximately 13,600 beneficial holders of GPHC's common stock.

During the fourth quarter of 2013 the Company purchased shares of common stock as follows:

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs
November 1, 2013 through November 30, 2013	23,866,348	$8.38	23,866,348	—

[1] Shares were purchased from the underwriters in conjunction with a secondary offering.

Total Return to Stockholders

The following graph compares the total returns (assuming reinvestment of dividends) of the common stock of the Company, the Standard & Poor's ("S&P") 500 Stock Index and the Dow Jones ("DJ") U.S. Container & Packaging Index. The graph assumes $100 invested on December 31, 2008 in GPHC's common stock and each of the indices. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

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	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Graphic Packaging Holding Company	$ 100.00	$ 304.39	$ 341.23	$ 373.68	$ 566.67	$ 842.11
S&P 500 Stock Index	100.00	126.46	145.51	148.59	172.37	228.19
Dow Jones U.S. Container & Packaging Index	100.00	140.45	164.74	164.97	188.24	264.88

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ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with "Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the Company and the Notes to Consolidated Financial Statements included herein under "Item 8., Financial Statements and Supplementary Data."

	Year Ended December 31,				
In millions, except per share amounts	2013	2012	2011	2010	2009
Statement of Operations Data:					
Net Sales	$4,478.1	$4,337.1	$4,206.3	$4,095.0	$4,095.8
Income from Operations	341.6	322.4	190.3	219.5	282.7
Net Income	146.7	120.1	275.2	10.7	56.4
Net (Income) Loss Attributable to Noncontrolling Interests	(0.1)	2.5	1.7	—	—
Net Income Attributable Graphic Packaging Holding Company	146.6	122.6	276.9	10.7	56.4
Net Income Attributable to Graphic Packaging Holding Company Per Share Basis:					
Basic	$0.42	$0.31	$0.74	$0.03	$0.16
Diluted	$0.42	$0.31	$0.73	$0.03	$0.16
Balance Sheet Data:					
(as of period end)					
Cash and Cash Equivalents	$52.2	$51.5	$271.8	$138.7	$149.8
Total Assets	4,559.3	4,631.6	4,649.7	4,484.6	4,701.8
Total Debt	2,253.6	2,333.3	2,365.8	2,579.1	2,800.2
Total Equity	1,062.3	972.3	1,166.7	747.0	728.8
Additional Data:					
Depreciation and Amortization	$277.4	$266.8	$278.4	$288.7	$305.4
Capital Spending	209.2	203.3	160.1	122.8	129.9

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

This management's discussion and analysis of financial condition and results of operations is intended to provide investors with an understanding of the Company's past performance, its financial condition and its prospects. The following will be discussed and analyzed:

Overview of Business
Overview of 2013 Results
Results of Operations
Financial Condition, Liquidity and Capital Resources
Critical Accounting Policies
New Accounting Standards
Business Outlook

OVERVIEW OF BUSINESS

The Company's objective is to strengthen its position as a leading provider of packaging solutions. To achieve this objective, the Company offers customers its paperboard, cartons and packaging machines, either as an integrated solution or separately. Cartons and carriers are designed to protect and contain products. Product offerings include a variety of laminated, coated and printed packaging structures that are produced from the Company's CUK and CRB, as well as other grades of paperboard that are purchased from third party suppliers. Innovative designs and combinations of paperboard, films, foils, metallization, holographics and embossing are customized to the individual needs of the customers. The Company's labels business focuses on two product lines: heat transfer labels and lithographic labels.

The Company is a leading supplier of flexible packaging in North America. Products include multi-wall bags, such as pasted value, pinched bottom, sewn open mouth and woven polypropylene, and coated paper. Coated paper products include institutional french fry packaging, barrier pouch rollstock and freezer paper. Key end-markets include food and agriculture, building and industrial materials, chemicals, minerals and pet foods.

The Company is implementing strategies (i) to expand market share in its current markets and to identify and penetrate new markets; (ii) to capitalize on the Company's customer relationships, business competencies, and mills and converting assets; (iii) to develop and market innovative, sustainable products and applications; and (iv) to continue to reduce costs by focusing on operational improvements. The Company's ability to fully implement its strategies and achieve its objective may be influenced by a variety of factors, many of which are beyond its control, such as inflation of raw material and other costs, which the Company cannot always pass through to its customers, and the effect of overcapacity in the worldwide paperboard packaging industry.

Significant Factors That Impact The Company's Business

Impact of Inflation. The Company's cost of sales consists primarily of energy (including natural gas, fuel oil and electricity), pine pulpwood, chemicals, secondary fibers, purchased paperboard, paper, aluminum foil, ink, plastic films and resin, depreciation expense and labor. Inflation increased year over year costs by $51.9 million in 2013 and by $43.1 million in 2012. The higher costs in 2013 are primarily related to energy costs ($24.0 million), wood ($11.6 million), labor and related benefits ($7.6 million), freight ($4.3 million), corrugated cases ($3.9 million), other chemical-based inputs ($2.3 million), external board ($1.5 million), and other costs ($11.6 million). These higher costs were partially offset by lower secondary fiber ($14.9 million).

As the price of natural gas has experienced significant volatility, the Company has entered into contracts designed to manage risks associated with future variability in cash flows caused by changes in the price of natural gas. The Company has entered into

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natural gas swap contracts to hedge prices for a portion of its expected usage for 2014. Since negotiated sales contracts and the market largely determine the pricing for its products, the Company is at times limited in its ability to raise prices and pass through to its customers any inflationary or other cost increases that the Company may incur.

Commitment to Cost Reduction. In light of increasing margin pressure throughout the packaging industry, the Company has programs in place that are designed to reduce costs, improve productivity and increase profitability. The Company utilizes a global continuous improvement initiative that uses statistical process control to help design and manage many types of activities, including production and maintenance. This includes a Six Sigma process focused on reducing variable and fixed manufacturing and administrative costs. The Company expanded the continuous improvement initiative to include the deployment of Lean Sigma principles into manufacturing and supply chain services. As the Company strengthens the systems approach to continuous improvement, Lean Sigma supports the efforts to build a high performing culture. During 2013, the Company achieved approximately $66 million in cost savings as compared to 2012, through its continuous improvement programs and manufacturing initiatives.

The Company’s ability to continue to successfully implement its business strategies and to realize anticipated savings and operating efficiencies is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company’s control. If the Company cannot successfully implement the strategic cost reductions or other cost savings plans it may not be able to continue to compete successfully against other manufacturers. In addition, any failure to generate the anticipated efficiencies and savings could adversely affect the Company’s financial results.

Competition and Market Factors. As some products can be packaged in different types of materials, the Company’s sales are affected by competition from other manufacturers’ CUK board and other substrates such as SBS and CCN. Substitute products also include plastic, shrink film and corrugated containers. In addition, while the Company has long-term relationships with many of its customers, the underlying contracts may be re-bid or renegotiated from time to time, and the Company may not be successful in renewing on favorable terms or at all. The Company works to maintain market share through efficiency, product innovation and strategic sourcing to its customers; however, pricing and other competitive pressures may occasionally result in the loss of a customer relationship.

In addition, the Company’s sales historically are driven by consumer buying habits in the markets its customers serve. Increases in the costs of living, the condition of the residential real estate market, unemployment rates, access to credit markets, as well as other macroeconomic factors, may significantly negatively affect consumer spending behavior, which could have a material adverse effect on demand for the Company’s products. New product introductions and promotional activity by the Company’s customers and the Company’s introduction of new packaging products also impact its sales. The Company’s containerboard business is subject to conditions in the cyclical worldwide commodity paperboard markets, which have a significant impact on containerboard sales.

Debt Obligations. The Company has $2,253.6 million of outstanding debt obligations as of December 31, 2013. This debt can have significant consequences for the Company, as it requires a significant portion of cash flow from operations to be used for the payment of principal and interest, exposes the Company to the risk of increased interest rates and restricts the Company’s ability to obtain additional financing. Covenants in the Company’s Credit Agreement and the Indenture also prohibit or restrict, among other things, the disposal of assets, the incurrence of additional indebtedness (including guarantees), payment of dividends, loans or advances and certain other types of transactions. The Credit Agreement also requires compliance with a maximum consolidated secured leverage ratio and a minimum consolidated interest coverage ratio. The Company’s ability to comply in future periods with the financial covenants will depend on its ongoing financial and operating performance, which in turn will be subject to many other factors, many of which are beyond the Company’s control. See “Covenant Restrictions” in “Financial Condition, Liquidity and Capital Resources” for additional information regarding the Company’s debt obligations.

The debt and the restrictions under the Credit Agreement and the Indenture could limit the Company's flexibility to respond to changing market conditions and competitive pressures. The outstanding debt obligations and the restrictions may also leave the Company more vulnerable to a downturn in general economic conditions or its business, or unable to carry out capital expenditures that are necessary or important to its growth strategy and productivity improvement programs.

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OVERVIEW OF 2013 RESULTS

This management’s discussion and analysis contains an analysis of Net Sales, Income from Operations and other information relevant to an understanding of results of operations. To enhance the understanding of continuing operations, this discussion and analysis excludes discontinued operations for all periods presented.

- Net Sales in 2013 increased by $141.0 million or 3.3% to $4,478.1 million from $4,337.1 million in 2012 primarily due to higher volume in paperboard packaging. The higher volume was due to the European acquisitions, new consumer product business and open market sales. This increase was partially offset by lower volume in flexible packaging due to continued general market softness, the internalization of paper and to a lesser extent the sale of the flexible plastics business. Net sales also decreased due to lower pricing and unfavorable exchange rates, primarily in Japan.

- Income from Operations in 2013 increased by $19.2 million, or 6.0%, to $341.6 million from $322.4 million in 2012. The increase was driven primarily by the gain on the sale of the flexible plastics business and improved performance due to cost savings through continuous improvement programs and other strategic initiatives. These increases were partially offset by higher inflation primarily related to energy, the lower pricing, integration costs and unfavorable exchange rates.

- On September 30, 2013, the Company completed the sale of certain assets related to the flexible plastics business and the sale of its URB mill. The Company had previously announced the closure of its Brampton, Ontario facility which was also part of the flexible plastics business.

- During November of 2013, certain shareholders of the Company sold approximately 47.9 million shares of common stock in a secondary public offering at $8.38 per share. The shares were sold by certain affiliates of TPG Capital, L.P. (the “TPG Entities”), certain Coors family trusts and the Adolph Coors Foundation (the “Coors Family Stockholders”), Clayton, Dubilier & Rice Fund V Limited Partnership (the “CD&R Fund”) and Old Town, S.A. (“Old Town”), (“Old Town” and together with the TPG Entities, the Coors Family Stockholders, the Adolph Coors Foundation, and the CD&R Fund, the named therein the "Selling Stockholders"). In connection with the offering, the Company repurchased approximately 23.9 million shares at $8.38 per share resulting in aggregate purchase price of $200 million (the "Share Repurchase"). The Share Repurchase was funded with a combination of cash on hand and borrowings under the Company’s revolving credit facility. After these transactions the shares outstanding held by the Selling Stockholders decreased from approximately 35% to approximately 23%.

- During 2013, prior to the November secondary, the Selling Stockholders sold 15 million, 15 million and 28 million shares of common stock in separate secondary public offerings at prices of $7.00, $7.73 and $8.45 per share, respectively. The shares outstanding held by the Selling Stockholders in these offerings decreased from approximately 53% at December 31, 2012 to approximately 35%.

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RESULTS OF OPERATIONS

Segment Information

The Company reports its results in two business segments: paperboard packaging and flexible packaging.

	Year Ended December 31,		
In millions	2013	2012	2011
NET SALES:			
Paperboard Packaging	$3,844.3	$3,617.0	$3,580.3
Flexible Packaging	633.8	720.1	626.0
Total	$4,478.1	$4,337.1	$4,206.3
INCOME (LOSS) FROM OPERATIONS:			
Paperboard Packaging	$402.2	$417.3	$361.3
Flexible Packaging	(1.3)	(24.3)	(98.8)
Corporate	(59.3)	(70.6)	(72.2)
Total	$341.6	$322.4	$190.3

2013 COMPARED WITH 2012

Net Sales

	Year Ended December 31,			
In millions	2013	2012	Increase	Percent Change
Paperboard Packaging	$3,844.3	$3,617.0	$227.3	6.3%
Flexible Packaging	633.8	720.1	(86.3)	(12.0)%
Total	$4,478.1	$4,337.1	$141.0	3.3%

The components of the change in Net Sales by segment are as follows:

	Year Ended December 31,					
		Variances				
In millions	2012	Price	Volume/Mix	Exchange	Total	2013
Paperboard Packaging	$3,617.0	$(21.9)	$ 270.4	$(21.2)	$227.3	$3,844.3
Flexible Packaging	720.1	0.4	(85.9)	(0.8)	(86.3)	633.8
Total	$4,337.1	$(21.5)	$ 184.5	$(22.0)	$141.0	$4,478.1

Paperboard Packaging

The Company’s Net Sales from paperboard packaging in 2013 increased by $227.3 million, or 6.3%, to $3,844.3 million from $3,617.0 million in 2012 as a result of the European acquisitions, new consumer product business and open market sales. This increase was partially offset by lower organic volume due to the continuing impact of general market conditions in which volume was down in dry foods, cereal and global beverage. Unfavorable pricing due to deflationary cost pass-throughs and unfavorable currency exchange rate changes, primarily in Japan, also negatively impacted Net Sales.

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Flexible Packaging

The Company's Net Sales from flexible packaging in 2013 decreased by $(86.3) million, or (12.0)%, to $633.8 million from $720.1 million in 2012. The decrease is due to internalization as more paper was consumed internally, lower organic volume/mix due to market softness in certain agriculture sectors, construction and other industrial sectors and the sale of the flexible plastics business.

Income (Loss) from Operations

In millions	Year Ended December 31, 2013	2012	Increase (Decrease)	Percent Change
Paperboard Packaging	$402.2	$417.3	$(15.1)	(3.6)%
Flexible Packaging	(1.3)	(24.3)	23.0	(a)
Corporate	(59.3)	(70.6)	11.3	(a)
Total	$341.6	$322.4	$19.2	6.0%

(a) Percentage calculation not meaningful.

The components of the change in Income (Loss) from Operations by segment are as follows:

	Year Ended December 31,	Variances						
In millions	2012	Price	Volume/Mix	Inflation	Exchange	Other [(a)]	Total	2013
Paperboard Packaging	$417.3	$(21.9)	$ (12.6)	$(34.7)	$(10.7)	$64.8	$(15.1)	$402.2
Flexible Packaging	(24.3)	0.4	(0.6)	(18.5)	(1.3)	43.0	23.0	(1.3)
Corporate	(70.6)	—	—	1.3	(0.4)	10.4	11.3	(59.3)
Total	$322.4	$(21.5)	$ (13.2)	$(51.9)	$(12.4)	$118.2	$19.2	$341.6

(a) Includes the Company's cost reduction initiatives, combination-related expenses and sale of businesses.

Paperboard Packaging

The Company's Income from Operations from paperboard packaging in 2013 decreased by $(15.1) million, or (3.6)%, to $402.2 million from $417.3 million in 2012. This resulted from higher costs due to inflation, the lower pricing, the lower volume in global beverage markets, higher integration costs, and unfavorable currency exchange rates, primarily in Japan. These decreases were partially offset by cost savings through continuous improvement programs and manufacturing initiatives and the volume from the European Acqusitions. The inflation was primarily related to higher energy costs ($23.7 million), wood ($11.6 million), corrugated cases ($3.9 million), freight ($3.6 million) labor and benefits ($3.4 million), chemical based inputs ($2.3 million) and other costs ($5.1 million). These higher costs were partially offset by lower secondary fiber ($15.9 million) and inks and coatings ($3.0 million).

Flexible Packaging

The Company's Loss from Operations from flexible packaging in 2013 was $1.3 million compared to Loss from Operations of $24.3 million in 2012 primarily as a result of the gain on the sale of the flexible plastics business and improved performance due to synergies and cost savings through continuous improvement programs. These increases were offset by inflation, shutdown costs in Brampton, and higher production costs at New Philadelphia, OH. The inflation was related to externally purchased paper ($7.9 million), labor and benefits ($5.5 million), secondary fiber ($1.1 million), chemical-based inputs, primarily resin ($1.0 million), freight ($0.7 million) and other inflation ($2.3

million).

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Corporate

The Company’s Loss from Operations from corporate was $59.3 million in 2013 compared to $70.6 million in 2012. The decrease was due to lower compensation costs and lower acquisition/integration costs recorded in corporate during 2013.

INTEREST EXPENSE, NET, INCOME TAX EXPENSE, AND EQUITY INCOME OF UNCONSOLIDATED ENTITIES

Interest Expense, Net

Interest Expense, Net decreased by $9.2 million to $101.9 million in 2013 from $111.1 million in 2012. Interest Expense, Net decreased due to lower total debt, and lower rates on the Company’s debt. As of December 31, 2013, approximately 44% of the Company’s total debt was subject to floating interest rates.

Income Tax Expense

During 2013, the Company recognized Income Tax Expense of $67.4 million on Income before Income Taxes and Equity Income of Unconsolidated Entities of $212.6 million. During 2012, the Company recognized Income Expense of $82.5 million on Income before Income Taxes and Equity Income of Unconsolidated Entities of $200.3 million. The effective tax rate for 2013 was different than the statutory rate primarily as a result of the Company's determination, based on additional guidance published by the Internal Revenue Service, that it is more likely than not that certain excise tax credit refunds received in 2009 are excludable from taxable income. As a result, the Company will amend its 2009 federal and state income tax returns which will result in an increase in our overall net operating loss carryforward. Other differences in the effective tax rate and the statutory tax rate include the mix and levels between foreign and domestic earnings including losses in jurisdictions with full valuation allowances, as well as the effects of certain discrete tax items. The Company has NOLs of approximately $892.3 million for U.S. federal income tax purposes, which may be used to offset future taxable income.

Equity Income of Unconsolidated Entities

Equity Income of Unconsolidated Entities was $1.5 million in 2013 and $2.3 million in 2012 and is related to the Company’s equity investment in the joint venture, Rengo Riverwood Packaging, Ltd.

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2012 COMPARED WITH 2011

Net Sales

	Year Ended December 31,			
In millions	2012	2011	Increase	Percent Change
Paperboard Packaging	$3,617.0	$3,580.3	$36.7	1.0 %
Flexible Packaging	720.1	626.0	94.1	15.0 %
Total	$4,337.1	$4,206.3	$130.8	3.1 %

The components of the change in Net Sales by segment are as follows:

	Year Ended December 31,					
		Variances				
In millions	2011	Price	Volume/Mix	Exchange	Total	2012
Paperboard Packaging	$3,580.3	$12.9	$ 38.5	$(14.7)	$36.7	$3,617.0
Flexible Packaging	626.0	4.3	89.8	—	94.1	720.1
Total	$4,206.3	$17.2	$ 128.3	$(14.7)	$130.8	$4,337.1

Paperboard Packaging

The Company’s Net Sales from paperboard packaging in 2012 increased by $36.7 million, or 1.0%, to $3,617.0 million from $3,580.3 million in 2011 as a result of the higher consumer products volume and higher pricing for consumer and beverage products. The higher consumer products volume was due to the impact of new product sales and the Sierra Pacific Packaging ("Sierra") acquisition in 2011, partially offset by lower organic volume due to the continuing impact of general market conditions in which volume was down primarily in soap and cleaners, cereal and frozen pizza. The higher pricing for both consumer products and beer was due to inflationary cost pass throughs. These increases were partially offset by lower organic volume for beverage, containerboard and open market board sales of CRB and CUK. Unfavorable currency exchange rate changes, primarily in Europe, also negatively impacted Net Sales.

Flexible Packaging

The Company’s Net Sales from flexible packaging in 2012 increased by $94.1 million, or 15.0%, to $720.1 million from $626.0 million in 2011. The increase was as a result of the impact of the DNK combination and the higher pricing, partially offset by the lower organic volume/mix due to market softness in certain agriculture sectors, construction and other industrial sectors.

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Income (Loss) from Operations

In millions	Year Ended December 31, 2012	2011	Increase	Percent Change
Paperboard Packaging	$417.3	$361.3	$56.0	15.5 %
Flexible Packaging	(24.3)	(98.8)	74.5	(a)
Corporate	(70.6)	(72.2)	1.6	(a)
Total	$322.4	$190.3	$132.1	69.4 %

(a) Percentage calculation not meaningful.

The components of the change in Income (Loss) from Operations by segment are as follows:

	Year Ended December 31,	Variances						
In millions	2011	Price	Volume/Mix	Inflation	Exchange	Other(a)	Total	2012
Paperboard Packaging	$361.3	$12.9	$ 11.1	$(19.7)	$(7.1)	$58.8	$56.0	$417.3
Flexible Packaging	(98.8)	4.3	5.6	(22.4)	0.3	86.7	74.5	(24.3)
Corporate	(72.2)	—	—	(1.0)	5.3	(2.7)	1.6	(70.6)
Total	$190.3	$17.2	$ 16.7	$(43.1)	$(1.5)	$142.8	$132.1	$322.4

Note:

(a) Includes the Company's cost reduction initiatives, the goodwill impairment charge, and merger-related expenses.

Paperboard Packaging

The Company's Income from Operations from paperboard packaging in 2012 increased by $56.0 million, or 15.5%, to $417.3 million from $361.3 million in 2011. This was primarily a result of cost savings through continuous improvement programs and manufacturing initiatives primarily focused on maximizing productivity and minimizing waste in the production cycle, the higher pricing, and the higher volume primarily due to new business. These increases were partially offset by higher costs due to inflation, the lower organic volume in beverage products, start-up costs related to new and relocated business, and unfavorable currency exchange rates, primarily in Europe. The inflation was primarily related to higher labor and benefits ($21.1 million), and freight ($17.7 million), chemical-based input ($16.9 million), wood ($15.1 million), and other costs ($3.5 million). These higher costs were partially offset by lower secondary fiber ($32.5 million), energy costs ($20.0 million) mainly due to the price of natural gas, and externally purchased paperboard ($2.1 million). The Company also incurred higher incentive compensation expense compared to the prior year. During the third quarter 2011, the Company took down time in its converting facilities to manage inventory due to market softness, resulting in approximately $5 million of higher costs due to lower absorption. Additionally in 2011, the Company recorded $8.5 million for severance expense and accelerated depreciation for assets that will be removed from service before the end of their lives due to the closure of the Cincinnati, OH facility and the planned closure of the LaPorte, IN facilities.

Flexible Packaging

The Company's Loss from Operations from flexible packaging in 2012 was $24.3 million compared to Loss from Operations of $98.8 million in 2011 primarily as a result of the non-cash goodwill impairment charge of $96.3 million recorded in 2011, as well as the higher inflation, and the lower organic volume. The inflation was related to externally purchased paper ($8.7 million), labor and benefits ($5.9 million), chemical-based inputs, primarily resin ($4.1 million), other inflation ($2.0 million) and freight ($1.7 million). Additionally, the Company recorded approximately $16 million for integration activities and for severance expense due to the closure of the Twinsburg, OH bag facility. The higher costs were partially offset by the higher pricing and cost savings through continuous improvement, and the impact of the business combination.

Corporate

The Company’s Loss from Operations from corporate was $70.6 million in 2012 compared to $72.2 million in 2011. The change was primarily due to the favorable impact of the foreign exchange rates from the Company's derivative instruments, which was partially offset by fees related to the acquisitions and the secondary offering, higher general corporate costs and higher inflation for labor and benefits. Additionally, in the fourth quarter 2011, the Company recorded non-cash asset impairment charges of $4.8 million related to assets held for sale and severance expense of $4.3 million related to a workforce reduction announced in October 2011.

INTEREST EXPENSE, NET, INCOME TAX EXPENSE, AND EQUITY INCOME OF UNCONSOLIDATED ENTITIES

Interest Expense, Net

Interest Expense, Net decreased by $33.8 million to $111.1 million in 2012 from $144.9 million in 2011. Interest Expense, Net decreased due to lower total debt, and lower rates on the Company’s debt. As of December 31, 2012, approximately 50% of the Company’s total debt was subject to floating interest rates.

Income Tax Expense

During 2012, the Company recognized Income Tax Expense of $82.5 million on Income before Income Taxes and Equity Income of Unconsolidated Entities of $200.3 million. During 2011, the Company recognized Income Tax Benefit of $229.8 million on Income before Income Taxes and Equity Income of Unconsolidated Entities of $43.3 million. The effective tax rate for 2012 was different than the statutory rate primarily due to the mix and levels between foreign and domestic earnings including losses in jurisdictions with full valuation allowances, as well as the effects of certain discrete tax items. Income Tax Benefit for 2011 primarily relates to the non-cash benefit of $265.2 million associated with the release of the Company's U.S. federal and a substantial portion of its state deferred tax asset valuation allowance. The valuation allowance release was based on the Company's assessment that it is more likely than not that the Company's U.S. federal and a substantial portion of its state deferred tax assets will be realized.

Equity Income of Unconsolidated Entities

Equity Income of Unconsolidated Entities was $2.3 million in 2012 and $2.1 million in 2011 and is related to the Company’s equity investment in the joint venture, Rengo Riverwood Packaging, Ltd.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company broadly defines liquidity as its ability to generate sufficient funds from both internal and external sources to meet its obligations and commitments. In addition, liquidity includes the ability to obtain appropriate debt and equity financing and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service commitments.

Cash Flows

	Years Ended December 31,	
In millions	2013	2012
Net Cash Provided by Operating Activities	$458.0	$468.6
Net Cash Used in Investing Activities	$(144.4)	$(294.0)
Net Cash Used in Financing Activities	$(311.1)	$(396.1)

Net cash provided by operating activities in 2013 totaled $458.0 million, compared to $468.6 million in 2012. The decrease was due primarily to lower than expected operating results, including higher inventory as a result of lower than expected sales, higher payments for income taxes, and incentive compensation; partially offset by lower interest payments due to the lower average interest rates on the Company's debt. Pension contributions in 2013 and 2012 were $51.5 million and $55.1 million, respectively.

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Net cash used in investing activities in 2013 totaled $144.4 million, compared to $294.0 million in 2012. The change was primarily due to the 2012 European Acquisitions of $118.1 million and current year proceeds from the sale of assets of $73.5 million; partially offset by an increase in current year capital spending, primarily for improving process capabilities.

Net cash used in financing activities in 2013 totaled $311.1 million, compared to $396.1 million used in financing activities in 2012. Current year activities include net payments under revolving credit facilities of $8.8 million and payments on debt of $71.3 million. The Company entered into Amendment No. 2 to the existing Credit Agreement to extend the maturity dates of its existing revolving credit and term loan facilities, to add revolving credit facilities under which borrowings will be made in Euros, Pound Sterling, and the Yen, and to amend certain other terms of the the agreement. In addition, the Company completed its debt offering of $425 million aggregated principal amount of 4.75% senior notes due 2021 in a registered public offering and used the net proceeds, together with cash on hand, to refinance, through a redemption, all $425 million of the 9.5% senior notes due 2017. The Company incurred approximately $30 million in fees and expenses related to the senior notes refinancing and amendment activities. During the fourth quarter of 2013, using cash on hand and borrowings under the Company's revolving credit facility, the Company repurchased and retired approximately $200 million or 23.9 million shares of its common stock at $8.38 per share. In the prior year, the Company entered into an amended and restated Credit Agreement, and approximately $1.53 billion was drawn at closing which, when combined with cash on hand, was used to repay the outstanding term loans due in May 2014 which totaled $1.68 billion. The Company incurred approximately $22 million in fees and expenses related to the refinancing activities. Additionally, during the fourth quarter of 2012, the Company entered into an amendment to the Credit Agreement to provide for an incremental term loan of $300 million which was used to repurchase and retire approximately 49.2 million shares of its common stock at $6.10 per share.

Liquidity and Capital Resources

The Company's liquidity needs arise primarily from debt service on its indebtedness and from the funding of its capital expenditures, ongoing operating costs and working capital. Principal and interest payments under the term loan facilities and the revolving credit facility, together with principal and interest payments on the Company's 7.875% Senior Notes due 2018 and the 4.75% Senior Notes due 2021 (the “Notes”), represent significant liquidity requirements for the Company. Based upon current levels of operations, anticipated cost savings and expectations as to future growth, the Company believes that cash generated from operations, together with amounts available under its revolving credit facility and other available financing sources, will be adequate to permit the Company to meet its debt service obligations, necessary capital expenditure program requirements and ongoing operating costs and working capital needs, although no assurance can be given in this regard. The Company's future financial and operating performance, ability to service or refinance its debt and ability to comply with the covenants and restrictions contained in its debt agreements (see “Covenant Restrictions”) will be subject to future economic conditions, including conditions in 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 and demand for the Company's products, raw material and energy costs, and the Company's ability to successfully implement its overall business and profitability strategies.

As of December 31, 2013, the Company had approximately $892.3 million of NOLs for U.S. federal income tax purposes. These NOLs generally may be used by the Company to offset taxable income earned in subsequent taxable years. However, the Company’s ability to use these NOLs to offset its future taxable income may be subject to significant limitations as a result of certain shifts in ownership due to direct or indirect transfers of the Company’s common stock by one or more five percent stockholders, or issuance or redemption of the Company’s common stock, which, when taken together with previous changes in ownership of the Company’s common stock, constitute an ownership change under Section 382 of the Internal Revenue Code. Imposition of any such limitation of the use of NOLs could have an adverse effect on the Company’s future after tax free cash flow.

As of December 31, 2013, the Company had $44.2 million of cash in foreign jurisdictions for which deferred taxes in the U.S. have not been provided as earnings have been deemed indefinitely reinvested outside the U.S.

The Company has entered into various factoring arrangements, principally at the request of customers through supply chain financing programs, which qualify for sale accounting in accordance with the Transfers and Servicing topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("the FASB Codification"). As of December 31, 2013 and 2012, the Company had received incremental proceeds of approximately $41 million and $11 million, respectively, from the factoring arrangements. Amounts transferred subject to continuing involvement at December 31, 2013 and 2012 were approximately $20 million and $0 million, respectively.

Covenant Restrictions

The Credit Agreement and the Indenture limit the Company's ability to incur additional indebtedness. Additional covenants contained in the Credit Agreement and the Indenture, among other things, restrict the ability of the Company to dispose of assets, incur guarantee obligations, prepay other indebtedness, make dividends and other restricted payments, create liens, make equity or debt investments, make acquisitions, modify terms of the indenture 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 disruptions in the credit markets, 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.

Under the terms of the Credit Agreement, the Company must comply with a maximum Consolidated Total Leverage Ratio covenant and a minimum Consolidated Interest Expense Ratio covenant. The Credit Agreement, which contains the definitions of these covenants, was filed as an exhibit to the Company's Form 8-K filed on March 22, 2012. The Company must maintain a maximum Consolidated Total Leverage Ratio of less than the following:

Fiscal Quarter	Consolidated Total Leverage Ratio
March 31, 2012 - December 31, 2012	4.75 to 1.00
March 31, 2013 - December 31, 2013	4.50 to 1.00
March 31, 2014 and thereafter	4.25 to 1.00

The Company must also comply with a minimum consolidated interest expense ratio of the following:
Minimum Consolidated Interest Expense Ratio: 3.00 to 1.00

The Company's management believes that presentation of the Consolidated Total Leverage Ratio, Consolidated Interest Expense Ratio and Credit Agreement EBITDA herein provides useful information to investors because borrowings under the Credit Agreement are a key source of the Company's liquidity, and the Company's ability to borrow under the Credit Agreement is dependent on, among other things, its compliance with the financial ratio covenants. Any failure by the Company to comply with these financial covenants could result in an event of default, absent a waiver or amendment from the lenders under such agreement, in which case the lenders may be entitled to declare all amounts owed to be due and payable immediately.

Credit Agreement EBITDA is a financial measure not calculated in accordance with U.S. GAAP, and is not a measure of net income, operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Credit Agreement EBITDA should be considered in addition to results prepared in accordance with U.S. GAAP, but should not be considered a substitute for, or superior to, U.S. GAAP results. In addition, Credit Agreement EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies because other companies may not calculate Credit Agreement EBITDA in the same manner as the Company does.

The calculations of the components of the Consolidated Total Leverage Ratio and Consolidated Interest Expense Ratio for and as of the period ended December 31, 2013 are listed below:

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In millions	Twelve Months Ended December 31, 2013
Net Income	$146.7
Income Tax Expense	67.4
Interest Expense, Net	95.6
Depreciation and Amortization including Debt Issuance Costs	283.7
Equity Income of Unconsolidated Entities, Net of Dividends	0.1
Other Non-Cash Charges	57.4
Other Non-Recurring/Extraordinary/Unusual Items	38.4
Credit Agreement EBITDA	$689.3

In millions	As of December 31, 2013
Short-Term Debt	$77.4
Long-Term Debt	2,176.2
Total Debt	$2,253.6
Less: Cash and Cash Equivalents	52.2
Consolidated Indebtedness	$2,201.4

In millions	Twelve Months Ended December 31, 2013
Interest Expense, Net	$101.9
Less: Amortization of Financing Costs	6.3
Consolidated Interest Expense, Net	$95.6

At December 31, 2013, the Company was in compliance with the Consolidated Total Leverage Ratio covenant in the Credit Agreement and the ratio was as follows:

Consolidated Total Leverage Ratio: 3.19 to 1.00

At December 31, 2013, the Company was in compliance with the minimum Consolidated Interest Expense Ratio covenant in the Credit Agreement and the ratio was as follows:

Consolidated Interest Expense Ratio: 7.21 to 1.00

As of December 31, 2013, the Company's credit rating remained BB+ by Standard & Poor's and improved to Ba2 by Moody's Investor Services. Both Standard & Poor's and Moody's Investor Services' ratings on the Company included a stable outlook.

If inflationary pressures on key inputs continue, or depressed selling prices, lower sales volumes, increased operating costs or other factors have a negative impact on the Company's ability to increase its profitability, the Company may not be able to maintain its compliance with the financial covenants in its Credit Agreement. The Company's ability to comply in future periods with the financial covenants in the Credit Agreement will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, business and other factors, many of which are beyond the Company's control, and will be substantially dependent on the selling prices for the Company's products, raw material and energy costs, and the Company's ability to successfully implement its overall business strategies, and meet its profitability objective. If a violation of the financial covenants 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 Indenture 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. The Credit Agreement is collateralized by substantially all of the Company's domestic assets.

Capital Investment

The Company’s capital investment in 2013 was $209.2 million compared to $203.3 million in 2012. During 2013, the Company had capital spending of $176.0 million for improving process capabilities, $21.4 million for capital spares and $11.8 million for manufacturing packaging machinery.

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Environmental Matters

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. The Company has established reserves for those facilities or issues where liability is probable and the costs are reasonably estimable.

For further discussion of the Company's environmental matters, see Note 13 in the Notes to Consolidated Financial Statements included herein under "Item 8., Financial Statements and Supplementary Data."

Contractual Obligations and Commitments

A summary of our contractual obligations and commitments as of December 31, 2013 is as follows:

	Payments Due by Period				
In millions	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-Term Debt	$2,248.0	$75.0	$169.1	$1,575.8	$428.1
Operating Leases	134.1	37.1	50.7	27.4	18.9
Capital Leases	5.6	2.3	2.5	0.8	—
Interest Payable	521.4	78.0	183.7	164.2	95.5
Purchase Obligations (a)	697.6	127.2	170.2	127.0	273.2
Pension Funding	50.0	50.0	—	—	—
Total Contractual Obligations (b)	$3,656.7	$369.6	$576.2	$1,895.2	$815.7

Notes:

(a) Purchase obligations primarily consist of commitments related to pine pulpwood, wood chips, and wood processing and handling.

(b) Certain amounts included in this table are based on management's estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the obligations the Company will actually pay in the future periods may vary from those reflected in the table.

International Operations

For 2013, before intercompany eliminations, net sales from operations outside of the U.S. represented approximately 15% of the Company's net sales. The Company's revenues from export sales fluctuate with changes in foreign currency exchange rates. At December 31, 2013, approximately 15% of the Company's total assets were denominated in currencies other than the U.S. dollar. The Company has significant operations in countries that use the British pound sterling, the Australian dollar, the Japanese yen or the euro as their functional currencies. The effect of changes in the U.S. dollar exchange rate against these currencies produced a net currency translation adjustment loss of $13.6 million, which was recorded as an adjustment to Shareholders' Equity for the year ended December 31, 2013. The magnitude and direction of this adjustment in the future depends on the relationship of the U.S. dollar to other currencies. The Company pursues a currency hedging program in order to limit the impact of foreign currency exchange fluctuations on financial results. See “Financial Instruments” below.

The functional currency of the Company’s international subsidiaries is the local currency for the country in which the subsidiaries own their primary assets. The translation of the applicable currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average

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exchange rate during the period. Any related translation adjustments are recorded directly to Shareholders' Equity. Gains and losses on foreign currency transactions are included in Other Income, Net for the period in which the exchange rate changes.

Financial Instruments

The Company pursues a currency hedging program which utilizes derivatives to limit the impact of foreign currency exchange fluctuations on its consolidated financial results. Under this program, the Company has entered into forward exchange contracts in the normal course of business to hedge certain foreign currency denominated transactions. Realized and unrealized gains and losses on these forward contracts are included in the measurement of the basis of the related foreign currency transaction when recorded. The Company also pursues a hedging program that utilizes derivatives designed to manage risks associated with future variability in cash flows and price risk related to future energy cost increases. Under this program, the Company has entered into natural gas swap contracts to hedge a portion of its natural gas usage for 2014. Realized gains and losses on these contracts are included in the financial results concurrently with the recognition of the commodity consumed. The Company uses interest rate swaps to manage interest rate risks on future interest payments caused by interest rate changes on its variable rate term loan facility. The Company does not hold or issue financial instruments for trading purposes. See "Item 7A., Quantitative and Qualitative Disclosure About Market Risk."

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from these estimates, and changes in these estimates are recorded when known. The critical accounting policies used by management in the preparation of the Company's consolidated financial statements are those that are important both to the presentation of the Company's financial condition and results of operations and require significant judgments by management with regard to estimates used. The critical judgments by management relate to pension benefits, retained insurable risks, future cash flows associated with impairment testing for goodwill and long-lived assets, and deferred income taxes.

• Pension Benefits

The Company sponsors defined benefit pension plans (the "Plans") for eligible employees in North America and certain international locations. The funding policy for the qualified defined benefit plans is to, at a minimum, contribute assets as required by the Internal Revenue Code Section 412. Nonqualified U.S. plans providing benefits in excess of limitations imposed by the U.S. income tax code are not funded.

The Company's pension expense for defined benefit pension plans was $39.2 million in 2013 compared with $42.5 million in 2012. Pension expense is calculated based upon a number of actuarial assumptions applied to each of the defined benefit plans. The weighted average expected long-term rate of return on pension fund assets used to calculate pension expense was 7.60% and 7.90% in 2013 and 2012, respectively. The expected long-term rate of return on pension assets was determined based on several factors, including historical rates of return, input from our pension investment consultants and projected long-term returns of broad equity and bond indices. The Company evaluates its long-term rate of return assumptions annually and adjusts them as necessary.

The Company determined pension expense using both the fair value of assets and a calculated value that averages gains and losses over a period of years. Investment gains or losses represent the difference between the expected and actual return on assets. As of December 31, 2013, the net actuarial loss was $154.8 million. These net losses may increase future pension expense if not offset by (i) actual investment returns that exceed the assumed investment returns, or (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations, or (iii) other actuarial gains, including whether such accumulated actuarial losses at each measurement date exceed the "corridor" determined under the Compensation — Retirement Benefits topic of the FASB Codification.

The discount rate used to determine the present value of future pension obligations at December 31, 2013 was based on a yield curve constructed from a portfolio of high-quality corporate debt securities with maturities ranging from 1 year to 30 years. Each year's expected future benefit payments were discounted to their present value at the appropriate yield curve rate thereby generating

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the overall discount rate for the Company's pension obligations. The weighted average discount rate used to determine the pension obligations was 4.86% and 4.20% in 2013 and 2012, respectively.

The Company's pension expense is estimated to be approximately $6 million in 2014. The estimate is based on a weighted average expected long-term rate of return of 7.76%, a weighted average discount rate of 4.86% and other assumptions. Pension expense beyond 2014 will depend on future investment performance, the Company's contribution to the plans, changes in discount rates and other factors related to covered employees in the plans.

If the discount rate assumptions for the Company's U.S. plans were reduced by 0.25%, pension expense would increase by approximately $4 million and the December 31, 2013 projected benefit obligation would increase by about $30 million.

The fair value of assets in the Company's plans was $1,065.7 million at December 31, 2013 and $921.3 million at December 31, 2012. The projected benefit obligations exceed the fair value of plan assets by $153.2 million and $367.6 million as of December 31, 2013 and 2012, respectively. The accumulated benefit obligation ("ABO") exceeded plan assets by $141.7 million at the end of 2013. At the end of 2012, the ABO exceeded the fair value of plan assets by $351.1 million.

• Retained Insurable Risks

The Company is self-insured for certain losses relating to workers' compensation claims and employee medical and dental benefits. Provisions for expected losses are recorded based on the Company's estimates, on an undiscounted basis, of the aggregate liabilities for known claims and estimated claims incurred but not reported. The Company has purchased stop-loss coverage or insurance with deductibles in order to limit its exposure to significant claims. The Company also has an extensive safety program in place to minimize its exposure to workers' compensation claims. Self-insured losses are accrued based upon estimates of the aggregate uninsured claims incurred using certain actuarial assumptions, loss development factors followed in the insurance industry and historical experience.

• Goodwill

The Company evaluates goodwill for potential impairment annually as of October 1, as well as whenever events or changes in circumstances suggest that the fair value of a reporting unit may no longer exceed its carrying amount. Potential impairment of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit. As of October 1, 2013, the Company had seven reporting units, of which six of the units had goodwill.

The calculated fair value of each reporting unit is determined by utilizing a discounted cash flow analysis based on the Company's forecasts discounted using a weighted average cost of capital and market indicators of terminal year cash flows based upon a multiple of EBITDA.

In determining fair value, management relies on and considers a number of factors, including but not limited to, operating results, business plans, economic projections, forecasts including anticipated future cash flows, and market data and analysis, including market capitalization. Fair value determinations are sensitive to changes in the factors described above. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of potential goodwill impairment.

The Company performed its annual goodwill impairment test as of October 1, 2013 and concluded that the fair value of its reporting units exceeded their carrying values including goodwill and, therefore, that goodwill was not impaired.

The variability of the assumptions that management uses to perform the goodwill impairment test depends on a number of conditions, including uncertainty about future events and cash flows. Accordingly, the Company’s accounting estimates may materially change from period to period due to changing market factors. If the Company had used other assumptions and estimates or if different conditions occur in future periods, future operating results could be materially impacted.

The assumptions used in the goodwill impairment testing process could be adversely impacted by certain of the risks discussed in “Item 1A., Risk Factors” and thus could result in future goodwill impairment charges.

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• Recovery of Long-Lived Assets

The Company reviews long-lived assets (including property, plant and equipment and intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of such long-lived assets may not be fully recoverable by undiscounted cash flows. Measurement of the impairment loss, if any, is based on the fair value of the asset, which is determined by an income, cost or market approach. The Company evaluates the recovery of its long-lived assets by analyzing operating results and considering significant events or changes in the business environment that may have triggered impairment.

• Deferred Income Taxes and Potential Assessments

According to the Income Taxes topic of the FASB Codification, a valuation allowance is required to be established or maintained when, based on currently available information and other factors, it is more likely than not that all or a portion of a deferred tax asset will not be realized. The FASB Codification provides important factors in determining whether a deferred tax asset will be realized, including whether there has been sufficient taxable income in recent years and whether sufficient income can reasonably be expected in future years in order to utilize the deferred tax asset. The Company has evaluated the need to maintain a valuation allowance for deferred tax assets based on its assessment of whether it is more likely than not that deferred tax benefits would be realized through the generation of future taxable income. Appropriate consideration was given to all available evidence, both positive and negative, in assessing the need for a valuation allowance. In determining whether a valuation allowance is required, many factors are considered, including the specific taxing jurisdiction, the carryforward period, reversals of existing taxable temporary differences, cumulative pretax book earnings, income tax strategies and forecasted earnings for the entities in each jurisidiction.

As of December 31, 2013, the Company has recorded a valuation allowance of $50.1 million against its net deferred tax assets in certain foreign jurisdictions and against domestic deferred tax assets related to certain state net operating loss carryforwards and federal capital loss carryforwards. As of December 31, 2012, a total valuation allowance of $37.3 million was recorded. As of December 31, 2011, the Company recognized $265.2 million of Income Tax Benefit associated with the release of its U.S. federal deferred tax valuation allowance and a substantial portion of its state deferred tax valuation allowance resulting in a total valuation allowance recorded of $37.0 million.

As of December 31, 2013, the Company has only provided for deferred U.S. income taxes on $4.6 million of undistributed earnings related to the Company's equity investment in the joint venture, Rengo Riverwood Packaging, Ltd. The Company has not provided for deferred U.S. income taxes on approximately $8.1 million of undistributed earnings of international subsidiaries because of its intention to indefinitely reinvest these earnings outside the U.S. The determination of the amount of the unrecognized deferred U.S. income tax liability on these unremitted earnings is not practicable because of the complexities associated with the hypothetical calculation.

The Company records current liabilities for potential assessments. The accruals relate to uncertain tax positions in a variety of taxing jurisdictions and are based on what management believes will be the most likely outcome of these positions. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities, or the expiration of the statute of limitations.

NEW ACCOUNTING STANDARDS

For a discussion of recent accounting pronouncements impacting the Company, see Note 1 in the Notes to Consolidated Financial Statements included herein under “Item 8., Financial Statements and Supplementary Data.”

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BUSINESS OUTLOOK

Total capital investment for 2014 is expected to be between $185 million and $205 million and is expected to relate principally to the Company’s process capability improvements (approximately $165 million), acquiring capital spares (approximately $20 million), and producing packaging machinery (approximately $10 million).

The Company also expects the following in 2014:

- Depreciation and amortization between $275 million and $285 million.
- Interest expense of $90 million to $100 million, including approximately $5 million to $10 million of non-cash interest expense associated with amortization of debt issuance costs.
- Net debt reduction of approximately $350 million.
- Pension plan contributions of $40 million to $60 million.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company does not trade or use derivative instruments with the objective of earning financial gains on interest or currency rates, nor does it use leveraged instruments or instruments where there are no underlying exposures identified.

Interest Rates

The Company is exposed to changes in interest rates, primarily as a result of its short-term and long-term debt, which include both fixed and floating rate debt. The Company uses interest rate swap agreements effectively to fix the LIBOR rate on certain variable rate borrowings. At December 31, 2013, the Company had interest rate swap agreements with a notional amount of $560 million.

The table below sets forth interest rate sensitivity information related to the Company's debt.

Long-Term Debt Principal Amount by Maturity-Average Interest Rate

	Expected Maturity Date							
In millions	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value
Total Debt								
Fixed Rate	$13.1	$—	$—	$0.2	247.3 [(a)]	$428.1	$688.7	$708.3
Average Interest Rate	10.15 %	— %	— %	1.55 %	7.88 %	4.73 %		
Variable Rate	$61.9	$69.2	$99.9	$123.0	$1,205.3	$—	$1,559.3	$1,559.3
Average Interest Rate, spread range is .45% — .82%	LIBOR + Spread	LIBOR + Spread	LIBOR + Spread	LIBOR + Spread	LIBOR + Spread	—		

(a) Includes Senior Notes with a face amount of $250.0 million.

Total Interest Rate Swaps-Notional Amount by Expiration-Average Swap Rate

	Expected Maturity Date							
In millions	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value
Interest Rate Swaps (Pay Fixed/Receive Variable)								
Notional	$—	$—	$560.0	$—	$—	$—	$560.0	$(3.6)
Average Pay Rate	—	—	0.75 %	—	—	—		
Average Receive Rate	—	—	1-Month LIBOR	—	—	—		

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Foreign Exchange Rates

The Company enters into forward exchange contracts to effectively hedge substantially all accounts receivable resulting from transactions denominated in foreign currencies. The purpose of these forward exchange contracts is to protect the Company from the risk that the eventual functional currency cash flows resulting from the collection of these accounts receivable will be adversely affected by changes in exchange rates. At December 31, 2013, multiple foreign currency forward exchange contracts existed, with maturities ranging up to three months. Those forward currency exchange contracts outstanding at December 31, 2013, when aggregated and measured in U.S. dollars at December 31, 2013 exchange rates, had net notional amounts totaling $32.5 million. The Company continuously monitors these forward exchange contracts and adjusts accordingly to minimize the exposure.

The Company also enters into forward exchange contracts to hedge certain other anticipated foreign currency transactions. The purpose of these contracts is to protect the Company from the risk that the eventual functional currency cash flows resulting from anticipated foreign currency transactions will be adversely affected by changes in exchange rates.

During the years ended December 31, 2013 and 2012, there were minimal amounts reclassified to earnings in connection with forecasted transactions that were no longer considered probable of occurring and there was no amount of ineffectiveness related to changes in the fair value of foreign currency forward contracts. Additionally, there were no amounts excluded from the measure of effectiveness during the years ended December 31, 2013 and 2012.

Foreign Exchange Rates Contractual Amount by Expected
Maturity-Average Contractual Exchange Rate

	December 31, 2013	
In millions	Contract Amount	Fair Value
FORWARD EXCHANGE AGREEMENTS:		
Receive $US/Pay Yen	$24.4	$1.5
Weighted average contractual exchange rate	98.70	
Receive $US/Pay Euro	$28.4	$(0.3)
Weighted average contractual exchange rate	1.37	
Receive $US/Pay GBP	$12.5	$(0.3)
Weighted average contractual exchange rate	1.61	

Natural Gas Contracts

The Company has hedged a portion of its expected natural gas usage for 2014. The carrying amount and fair value of the natural gas swap contracts is a net asset of $0.8 million as of December 31, 2013. Such contracts are designated as cash flow hedges and are accounted for by deferring the quarterly change in fair value of the outstanding contracts in Shareholders' Equity. The resulting gain or loss is reclassified into Cost of Sales concurrently with the recognition of the commodity consumed. The ineffective portion of the swap contracts change in fair value, if any, would be recognized immediately in earnings.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

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GRAPHIC PACKAGING HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
In millions, except per share amounts	2013	2012	2011
Net Sales	$4,478.1	$4,337.1	$4,206.3
Cost of Sales	3,752.5	3,617.5	3,568.8
Selling, General and Administrative	384.3	378.1	342.4
Other Income, Net	(13.4)	(7.3)	(2.7)
Restructuring, Goodwill Impairment, and Other Special Charges, Net	13.1	26.4	107.5
Income from Operations	341.6	322.4	190.3
Interest Expense, Net	(101.9)	(111.1)	(144.9)
Loss on Modification or Extinguishment of Debt	(27.1)	(11.0)	(2.1)
Income before Income Taxes and Equity Income of Unconsolidated Entities	212.6	200.3	43.3
Income Tax (Expense) Benefit	(67.4)	(82.5)	229.8
Income before Equity Income of Unconsolidated Entities	145.2	117.8	273.1
Equity Income of Unconsolidated Entities	1.5	2.3	2.1
Net Income	$146.7	$120.1	$275.2
Net (Income) Loss Attributable to Noncontrolling Interests	(0.1)	2.5	1.7
Net Income Attributable to Graphic Packaging Holding Company	$146.6	$122.6	$276.9
Net Income Per Share Attributable to Graphic Packaging Holding Company — Basic	$0.42	$0.31	$0.74
Net Income Per Share Attributable to Graphic Packaging Holding Company — Diluted	$0.42	$0.31	$0.73

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING HOLDING COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
In millions	2013	2012	2011
Net Income	$146.7	$120.1	$275.2
Other Comprehensive Income (Loss), Net of Tax:			
Derivative Instruments	3.2	(0.6)	14.0
Currency Translation Adjustment	(13.7)	0.6	(3.7)
Pension Benefit Plans	127.6	(26.4)	(80.4)
Postretirement Benefit Plans	6.4	(2.7)	1.2
Total Other Comprehensive Income (Loss), Net of Tax	123.5	(29.1)	(68.9)
Total Comprehensive Income	270.2	91.0	206.3
Comprehensive (Income) Loss Attributable to Noncontrolling Interests	(0.5)	2.4	1.8
Comprehensive Income Attributable to Graphic Packaging Holding Company	$269.7	$93.4	$208.1

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS

	December 31,	
In millions, except share amounts	2013	2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$52.2	$51.5
Receivables, Net	412.8	461.3
Inventories, Net	557.1	532.5
Deferred Income Tax Assets	171.3	139.3
Other Current Assets	38.8	18.4
Total Current Assets	1,232.2	1,203.0
Property, Plant and Equipment, Net	1,678.9	1,732.2
Goodwill	1,125.4	1,139.0
Intangible Assets, Net	467.0	506.4
Other Assets	55.8	51.0
Total Assets	$4,559.3	$4,631.6
LIABILITIES		
Current Liabilities:		
Short-Term Debt and Current Portion of Long-Term Debt	$77.4	$79.8
Accounts Payable	428.3	453.7
Compensation and Employee Benefits	112.9	133.9
Interest Payable	15.2	10.1
Other Accrued Liabilities	77.4	75.4
Total Current Liabilities	711.2	752.9
Long-Term Debt	2,176.2	2,253.5
Deferred Income Tax Liabilities	329.9	147.8
Accrued Pension and Postretirement Benefits	198.2	420.7
Other Noncurrent Liabilities	70.2	73.6
Commitments and Contingencies (Note 12)		
Redeemable Noncontrolling Interests (Note 14)	11.3	10.8
SHAREHOLDERS' EQUITY		
Preferred Stock, par value $.01 per share; 100,000,000 shares authorized at December 31, 2013 and December 31, 2012; no shares issued or outstanding	—	—
Common Stock, par value $.01 per share; 1,000,000,000 shares authorized at December 31, 2013 and 2012, 324,746,642 and 344,534,039 shares issued and outstanding at December 31, 2013 and 2012, respectively	3.2	3.4
Capital in Excess of Par Value	1,789.9	1,915.1
Accumulated Deficit	(542.6)	(633.2)
Accumulated Other Comprehensive Loss	(188.2)	(311.3)
Total Graphic Packaging Holding Company Shareholders’ Equity	1,062.3	974.0
Noncontrolling Interests	—	(1.7)
Total Equity	1,062.3	972.3
Total Liabilities and Equity	$4,559.3	$4,631.6

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING HOLDING COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In millions, except share amounts	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balances at December 31, 2010	343,698,778	$3.4	$1,965.2	$(1,008.3)	$(213.3)	$—	$747.0
Net Income (Loss)	—	—	—	276.9	—	(1.6)	275.3
Other Comprehensive Income (Loss), Net of Tax:							
Derivative Instruments	—	—	—	—	14.0	—	14.0
Pension and Postretirement Benefit Plans	—	—	—	—	(79.1)	—	(79.1)
Currency Translation Adjustment	—	—	—	—	(3.7)	—	(3.7)
Issuance of Common Stock, Net	52,530,975	0.5	237.0	—	—	—	237.5
Repurchase of Common Stock	(7,264,922)	—	(32.9)	—	—	—	(32.9)
Investment in Subsidiaries	—	—	(3.1)	—	—	0.4	(2.7)
Recognition of Stock-Based Compensation	—	—	11.3	—	—	—	11.3
Issuance of Shares for Stock-Based Awards	509,955	—	—	—	—	—	—
Balances at December 31, 2011	389,474,786	$3.9	$2,177.5	$(731.4)	$(282.1)	$(1.2)	$1,166.7
Net Income (Loss)	—	—	—	122.6	—	(0.5)	122.1
Other Comprehensive Income (Loss), Net of Tax:							
Derivative Instruments	—	—	—	—	(0.6)	—	(0.6)
Pension and Postretirement Benefit Plans	—	—	—	—	(29.2)	—	(29.2)
Currency Translation Adjustment	—	—	—	—	0.6	—	0.6
Repurchase of Common Stock	(49,180,327)	(0.5)	(275.1)	(24.4)	—	—	(300.0)
Investment in Subsidiaries	—	—	3.1	—		—	3.1
Recognition of Stock-Based Compensation	—	—	9.6	—	—	—	9.6
Issuance of Shares for Stock-Based Awards	4,239,580	—	—	—	—	—	—
Balances at December 31, 2012	344,534,039	$3.4	$1,915.1	$(633.2)	$(311.3)	$(1.7)	$972.3
Net Income	—	—	—	146.6	—	—	146.6
Other Comprehensive Income (Loss), Net of Tax:							
Derivative Instruments	—	—	—	—	3.2	—	3.2
Pension and Postretirement Benefit Plans	—	—	—	—	133.5	—	133.5
Currency Translation Adjustment	—	—	—	—	(13.6)	—	(13.6)

Repurchase of Common Stock	(23,866,348)	(0.2)	(143.8)	(56.0)	—	—	(200.0)
Investment in Subsidiaries	—	—	(1.7)	—	—	1.7	—
Recognition of Stock-Based Compensation	—	—	20.3	—	—	—	20.3
Issuance of Shares for Stock-Based Awards	4,078,951	—	—	—	—	—	—
Balances at December 31, 2013	324,746,642	$3.2	$1,789.9	$ (542.6)	$ (188.2)	$ —	$1,062.3

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
In millions	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$146.7	$120.1	$275.2
Non-cash Items Included in Net Income:			
Depreciation and Amortization	277.4	266.8	278.4
Goodwill Impairment Charge	—	—	96.3
Write-off of Deferred Debt Issuance Costs on Early Extinguishment of Debt	4.5	7.5	2.1
Amortization of Deferred Debt Issuance Costs	7.0	6.2	7.0
Deferred Income Taxes	62.7	76.0	(238.4)
Amount of Postretirement Expense Less Than Funding	(12.4)	(14.0)	(38.8)
Gain on the Sale of Assets	(26.6)	—	—
Asset Write-offs	1.5	5.6	7.0
Other, Net	19.5	17.5	19.8
Changes in Operating Assets and Liabilities, Net of Acquisitions (See Note 3)	(22.3)	(17.1)	(20.8)
Net Cash Provided by Operating Activities	458.0	468.6	387.8
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Spending	(209.2)	(203.3)	(160.1)
Acquisition of Businesses	—	(118.1)	(51.9)
Cash Acquired Related to Business Acquisitions	—	13.1	—
Proceeds Received from the Sale of Assets, Net of Selling Costs	73.5	18.8	2.3
Other, Net	(8.7)	(4.5)	(2.1)
Net Cash Used in Investing Activities	(144.4)	(294.0)	(211.8)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Proceeds from Issuance of Common Stock	—	—	237.7
Repurchase of Common Stock	(200.0)	(300.0)	(32.9)
Proceeds from Issuance or Modification of Debt	425.0	1,300.0	—
Retirement of Long-Term Debt	(425.0)	—	—
Payments on Debt	(71.3)	(1,703.4)	(249.2)
Borrowings under Revolving Credit Facilities	1,729.2	1,367.2	92.1
Payments on Revolving Credit Facilities	(1,738.0)	(1,034.7)	(89.6)
Redemption and Early Tender Premiums and Debt Issuance Costs	(29.9)	(27.7)	—
Repurchase of Common Stock related to Share-Based Payments	(11.2)	(10.7)	—
Other, Net	10.1	13.2	(0.3)
Net Cash Used in Financing Activities	(311.1)	(396.1)	(42.2)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1.8)	1.2	(0.7)
Net Increase (Decrease) in Cash and Cash Equivalents	0.7	(220.3)	133.1
Cash and Cash Equivalents at Beginning of Period	51.5	271.8	138.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$52.2	$51.5	$271.8

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Non-cash investing activities:			
Total Consideration Received from the Sale of Assets	$83.2	$—	$—
Cash Proceeds Received from the Sale of Assets	73.5	—	—
Non-cash Consideration Received from the Sale of Assets	$9.7	$—	$—

The accompanying notes are an integral part of the consolidated financial statements.

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GRAPHIC PACKAGING HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 U.S. producer of folding cartons and holds a leading market position in coated unbleached kraft paperboard, coated-recycled boxboard and flexible 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 and packaging designs, and its commitment to customer service.

GPHC became a new publicly-traded parent company when, on March 10, 2008, the businesses of Graphic Packaging Corporation ("GPC") and Altivity Packaging, LLC ("Altivity") were combined through a series of transactions.

GPHC and GPC conduct no significant business and have no independent assets or operations other than GPHC's ownership of all of GPC's outstanding common stock, and GPC's ownership of all of Graphic Packaging International, Inc's (GPII) outstanding common stock.

Basis of Presentation and Principles of Consolidation

The Company's Consolidated Financial Statements include all subsidiaries in which the Company has the ability to exercise direct or indirect control over operating and financial policies. The accompanying Consolidated Financial Statements include the worldwide operations of the paperboard packaging segment, which includes the paperboard packaging, packaging machinery, labels, and containerboard businesses, and the flexible packaging segment, which produces kraft paper and converts kraft, specialty paper and plastics into multi-wall, consumer and specialty retail bags and produces flexible packaging, and laminations. Intercompany transactions and balances are eliminated in consolidation. As a result of purchase accounting, certain adjustments have been made to the December 31, 2012 balance sheet in order to conform to the required presentation (see Note 4 — Acquisitions). Certain other reclassifications have been made to prior year amounts to conform to current year presentation.

The Company holds a 50% ownership interest in a joint venture with Rengo Riverwood Packaging, Ltd. (in Japan) which is accounted for using the equity method.

The Company holds an 87% ownership interest in Graphic Flexible Packaging, LLC, which is consolidated in the Company's financial statements. The noncontrolling interest in this joint venture is shown in the Company's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Actual results could differ from these estimates, and changes in these estimates are recorded when known. Estimates are used in accounting for, among other things, pension benefits, retained insurable risks, slow-moving and obsolete inventory, allowance for doubtful accounts, useful lives for depreciation and amortization, future cash flows, discount rates and earnings before interest, taxes, depreciation and amortization (“EBITDA”) multiples associated with impairment testing of goodwill and long-term assets, fair values related to the allocation of purchase price to property, plant and equipment and intangible assets in connection with business combinations, fair value of derivative financial instruments, deferred income tax assets and potential income tax assessments, and loss contingencies.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit and other marketable securities with original maturities of three months or less.

Accounts Receivable and Allowances

Accounts receivable are stated at the amount owed by the customer, net of an allowance for estimated uncollectible accounts, returns and allowances, and cash discounts. The allowance for doubtful accounts is estimated based on historical experience, current economic conditions and the credit worthiness of customers. Receivables are charged to the allowance when determined to be no longer collectible.

The Company has entered into various factoring arrangements, principally at the request of customers through supply chain financing programs, which qualify for sale accounting in accordance with the Transfers and Servicing topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("the FASB Codification"). As of December 31, 2013 and 2012, the Company had received incremental proceeds of approximately $41 million and $11 million, respectively, from the factoring arrangements. Amounts transferred subject to continuing involvement at December 31, 2013 and 2012 were approximately $20 million and $0 million, respectively.

Concentration of Credit Risk

The Company’s cash, cash equivalents, and accounts receivable are potentially subject to concentration of credit risk. Cash and cash equivalents are placed with financial institutions that management believes are of high credit quality. Accounts receivable are derived from revenue earned from customers located in the U.S. and internationally and generally do not require collateral. As of and for the years ended December 31, 2013 and 2012, no customer accounted for more than 10% of net sales or net accounts receivable.

Inventories

Inventories are stated at the lower of cost or market with cost determined principally by the first-in, first-out (“FIFO”) basis. Average cost basis is used to determine the cost of supplies inventories. Raw materials and consumables used in the production process such as wood chips and chemicals are valued at purchase cost on a FIFO basis upon receipt. Work in progress and finished goods inventories are valued at the cost of raw material consumed plus direct manufacturing costs (such as labor, utilities and supplies) as incurred and an applicable portion of manufacturing overhead. Inventories are stated net of an allowance for slow-moving and obsolete inventory.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repairs and maintenance charges are expensed as incurred. The Company’s cost and related accumulated depreciation applicable to assets retired or sold are removed from the accounts and the gain or loss on disposition is included in income from operations.

Interest is capitalized on assets under construction for one year or longer with an estimated spending of $1.0 million or more. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset’s estimated useful life. Capitalized interest was $3.5 million, $2.2 million and $1.5 million in the years ended December 31, 2013, 2012 and 2011, respectively.

The Company assesses its long-lived assets, including certain identifiable intangibles, for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. To analyze recoverability, the Company projects future cash flows, undiscounted and before interest, over the remaining life of such assets. If these projected cash flows are less than the carrying amount, an impairment would be recognized, resulting in a write-down of assets with a corresponding charge to earnings. The impairment loss is measured based upon the difference between the carrying amount and the fair value of the assets. The Company assesses the appropriateness of the useful life of its long-lived assets periodically.

GRAPHIC PACKAGING HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Depreciation and Amortization

Depreciation is computed using the straight-line method based on the following estimated useful lives of the related assets:

Buildings	40 years
Land improvements	15 years
Machinery and equipment	3 to 40 years
Furniture and fixtures	10 years
Automobiles, trucks and tractors	3 to 5 years

Depreciation expense, including the depreciation expense of assets under capital leases, for 2013, 2012 and 2011 was $232.5 million, $222.7 million and $231.4 million, respectively.

Intangible assets with a determinable life are amortized on a straight-line basis over that period. The amortization expense for each intangible asset is recorded in the Consolidated Statements of Operations according to the nature of that asset .

Goodwill is the Company's only intangible asset not subject to amortization at December 31, 2013 and 2012. The following table displays the intangible assets that continue to be subject to amortization and aggregate amortization expense as of December 31, 2013 and 2012:

In millions	December 31, 2013 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	December 31, 2012 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable Intangible Assets:						
Customer Relationships	$670.6	$ (242.7)	$427.9	$669.7	$ (204.3)	$465.4
Patents, Trademarks and Licenses	118.7	(79.6)	39.1	113.8	(72.8)	41.0
Total	$789.3	$ (322.3)	$467.0	$783.5	$ (277.1)	$506.4

The Company recorded amortization expense for the years ended December 31, 2013, 2012 and 2011 of $44.9 million,
$44.1 million and $47.0 million, respectively, relating to intangible assets subject to amortization. The Company expects amortization expense to be approximately $44 million for 2014 through 2016 and approximately $41 million for 2017 and 2018.

Goodwill

The Company tests goodwill for impairment annually as of October 1, as well as whenever events or changes in circumstances suggest that the estimated fair value of a reporting unit may no longer exceed its carrying amount.

The Company tests goodwill for impairment at the reporting unit level, which is an operating segment or level below an operating segment, which is referred to as a component. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. However, two or more components of an operating segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics.

Potential goodwill impairment is measured at the reporting unit level by comparing the reporting unit's carrying amount including goodwill, to the fair value of the reporting unit. The estimated fair value of each reporting unit is determined by utilizing a discounted cash flow analysis based on the Company's forecasts discounted using a weighted average cost of capital and market indicators of terminal year cash flows based upon a multiple of EBITDA. If the carrying amount of a reporting unit exceeds its estimated fair value, goodwill is considered potentially impaired. In determining fair value, management relies on and considers a number of factors, including but not limited to, operating results, business plans, economic projections, forecasts including future cash flows, and market data and analysis, including market capitalization. The assumptions we use are based on what we believe a hypothetical market participant would use in estimating fair value. Fair value determinations are sensitive to changes in the factors described above. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill impairment.

The Company performed a quantitative impairment analysis of goodwill associated with each of our reporting units as of October 1, 2013 and concluded that the fair values were in excess of the carrying values of each of the reporting units and therefore goodwill was not impaired.

Because of declines in operating results against projections in 2011, the Company performed an interim impairment analysis for the flexible packaging reporting unit as of September 30, 2011. The Company determined the fair value of the reporting unit by utilizing a discounted cash flow analysis based on recent forecasts which were discounted using a weighted average cost of capital, and market indicators of terminal year cash flows based upon a multiple of EBITDA. This valuation approach is based on Level 3 inputs in the fair value hierarchy. See Note 10 - Fair Value Measurement for detail information. Based on this analysis, the Company recorded a non-cash pre-tax goodwill impairment charge of $96.3 million in the third quarter of 2011. This charge is recorded as Restructuring, Goodwill Impairment and Other Special Charges in the Company's Consolidated Statements of Operations.

The following is a rollforward of goodwill by reportable segment:

In millions	Paperboard Packaging	Flexible Packaging	Total
Balance at December 31, 2011	$1,106.1	$29.6	$1,135.7
Acquisition of Businesses	18.4	—	18.4
Purchase Accounting Adjustments	(0.8)	(13.9)	(14.7)
Disposal of Business	(1.4)	—	(1.4)
Foreign Currency Effects	0.9	0.1	1.0
Balance at December 31, 2012	$1,123.2	$15.8	$1,139.0
Disposal of Business	(3.4)	(7.5)	(10.9)
Foreign Currency Effects	(2.6)	(0.1)	(2.7)
Balance at December 31, 2013	$1,117.2	$8.2	$1,125.4

Retained Insurable Risks

It is the Company’s policy to self-insure or fund a portion of certain expected losses related to group health benefits and workers’ compensation claims. Provisions for expected losses are recorded based on the Company’s estimates, on an undiscounted basis, of the aggregate liabilities for known claims and estimated claims incurred but not reported.

Asset Retirement Obligations

Asset retirement obligations are accounted for in accordance with the provisions of the Asset Retirement and Environmental Obligations topic of the FASB Codification. A liability and asset are recorded equal to the present value of the estimated costs associated with the retirement of long-lived assets where a legal or contractual obligation exists and the liability can be reasonably estimated. The liability is accreted over time and the asset is depreciated over the remaining life of the asset. Upon settlement of the liability, we will recognize a gain or loss for any difference between the settlement amount and the liability recorded. Asset retirement obligations with indeterminate settlement dates are not recorded until such time that a reasonable estimate may be made.

International Currency

The functional currency of the international subsidiaries is the local currency for the country in which the subsidiaries own their primary assets. The translation of the applicable currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. Any related translation adjustments are recorded directly to a separate component of Graphic Packaging Holding Company Shareholders' Equity, unless there is a sale or substantially complete liquidation of the underlying foreign investments.

The Company pursues a currency hedging program which utilizes derivatives to limit the impact of foreign currency exchange fluctuations on its consolidated financial results. Under this program, the Company has entered into forward exchange contracts in the normal course of business to hedge certain foreign currency denominated transactions. Realized and unrealized gains and losses on these forward contracts are included in the measurement of the basis of the related foreign currency transaction when recorded.

Revenue Recognition

The Company recognizes revenue when all of the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the Company's price to the buyer is fixed or determinable and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership.

The timing of revenue recognition is largely dependent on the location of title transfer which is normally either at our plant (shipping point) or upon arrival at our customer's plant (destination). The Company recognizes revenues on its annual and multi-year carton supply contracts as the shipment occurs in accordance with the title transfer discussed above.

Discounts and allowances are comprised of trade allowances and rebates, cash discounts and sales returns. Cash discounts and sales returns are estimated using historical experience. Trade allowances are based on the estimated obligations and historical experience. Customer rebates are determined based on contract terms and are recorded at the time of sale.

Shipping and Handling

The Company includes shipping and handling costs in Cost of Sales.

Research and Development

Research and development costs, which relate primarily to the development and design of new packaging machines and products and are recorded as a component of Selling, General and Administrative expenses, are expensed as incurred. Expenses for the years ended December 31, 2013, 2012 and 2011 were $16.8 million, $16.1 million and $16.0 million, respectively.

Restructuring, Goodwill Impairment and Other Special Charges

The following table summarizes the transactions recorded in Restructuring, Goodwill Impairment and Other Special Charges in the Consolidated Statements of Operations as of December 31:

In millions	2013	2012	2011
(Gain) Loss on Sale or Closure of Certain Assets	$(17.9)	$3.0	$5.3
Net Charges Associated with Business Combinations	29.2	21.7	1.2
Other Special Charges	1.8	1.7	4.7
Goodwill Impairment	—	—	96.3
Total	$13.1	$26.4	$107.5

The Company has undertaken restructuring activities associated with the integration of the business combinations that occurred within the Paperboard Packaging and in the Flexible Packaging segments in 2012 and 2011, respectively. These charges primarily relate to one-time termination benefits and other closure costs associated with the rationalization of the business. These activities were near completion and substantially all amounts have been paid out as of December 31, 2013.

On September 30, 2013, the Company completed the sale of certain assets related to the flexible plastics business and the sale of its uncoated-recycled board ("URB") mill. The Company had previously announced the closure of its Brampton, Ontario facility which was also part of the flexible plastics business. This facility was sold in December 2013. Approximately $11 million of goodwill was written off relating to the sales. The financial impacts of these transactions are reflected as (Gain) Loss on Sale or Closure of Certain Assets in Restructuring, Goodwill Impairment and Other Special Charges, Net in the Consolidated Statement of Operations. The flexible plastics business was part of the Flexible Packaging segment and the URB mill was part of the Paperboard Packaging segment, and in aggregate, accounted for approximately 2% of Consolidated Net Sales.

Equity Offerings and Repurchases

During November of 2013, certain shareholders of the Company sold approximately 47.9 million shares of common stock in a secondary public offering at $8.38 per share. The shares were sold by certain affiliates of TPG Capital, L.P. (the “TPG Entities”), certain Coors family trusts and the Adolph Coors Foundation (the “Coors Family Stockholders”), Clayton, Dubilier & Rice Fund V Limited Partnership (the “CD&R Fund”) and Old Town, S.A. (“Old Town”), (“Old Town” and together with the TPG Entities, the Coors Family Stockholders, the Adolph Coors Foundation, and the CD&R Fund, the "Selling Stockholders"). In connection with the offering, the Company repurchased approximately 23.9 million shares at $8.38 per share resulting in aggregate purchase price of $200 million (the "Share Repurchase"). The Share Repurchase was funded with a combination of cash on hand and borrowings under the Company’s revolving credit facility. After these transactions, the shares outstanding held by the Selling Stockholders decreased from approximately 35% to approximately 23%.

During 2013, prior to the November secondary offering, the Selling Stockholders sold 15 million, 15 million and 28 million shares of common stock in separate secondary public offerings at prices of $7.00, $7.73 and $8.45 per share, respectively. The shares outstanding held by the Selling Stockholders in these offerings decreased from approximately 53% at December 31, 2012 to approximately 35%.

During December of 2012, the Selling Stockholders sold 18.5 million shares of common stock in a secondary public offering at $6.10 per share, as well as an additional 2.8 million shares pursuant to the underwriters' overallotment option. In connection with the offering, the Company also repurchased approximately 49.2 million shares of its common stock from the Selling Stockholders at $6.10 per share. The Company funded the share repurchase with an incremental term loan borrowing. The shares outstanding held by the Selling Stockholders decreased from approximately 65% to approximately 53%.

During the second quarter of 2011, the Company completed a public offering of 52.5 million shares of its common stock, priced at $4.75 per share. The offering resulted in net proceeds of $237.7 million, after deducting offering expenses. The Company used $32.9 million of the net proceeds from the offering to repurchase and subsequently retire 7.3 million shares of common stock held by the Grover C. Coors Trust (“Coors Trust”). The Company used the remaining net proceeds from its stock offerings to reduce its indebtedness and for general corporate purposes.

Adoption of New Accounting Standards

Effective January 1, 2013, the Company adopted revised guidance on the Comprehensive Income topic of the FASB Codification which requires an entity to present either parenthetically on the face of the financial statements or in the notes, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The adoption did not have any impact on the Company’s financial position, results of operations or cash flows.

Effective January 1, 2013, the Company adopted revised guidance on Balance Sheet topic of the FASB Codification, which clarifies the scope of disclosures about offsetting assets and liabilities. The clarification applies only to derivatives, repurchase agreements and reverse purchase agreements, and to certain securities borrowing and securities lending transactions, and not to ordinary trade receivables and payables. The adoption did not have any impact on the Company's financial position, results of operations or cash flows.

Effective July 17, 2013, the Company adopted revised guidance on Derivatives and Hedging topic of the FASB Codification, which permits entities to prospectively apply the Fed Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes, in addition to the previously allowed United States Treasury and LIBOR (London Interbank Offered Rate) rates for qualifying new or redesignated hedging relationships. The adoption did not have any impact on the Company's financial position, results of operations or cash flows.

Effective October 1, 2013, the Company adopted revised guidance on Foreign Currency Matters topic of the FASB Codification, which requires a parent entity that ceases to have a controlling financial interest in a subsidiary or group of assets that represents a business, within a foreign entity, to release any related cumulative translation adjustment into net income. The adoption did not have any impact on the Company’s financial position, results of operations or cash flows.

Accounting Standards Not Yet Adopted

In July 2013, the FASB issued guidance amending the Income Taxes topic of the FASB Codification. The amendment requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to the deferred tax asset for a net operating loss carryforward, or similar tax loss, or a tax credit carryforward. This guidance will be effective for the Company in the first quarter of 2014, to be applied prospectively, and is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

GRAPHIC PACKAGING HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 2. SUPPLEMENTAL BALANCE SHEET DATA

The following tables provide disclosure related to the components of certain line items included in our consolidated balance sheets.

Receivables, Net:

In millions	2013	2012
Trade	$396.7	$445.8
Less: Allowance	(5.3)	(6.4)
	391.4	439.4
Other	21.4	21.9
Total	$412.8	$461.3

Inventories, Net by major class:

In millions	2013	2012
Finished Goods	$288.3	$270.5
Work in Progress	49.2	50.6
Raw Materials	149.7	152.1
Supplies	69.9	59.3
Total	$557.1	$532.5

Other Current Assets:

In millions	2013	2012
Prepaid Assets	$29.9	$18.3
Assets Held for Sale	6.6	—
Fair Value of Derivatives, current portion	2.3	0.1
Total	$38.8	$18.4

Property, Plant and Equipment, Net:

In millions	2013	2012
Property, Plant and Equipment, at Cost:		
Land and Improvements	$114.0	$123.0
Buildings	405.8	414.7
Machinery and Equipment (1)	3,570.7	3,489.6
Construction-in-Progress	130.2	169.5
	4,220.7	4,196.8
Less: Accumulated Depreciation (1)	(2,541.8)	(2,464.6)
Total	$1,678.9	$1,732.2

(1) Includes gross assets under capital lease of $11.7 million and related accumulated depreciation of $2.3 million as of December 31, 2013 and gross assets under capital lease of $10.2 million and related accumulated depreciation of $1.5 million as of December 31, 2012.

GRAPHIC PACKAGING HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Other Assets:

In millions	2013	2012
Deferred Debt Issuance Costs, Net of Amortization of $9.5 million and $9.1 million for 2013 and 2012, respectively	$24.3	$25.7
Deferred Income Tax Assets	8.9	10.1
Pension Assets	0.7	—
Note Receivable	9.1	—
Other	12.8	15.2
Total	$55.8	$51.0

Other Accrued Liabilities:

In millions	2013	2012
Fair Value of Derivatives, current portion	$3.3	$3.0
Deferred Revenue	10.7	13.1
Accrued Customer Rebates	14.1	16.6
Other	49.3	42.7
Total	$77.4	$75.4

Other Noncurrent Liabilities:

In millions	2013	2012
Deferred Revenue	$5.1	$6.5
Multi-employer Plans	25.4	24.2
Workers Compensation Reserve	12.7	14.1
Other	27.0	28.8
Total	$70.2	$73.6

GRAPHIC PACKAGING HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 3. SUPPLEMENTAL CASH FLOW INFORMATION

Cash Flow Provided by (Used in) Operations Due to Changes in Operating Assets and Liabilities:

In millions	2013	2012	2011
Receivables, Net	$49.3	$7.3	$0.7
Inventories, Net	(39.5)	(23.9)	(43.0)
Prepaid Expenses	(11.4)	(0.2)	3.4
Other Assets	(3.8)	4.0	(5.8)
Accounts Payable	(13.9)	6.8	27.5
Compensation and Employee Benefits	(20.8)	16.9	(3.3)
Income Taxes	1.1	(4.5)	0.8
Interest Payable	21.9	(14.9)	(6.9)
Other Accrued Liabilities	(1.1)	(8.7)	(6.5)
Other Noncurrent Liabilities	(4.1)	0.1	12.3
Total	$(22.3)	$(17.1)	$(20.8)

Cash paid for interest and cash paid, net of refunds, for income taxes was as follows:

In millions	2013	2012	2011
Interest	$89.6	$117.5	$143.7
Income Taxes	$12.1	$8.9	$8.2

NOTE 4. ACQUISITIONS

On December 31, 2012, the Company acquired Contego Cartons ("Contego"), a leading food and consumer product packaging company based in the United Kingdom. Under the terms of the transaction, the Company paid approximately $93 million and assumed debt of approximately $35 million in an all cash transaction funded with existing cash and debt under the Company's revolving line of credit. Contego operates four folding carton facilities that convert approximately 150,000 tons of paperboard annually into folding cartons for the food and consumer product industries. The acquisition and associated goodwill are included in the paperboard packaging segment. This transaction is herein referred to as the "Contego Transaction".

On December 31, 2012, the Company acquired A&R Carton's Beer and Beverage packaging business in Europe ("A&R"). Under the terms of the transaction, the Company paid approximately $25 million in cash and assumed approximately $2 million in debt. The transaction was funded with existing cash and borrowings from the Company's revolving line of credit. A&R includes two manufacturing facilities that convert approximately 30,000 tons of paperboard annually. The acquisition and associated goodwill are included in the paperboard packaging segment. This transaction is herein referred to as the "A&R Transaction". The A&R Transaction and the Contego Transaction are collectively referred to as the "European Acquisitions".

The purchase price of the European Acquisitions has been allocated to the assets acquired and liabilities assumed based on the estimated fair values as of the purchase date. The European Acquisitions were made to grow the European food and beverage business and optimize the Company's supply chain footprint around customer needs. 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) cost-reduction opportunities and synergies by combining sales and support functions and eliminating duplicate corporate functions, 2) 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. The Company does not expect goodwill to be deductible for tax purposes. The purchase price allocation is as follows:

GRAPHIC PACKAGING HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In millions	Amounts Recognized as of Acquisition Date	Measurement Period Adjustments	Amounts Recognized as of Acquisition Date (as adjusted)
Purchase Price	$ 118.4	$ (0.3)	$ 118.1
Assumed Debt	36.9	—	36.9
Total Purchase Consideration	$ 155.3	$ (0.3)	$ 155.0
In millions			
Cash and Cash Equivalents	$ 13.1	$ —	$ 13.1
Receivables, Net	65.7	—	65.7
Inventories	35.8	1.3	37.1
Other Current Assets	0.9	(0.2)	0.7
Property, Plant and Equipment, Net	70.1	25.6	95.7
Intangible Assets, Net	—	7.3	7.3
Total Assets Acquired	185.6	34.0	219.6
Current Liabilities, Excluding Current Portion of Long-Term Debt	49.0	—	49.0
Pension and Postretirement Benefits	24.7	—	24.7
Deferred Tax (Assets) Liabilities	(0.6)	8.3	7.7
Other Noncurrent Liabilities	1.6	—	1.6
Total Liabilities Assumed	74.7	8.3	83.0
Net Assets Acquired	110.9	25.7	136.6
Goodwill	44.4	(26.0)	18.4
Total Estimated Fair Value of Net Assets Acquired	$ 155.3	$ (0.3)	$ 155.0

On December 8, 2011, the Company combined its multi-wall bag and specialty plastics packaging businesses with the kraft paper and multi-wall bag businesses of Delta Natural Kraft, LLC and Mid-America Packaging, LLC (collectively "DNK"), both wholly owned subsidiaries of Capital Five Investments, LLC ("CVI"). Under the terms of the transaction, the Company formed a new limited liability company, Graphic Flexible Packaging, LLC ("GFP") and contributed its ownership interests in multi-wall bag and specialty plastics packaging subsidiaries to it. CVI concurrently contributed its ownership interests in DNK to GFP. Neither party received cash consideration as part of the transaction. After the combination, the Company owns approximately 87% of GFP and consolidates its results of operations. The remaining 13% of GFP is owned by CVI. CVI's noncontrolling interest in GFP is recorded as Redeemable Noncontrolling Interests in the Company's financial statements. GFP is included in the flexible segment. The purchase consideration was allocated to the assets and liabilities based on estimated fair values as of the purchase date. Based on the independent third party valuation, there were no amounts allocated to goodwill. This transaction is herein referred to as the "DNK Transaction".

On April 29, 2011, the Company paid $51.9 million to acquire substantially all of the assets of Sierra Pacific Packaging, Inc. (“Sierra”), a producer of folding cartons, beverage carriers and corrugated boxes for the consumer packaged goods industry. The purchase price was allocated to the assets acquired and liabilities assumed based on estimated fair values as of the purchase date. The excess of the total purchase consideration over the aggregate fair value of identifiable net assets of $14.2 million was allocated to goodwill and the Company expects to deduct approximately $24 million of goodwill for tax purposes. The acquisition is included in the paperboard packaging segment.

GRAPHIC PACKAGING HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 5. DEBT

Short-Term Debt is comprised of the following:

In millions	2013	2012
Short-Term Borrowings	$12.4	$12.9
Current Portion of Capital Lease Obligations	2.4	2.2
Current Portion of Long-Term Debt	62.6	64.7
Total	$77.4	$79.8

Short-term borrowings are principally at the Company’s international subsidiaries. The weighted average interest rate on short-term borrowings as of December 31, 2013 and 2012 was 10.1% and 8.9%, respectively.

Long-Term Debt is comprised of the following:

In millions	2013	2012
Senior Notes with interest payable semi-annually at 7.875%, payable in 2018 ($250.0 million face amount)	$247.3	$246.8
Senior Notes with interest payable semi-annually at 9.5%, payable in 2017 ($425.0 million face amount)	—	423.2
Senior Notes with interest payable semi-annually at 4.75%, payable in 2021	425.0	—
Senior Secured Term Loan Facilities with interest payable at various dates at floating rates (2.0% at December 31, 2013) payable through 2018	1,214.6	1,275.0
Senior Secured Revolving Facility with interest payable at floating rates (2.1% at December 31, 2013) payable in 2018	344.3	325.8
Capital Lease Obligations	5.6	7.8
Other	16.8	54.7
	2,253.6	2,333.3
Less: Current Portion	77.4	79.8
Total	$2,176.2	$2,253.5

Long-Term Debt maturities (excluding capital leases) are as follows:

In millions	
2014	$75.0
2015	69.2
2016	99.9
2017	123.2
2018	1,452.6
After 2018	428.1
Total	$2,248.0

On March 16, 2012, the Company entered into a $2.0 billion amended and restated credit agreement with a syndicate of lenders consisting primarily of commercial banks (the “Credit Agreement”). The Credit Agreement provides for a $1.0 billion revolving credit facility and a $1.0 billion amortizing term loan facility, both due on March 16, 2017. The revolving credit facility and the term loan facility bear interest at an initial rate equal to the London Interbank Offered Rate (LIBOR) plus 225 basis points. The interest rate margin over LIBOR will vary between 175 basis points and 275 basis points depending upon the Company's current consolidated total leverage ratio. This transaction was treated primarily as an extinguishment of debt, and a charge of $8.9 million was recorded as Loss on Modification or Extinguishment of Debt in the Company's Consolidated Statements of Operations. The Company's obligations under the Credit Agreement are collateralized by substantially all of the Company's domestic assets.

On December 18, 2012, the Company entered into Amendment No. 1 to the existing Credit Agreement to amend certain restrictions in the Credit Agreement to provide an incremental term loan facility (the "Incremental Term Loan") in the amount of $300.0 million to fund the concurrent share repurchase. The Incremental Term Loan was treated primarily as a modification of debt. As a result, $2.1 million in third party fees were expensed as part of the loss on modification of debt, and the remaining fees paid to creditors of $3.1 million were deferred and will be amortized using the effective interest method over the term of the debt.

On April 2, 2013, the Company completed the issuance and sale of $425 million aggregated principal amount of its 4.75% Senior Notes due 2021. In connection with the new notes, the Company recorded deferred financing cost of approximately $7.2 million.

During June of 2013, the Company redeemed 100% of the $425 million aggregated principal of its 9.5% Senior Notes due in 2017. The bonds were redeemed at a price of 104.75%. The early redemption premium, unamortized issue premium and discount, and unamortized deferred financing costs of $25.9 million are reflected as Loss on Modification or Extinguishment of Debt in the Company's Consolidated Statement of Operations.

On September 13, 2013, the Company entered into Amendment No. 2 to the Credit Agreement to extend the maturity date of its existing revolving credit and term loan facilities from March 16, 2017 to September 13, 2018 and to amend certain other terms of the the agreement. Under the amendment, the Company added a €75.0 million (approximately $100 million) revolving credit facility, under which borrowings will be made in Euros and Pound Sterling, and a ¥2.5 billion (approximately $25 million) revolving credit facility, under which borrowings will be made in Yen. Both revolving credit facilities will have the same maturity and interest rate pricing as the Company's current $1.0 billion revolving credit facility. In addition, Amendment No. 2 reduces the applicable margins for the existing facilities, which will be based on LIBOR and will vary between 150 basis points and 250 basis points depending upon the Company's current consolidated total leverage ratio. The Company's current rate is LIBOR plus 175 basis points. The extension of the term loans and revolving credit facility were treated primarily as a modification of debt. As a result, $1.2 million of fees were expensed as part of the loss on modification or extinguishment of debt, and the remaining fees of $2.2 million were deferred and will be amortized over the term of the debt.

At December 31, 2013, 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 Commitments	Total Outstanding	Total Available
Domestic Revolving Credit Facility [(a)]	$1,000.0	$296.0	$676.8
International Facilities	159.3	65.0	94.3
Total	$1,159.3	$361.0	$771.1

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 $27.2 million as of December 31, 2013. These letters of credit are primarily used as security against its self-insurance obligations and workers' compensation obligations. These letters of credit expire through January 1, 2015 unless extended.

The Credit Agreement and the indenture governing the 7.875% Senior Notes due 2018 and the 4.75% Senior Notes due 2021 (the “Indenture”) limit the Company’s ability to incur additional indebtedness. Additional covenants contained in the Credit

Agreement and the Indenture, 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 the Indenture, engage in mergers or consolidations, change the business conducted by the Company and its subsidiaries, and engage in certain transactions with affiliates. Such restrictions 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 December 31, 2013, the Company was in compliance with the covenants in the Credit Agreement and the Indenture.

NOTE 6. STOCK INCENTIVE PLANS

The Company has one active equity compensation plan under which new grants are made, the Graphic Packaging Holding Company Amended and Restated 2004 Stock and Incentive Compensation Plan (the “2004 Plan”). Under the 2004 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units (“RSUs”) and other types of stock-based and cash awards to employees and directors of the Company. Stock options and other awards granted under the Company’s 2004 plan generally vest and expire in accordance with terms established at the time of grant. Shares issued pursuant to awards under the 2004 plan are from the Company’s authorized but unissued shares. Compensation costs are recognized on a straight-line basis over the requisite service period of the award.

Stock Options

GPC and the Company have not granted any stock options since 2004. As of December 31, 2013, there are no options outstanding and all stock options outstanding as of December 31, 2012 have been exercised or have expired and been cancelled.

A summary of option activity during the three years ended December 31, 2013