

GRAPHIC PACKAGING HOLDING CO

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

or

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

For the transition period from to

COMMISSION FILE NUMBER: 001-33988

Graphic Packaging Holding Company

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

26-0405422

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

1500 Riveredge Parkway, Suite 100

Atlanta, Georgia

(Address of principal executive offices)

30328

(Zip Code)

(770) 240-7200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of April 17, 2014, there were 326,943,150 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

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” of the Company’s 2013 Annual Report on Form 10-K, and in other filings with the Securities and Exchange Commission.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION	4
ITEM 1. FINANCIAL STATEMENTS	4
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	26
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK	34
ITEM 4. CONTROLS AND PROCEDURES	34
PART II — OTHER INFORMATION	35
ITEM 1. LEGAL PROCEEDINGS	35
ITEM 1A. RISK FACTORS	35
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	35
ITEM 6. EXHIBITS	35
SIGNATURES	36
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
XBRL Content	

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

<i>In millions, except per share amounts</i>	Three Months Ended March 31,	
	2014	2013
Net Sales	\$ 1,072.7	\$ 1,100.5
Cost of Sales	885.7	917.6
Selling, General and Administrative	100.9	99.2
Other Income, Net	(1.4)	(2.9)
Restructuring and Other Special Charges	7.8	1.4
Income from Operations	79.7	85.2
Interest Expense, Net	(20.4)	(27.2)
Income before Income Taxes and Equity Income of Unconsolidated Entities	59.3	58.0
Income Tax Expense	(24.8)	(23.7)
Income before Equity Income of Unconsolidated Entities	34.5	34.3
Equity Income of Unconsolidated Entities	0.3	0.3
Net Income	34.8	34.6
Net Loss Attributable to Noncontrolling Interests	0.4	0.3
Net Income Attributable to Graphic Packaging Holding Company	\$ 35.2	\$ 34.9
Net Income Per Share Attributable to Graphic Packaging Holding Company — Basic	\$ 0.11	\$ 0.10
Net Income Per Share Attributable to Graphic Packaging Holding Company — Diluted	\$ 0.11	\$ 0.10

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

GRAPHIC PACKAGING HOLDING COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

<i>In millions</i>	Three Months Ended March 31,	
	2014	2013
Net Income	\$ 34.8	\$ 34.6
Other Comprehensive Income (Loss), Net of Tax:		
Derivative Instruments	—	2.3
Currency Translation Adjustment	4.4	(15.1)
Pension Benefit Plans	2.1	6.0
Postretirement Benefit Plans	(2.4)	(0.2)
Total Other Comprehensive Income (Loss), Net of Tax	4.1	(7.0)
Total Comprehensive Income	38.9	27.6
Comprehensive Loss Attributable to Noncontrolling Interests	0.3	0.3
Comprehensive Income Attributable to Graphic Packaging Holding Company	\$ 39.2	\$ 27.9

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

GRAPHIC PACKAGING HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>In millions, except share and per share amounts</i>	March 31, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 34.7	\$ 52.2
Receivables, Net	470.9	412.8
Inventories, Net	578.1	557.1
Deferred Income Tax Assets	171.4	171.3
Other Current Assets	32.4	32.2
Assets Held for Sale	6.7	6.6
Total Current Assets	1,294.2	1,232.2
Property, Plant and Equipment, Net	1,669.5	1,678.9
Goodwill	1,078.0	1,125.4
Intangible Assets, Net	438.6	467.0
Other Assets	62.6	55.8
Total Assets	\$ 4,542.9	\$ 4,559.3
LIABILITIES		
Current Liabilities:		
Short-Term Debt and Current Portion of Long-Term Debt	\$ 79.0	\$ 77.4
Accounts Payable	419.2	428.3
Other Accrued Liabilities	188.7	205.5
Total Current Liabilities	686.9	711.2
Long-Term Debt	2,132.2	2,176.2
Deferred Income Tax Liabilities	351.5	329.9
Other Noncurrent Liabilities	268.4	268.4
Redeemable Noncontrolling Interests (Note 7)	11.0	11.3
SHAREHOLDERS' EQUITY		
Preferred Stock, par value \$.01 per share; 100,000,000 shares authorized; no shares issued or outstanding	—	—
Common Stock, par value \$.01 per share; 1,000,000,000 shares authorized; 326,943,150 and 324,746,642 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	3.3	3.2
Capital in Excess of Par Value	1,781.2	1,789.9
Accumulated Deficit	(507.4)	(542.6)
Accumulated Other Comprehensive Loss	(184.2)	(188.2)
Total Equity	1,092.9	1,062.3
Total Liabilities and Equity	\$ 4,542.9	\$ 4,559.3

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

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

<i>In millions</i>	Three Months Ended March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 34.8	\$ 34.6
Non-cash Items Included in Net Income:		
Depreciation and Amortization	67.0	65.4
Deferred Income Taxes	23.2	19.5
Amount of Postretirement Expense Greater (Less) Than Funding	0.5	(0.7)
Loss on the Sale of Assets	5.9	—
Other, Net	13.2	5.5
Changes in Operating Assets and Liabilities	(114.7)	(136.2)
Net Cash Provided by (Used in) Operating Activities	29.9	(11.9)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Spending	(59.3)	(32.9)
Proceeds Received from the Sale of Assets, Net of Selling Costs	70.7	—
Other, Net	(0.5)	(0.8)
Net Cash Provided by (Used in) Investing Activities	10.9	(33.7)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Debt	(15.4)	(13.0)
Borrowings under Revolving Credit Facilities	267.3	409.7
Payments on Revolving Credit Facilities	(294.2)	(355.5)
Repurchase of Common Stock related to Share-Based Payments	(15.8)	(10.9)
Other, Net	(0.5)	4.1
Net Cash (Used in) Provided by Financing Activities	(58.6)	34.4
Effect of Exchange Rate Changes on Cash	0.3	(1.5)
Net Decrease in Cash and Cash Equivalents	(17.5)	(12.7)
Cash and Cash Equivalents at Beginning of Period	52.2	51.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 34.7	\$ 38.8
Supplemental non-cash investing activities:		
Total Consideration Received from the Sale of Assets, Net of Selling Costs	\$ 78.8	\$ —
Cash Proceeds Received from the Sale of Assets, Net of Selling Costs	70.7	—
Non-cash Consideration Received from the Sale of Assets, Net of Selling Costs	<u>\$ 8.1</u>	<u>\$ —</u>

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

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

NOTE 1 — GENERAL INFORMATION

Nature of Business and Basis of Presentation

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 multi-wall bags. The Company’s customers include many of the most widely recognized companies and brands with prominent market positions in beverage, food, and other consumer products. 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 quality and service.

GPHC and Graphic Packaging Corporation (“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 the outstanding common stock of Graphic Packaging International, Inc. (“GPII”).

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

In the Company’s opinion, the accompanying Condensed Consolidated Financial Statements contain all normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods. The Company’s year end Condensed Consolidated Balance Sheet data was derived from audited financial statements. The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with instructions to Form 10-Q and Rule 10-01 of Regulation S-X and do not include all the information required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements. Therefore, these Condensed Consolidated Financial Statements should be read in conjunction with GPHC’s Form 10-K for the year ended December 31, 2013. In addition, the preparation of the Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates and changes in these estimates are recorded when known.

For a summary of the Company’s significant accounting policies, please refer to GPHC’s Form 10-K for the year ended December 31, 2013.

Accounts Receivable and Allowances

The Company has entered into various factoring and supply chain financing arrangements, principally at the request of customers, which qualify for sale accounting in accordance with the Transfers and Servicing topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“the Codification”). For the periods ended March 31, 2014 and December 31, 2013, the Company had received incremental proceeds of approximately \$ 19 million and \$ 41 million, respectively, from the factoring arrangements. Amounts transferred subject to continuing involvement at March 31, 2014 and December 31, 2013 were approximately \$ 2 million and \$ 20 million, respectively.

Equity Secondary Offerings

During the first quarter of 2014, certain shareholders of the Company sold 30 million shares of common stock in a secondary public offering at \$9.85 per share. The shares were sold by certain affiliates of TPG Capital, L.P. (the “TPG Entities”), Clayton, Dubilier & Rice Fund V Limited Partnership (the “CD&R Fund”) and Old Town, S.A. (“Old Town”). As a result of these actions, the CD&R Fund and Old Town no longer hold shares of the Company. The TPG Entities and certain Coors family trusts and the Adolph Coors Foundation now hold approximately 13% of shares outstanding.

Restructuring and Other Special Charges

The following table summarizes the transactions recorded in Restructuring and Other Special Charges in the Consolidated Statements of Operations:

<i>In millions</i>	Three Months Ended March 31,	
	2014	2013
Loss on Sale of Assets	\$ 5.9	\$ —
Charges Associated with Business Combinations	1.6	0.8
Other Special Charges	0.3	0.6
Total	\$ 7.8	\$ 1.4

On February 3, 2014, the Company completed the sale of its labels business. The financial impact of this transaction is reflected in Loss on Sale of Assets in the above table. Approximately \$ 47 million of goodwill and \$ 17 million of intangible assets were written off relating to the sale. The labels business was part of the Paperboard Packaging segment and accounted for approximately 1% of Consolidated Net Sales.

Adoption of New Accounting Standards

Effective January 1, 2014, the Company adopted revised guidance on the *Income Taxes* topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("the FASB Codification") which requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, 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. The adoption did not have any impact on the Company's financial position, results of operations or cash flows.

Effective January 1, 2014, the Company adopted Accounting Standards Update (ASU) No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The amendments in the ASU change the criteria for reporting discontinued operations and requires new disclosures for discontinued operations and for significant disposals of components of an entity that do not qualify for discontinued operations reporting. The adoption did not have an impact on the Company's financial position, results of operations or cash flows.

NOTE 2 — INVENTORIES, NET

Inventories, Net by major class:

<i>In millions</i>	March 31, 2014	December 31, 2013
Finished Goods	\$ 299.7	\$ 288.3
Work in Progress	53.2	49.2
Raw Materials	153.7	149.7
Supplies	71.5	69.9
Total	\$ 578.1	\$ 557.1

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

NOTE 3 — DEBT

For more information regarding the Company's debt, see "Note 5 — Debt" of the Notes to Consolidated Financial Statements of the Company's 2013 Form 10-K.

Long-Term Debt is composed of the following:

<i>In millions</i>	March 31, 2014	December 31, 2013
Senior Notes with interest payable semi-annually at 7.875%, payable in 2018 (\$250.0 million face amount)	\$ 247.4	\$ 247.3
Senior Notes with interest payable semi-annually at 4.75%, payable in 2021	425.0	425.0
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (1.90% at March 31, 2014) payable through 2018	1,199.3	1,214.6
Senior Secured Revolving Facility with interest payable at floating rates (1.97% at March 31, 2014) payable in 2018	316.8	344.3
Capital Lease Obligations	5.1	5.6
Other	17.6	16.8
Total Debt	2,211.2	2,253.6
Less: Short-Term Debt and Current Portion of Long-Term Debt	79.0	77.4
Total Long-Term Debt	\$ 2,132.2	\$ 2,176.2

At March 31, 2014, the Company and its U.S. and international subsidiaries had the following commitments, amounts outstanding and amounts available under revolving credit facilities:

<i>In millions</i>	Total Commitments	Total Outstanding	Total Available
Domestic Revolving Credit Facility ^(a)	\$ 1,000.0	\$ 259.5	\$ 714.1
International Facilities	164.4	74.9	89.5
Total	\$ 1,164.4	\$ 334.4	\$ 803.6

(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 \$ 26.4 million as of March 31, 2014. These letters of credit are used primarily as security against its self-insurance obligations and workers' compensation obligations. These letters of credit expire at various dates through 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, together with the highly leveraged nature of the Company, could limit the Company's ability to respond to changing market conditions, fund its capital spending program, provide for unexpected capital investments or take advantage of business opportunities.

Under the terms of the Credit Agreement, the Company must comply with a maximum consolidated total leverage ratio and a minimum consolidated interest coverage ratio. The Company's obligations under the Credit Agreement are secured by substantially all of the Company's domestic assets.

As of March 31, 2014, the Company was in compliance with the covenants in the Credit Agreement and the Indenture.

NOTE 4 — STOCK INCENTIVE PLANS

The Company has one active equity compensation plan from which new grants are made, the Graphic Packaging Holding Company Amended and Restated 2004 Stock and Incentive Compensation Plan (the "2004 Plan"). Awards granted under the 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 Awards, Restricted Stock and Restricted Stock Units

The Company's 2004 Plan permits the grant of stock awards, restricted stock and restricted stock units ("RSUs"). Generally, all RSUs vest and become payable in three years from date of grant. RSUs granted to employees generally contain performance conditions based on various financial targets and service requirements that must be met for the shares to vest. Upon vesting, RSUs are payable in shares of common stock. Stock awards granted to non-employee directors as part of their compensation for service on the Board are unrestricted on the grant date.

Data concerning RSUs granted in the first three months of 2014 is as follows:

<i>Shares in thousands</i>	Shares	Weighted Average Grant Date Fair Value Per Share	
RSUs — Employees	2,095	\$	10.27

During the three months ended March 31, 2014 and 2013, \$ 4.1 million and \$ 6.8 million, respectively, were charged to compensation expense for stock incentive plans.

During the three months ended March 31, 2014 and 2013, approximately 2.2 million and 3.0 million shares were issued, respectively. The shares issued were primarily related to RSUs granted during 2011 and 2010, respectively.

NOTE 5 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company maintains both defined benefit pension plans and postretirement health care plans that provide medical and life insurance coverage to eligible salaried and hourly retired employees in North America and their dependents. The Company maintains international defined benefit pension plans which are either noncontributory or contributory and are funded in accordance with applicable local laws. Pension or termination benefits are based primarily on years of service and the employees' compensation.

Pension and Postretirement Expense

The pension and postretirement expenses related to the Company's plans consisted of the following:

<i>In millions</i>	Pension Benefits		Postretirement Health Care Benefits	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2014	2013	2014	2013
Components of Net Periodic Cost:				
Service Cost	\$ 3.7	\$ 4.0	\$ 0.3	\$ 0.4
Interest Cost	14.5	13.1	0.6	0.5
Administrative Expenses	0.2	0.2	—	—
Expected Return on Plan Assets	(20.0)	(17.0)	—	—
Amortization:				
Prior Service Cost (Credit)	0.1	0.2	(0.1)	—
Actuarial Loss (Gain)	3.0	9.4	(0.3)	(0.3)
Net Periodic Cost	\$ 1.5	\$ 9.9	\$ 0.5	\$ 0.6

Employer Contributions

The Company made contributions of \$ 0.8 million and \$ 10.7 million to its pension plans during the first three months of 2014 and 2013, respectively. The Company expects to make contributions of \$40 to \$60 million for the full year 2014. During 2013, the Company made \$ 51.5 million of contributions to its pension plans.

The Company made postretirement health care benefit payments of \$ 0.7 million and \$ 0.5 million during the first three months of 2014 and 2013, respectively. The Company estimates its postretirement health care benefit payments for the full year 2014 to be approximately \$ 3 million. During 2013, the Company made postretirement health care benefit payments of \$ 1.8 million.

NOTE 6 — FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

The Company enters into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under the *Derivatives and Hedging* topic of the FASB Codification and those not designated as hedging instruments under

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

this guidance. The Company uses interest rate swaps, natural gas swap contracts, and forward exchange contracts. These derivative instruments are designated as cash flow hedges and, to the extent they are effective in offsetting the variability of the hedged cash flows, changes in the derivatives' fair value are not included in current earnings but are included in Accumulated Other Comprehensive Income. These changes in fair value will subsequently be reclassified to earnings.

For more information regarding the Company's financial instruments and fair value measurement, see " *Note 9 — Financial Instruments, Derivatives and Hedging Activities*" and " *Note 10 — Fair Value Measurement*" of the Notes to Consolidated Financial Statements of the Company's 2013 Form 10-K.

Interest Rate Risk

The Company uses interest rate swaps to manage interest rate risks on future interest payments caused by interest rate changes on its variable rate term loan facility. The differential to be paid or received under these agreements is recognized as an adjustment to Interest Expense related to debt. At March 31, 2014 and December 31, 2013, the Company had interest rate swap agreements outstanding with a notional amount of \$ 560 million . The swap agreements, under which the Company will pay fixed rates of 0.45% to 0.82% and receive one-month LIBOR rates, expire in April 2016.

Changes in fair value will subsequently be reclassified into earnings as a component of Interest Expense, Net as interest is incurred on amounts outstanding under the term loan facility. Ineffectiveness measured in the hedging relationship is recorded in earnings in the period it occurs.

During the first three months of 2014 and 2013, there were minimal amounts of ineffectiveness related to changes in the fair value of interest rate swap agreements. Additionally, there were no amounts excluded from the measure of effectiveness.

Commodity Risk

To manage risks associated with future variability in cash flows and price risk attributable to certain commodity purchases, the Company enters into natural gas swap contracts to hedge prices for a designated percentage of its expected natural gas usage. Such contracts are designated as cash flow hedges. The contracts are carried at fair value with changes in fair value recognized in Accumulated Other Comprehensive Loss, and 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 would be recognized immediately in earnings. The Company has hedged 53% of its expected natural gas usage for 2014.

During the first three months of 2014 and 2013, there were minimal amounts of ineffectiveness related to changes in the fair value of natural gas swap contracts. Additionally, there were no amounts excluded from the measure of effectiveness.

Foreign Currency Risk

The Company enters into forward exchange contracts to manage risks associated with future variability in cash flows resulting from anticipated foreign currency transactions that may be adversely affected by changes in exchange rates. The contracts are carried at fair value with changes in fair value recognized in Accumulated Other Comprehensive Loss and gains/losses related to these contracts are recognized in Other Income, Net when the anticipated transaction affects income.

At March 31, 2014, multiple forward exchange contracts existed that expire on various dates through 2014. Those purchased forward exchange contracts outstanding at March 31, 2014 and December 31, 2013, when aggregated and measured in U.S. dollars at contractual rates at March 31, 2014 and December 31, 2013 had notional amounts totaling \$ 48.4 million and \$ 65.3 million , respectively.

No amounts were reclassified to earnings during the first three months of 2014 or during 2013 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.

Derivatives not Designated as Hedges

The Company enters into forward exchange contracts to effectively hedge substantially all of its accounts receivable resulting from sales transactions denominated in foreign currencies in order to manage risks associated with foreign currency transactions adversely affected by changes in exchange rates. At March 31, 2014 and December 31, 2013, multiple foreign currency forward exchange contracts existed, with maturities ranging up to three months. Those foreign currency exchange contracts outstanding at March 31, 2014 and December 31, 2013, when aggregated and measured in U.S. dollars at exchange rates at March 31, 2014 and December 31, 2013, had net notional amounts totaling \$ 27.8 million and \$ 32.5 million , respectively. Unrealized gains and losses resulting from these contracts are recognized in Other Income, Net and approximately offset corresponding recognized but unrealized gains and losses on these accounts receivable.

Fair Value of Financial Instruments

The Company's derivative instruments are carried at fair value. The Company has determined that the inputs to the valuation of these derivative instruments are level 2 in the fair value hierarchy. Level 2 inputs are defined as quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. The Company uses valuation techniques based on discounted cash flow analyses,

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

which reflect the terms of the derivatives and use observable market-based inputs, including forward rates and use market price quotations obtained from independent derivatives brokers, corroborated with information obtained from independent pricing service providers.

As of March 31, 2014 and December 31, 2013, the Company had a net derivative liability of \$1.6 million and \$2.2 million, respectively, primarily related to interest rate, foreign currency and commodity contracts.

As of March 31, 2014, there has not been any significant impact to the fair value of the Company's derivative liabilities due to its own credit risk. Similarly, there has not been any significant adverse impact to the Company's derivative assets based on evaluation of the Company's counterparties' credit risks.

The fair values of the Company's other financial assets and liabilities at March 31, 2014 and December 31, 2013 approximately equal the carrying values reported on the Consolidated Balance Sheets except for Long-Term Debt. The fair value of the Company's Long-Term Debt (excluding capital leases) was \$ 2,224.1 million and \$ 2,267.6 million as compared to the carrying amounts of \$ 2,206.1 million and \$ 2,248.0 million as of March 31, 2014 and December 31, 2013, respectively. The fair value of the Company's Long-Term Debt, including the Senior Notes, are based on quoted market prices (Level 2 inputs).

The fair value of the Company's assets held for sale at March 31, 2014 and December 31, 2013 was \$6.7 million and \$6.6 million, respectively. The value is recorded at the lower of book value or fair value, less costs to sell. Fair value was determined using the market approach based on the value of similar assets (Level 3 inputs).

Accumulated Derivative Instruments (Loss) Income

The following is a rollforward of pre-tax Accumulated Derivative Instruments (Loss) Income which is included in the Company's Condensed Consolidated Balance Sheets:

<i>In millions</i>	
Balance at December 31, 2013	\$ (1.3)
Reclassification to Earnings	(1.0)
Current Period Change in Fair Value	0.9
Balance at March 31, 2014	\$ (1.4)

At March 31, 2014, the Company expects to reclassify approximately \$ 1.2 million of loss in the next twelve months from Accumulated Other Comprehensive Loss to earnings, contemporaneously with and offsetting changes in the related hedged exposure. The actual amount that will be reclassified to future earnings may vary from this amount as a result of changes in market conditions.

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

NOTE 7 — REDEEMABLE NONCONTROLLING INTERESTS

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. 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.

CVI has the right, at certain times, to require the Company to acquire their ownership interests in GFP at fair value based on third-party valuations. Since it is probable that the noncontrolling interests will become redeemable in the future, based on the passage of time, the noncontrolling interests subject to the put options are adjusted to their estimated redemption amounts each reporting period with a corresponding adjustment to Capital in Excess of Par Value. The adjustment to the carrying amount is determined after attribution of comprehensive income of the redeemable noncontrolling interests. The adjustment to the carrying amount does not impact net income or comprehensive income in the Company's Condensed Consolidated Financial Statements and does not impact earnings per share since the shares of the redeemable noncontrolling interests are redeemable at fair value. For accounting purposes, the redemption value at which the redeemable noncontrolling interests is recorded on the Condensed Consolidated Balance Sheets cannot be less than the initial amount plus attribution of comprehensive income of the noncontrolling interest. At March 31, 2014, the book value of the redeemable noncontrolling interests was determined as follows:

In millions

Balance at December 31, 2013	\$	11.3
Net Loss Attributable to Redeemable Noncontrolling Interests		(0.4)
Other Comprehensive Income, Net of Tax		0.1
Change in Fair Value of Redeemable Securities		—
Balance at March 31, 2014	\$	11.0

The calculation of fair value (a Level 3 measurement) of the redeemable noncontrolling interest is determined by using a discounted cash flow analysis based on the Company's forecasts discounted using a weighed average cost of capital and market indicators of terminal year cash flows based upon a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA").

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

NOTE 8 — INCOME TAXES

During the three months ended March 31, 2014, the Company recognized Income Tax Expense of \$ 24.8 million on Income before Income Taxes and Equity Income of Unconsolidated Entities of \$ 59.3 million . The effective tax rate for the three months ended March 31, 2014 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 impact of the writeoff of nondeductible goodwill in connection with the sale of the labels business and other discrete items. During the three months ended March 31, 2013, the Company recognized Income Tax Expense of \$ 23.7 million on Income before Income Taxes and Equity Income of Unconsolidated Entities of \$ 58.0 million . The effective tax rate for the three months ended March 31, 2013 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. The Company has approximately \$ 830 million of Net Operating Losses for U.S. federal income tax purposes, which are currently being used and may be used to offset future taxable income.

NOTE 9 — ENVIRONMENTAL AND LEGAL MATTERS*Environmental Matters*

The Company is subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, solid waste and hazardous wastes, the investigation and remediation of contamination resulting from historical site operations and releases of hazardous substances, and the health and safety of employees. Compliance initiatives could result in significant costs, which could negatively impact the Company's consolidated financial position, results of operations or cash flows. Any failure to comply with environmental or health and safety laws and regulations or any permits and authorizations required thereunder could subject the Company to fines, corrective action or other sanctions.

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 a liability is probable and the costs are reasonably estimable. The Company believes that the amounts accrued for all of its loss contingencies, and the reasonably possible loss beyond the amounts accrued, are not material to the Company's consolidated financial position, results of operations or cash flows. Currently, the Company expects to spend less than \$10 million, in aggregate, during 2014 and 2015 to achieve compliance with the National Emission Standards for Hazardous Air Pollutants for units at major sources (known as "Boiler MACT"). The Company cannot estimate with certainty other future corrective compliance, investigation or remediation costs. Costs relating to historical usage that the Company considers to be reasonably possible of resulting in liability are not quantifiable at this time. The Company will continue to monitor environmental issues at each of its facilities, as well as regulatory developments, and will revise its accruals, estimates and disclosures relating to past, present and future operations, as additional information is obtained.

Legal Matters

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

NOTE 10 — SEGMENT INFORMATION

The Company reports its results in two reportable segments: paperboard packaging and flexible packaging. These segments are evaluated by the chief operating decision maker based primarily on Income from Operations as adjusted for depreciation and amortization. The Company's reportable segments are based upon strategic business units that offer different products. The accounting policies of the reportable segments are the same as those described in GPHC's Form 10-K for the year ended December 31, 2013.

The paperboard packaging segment is highly integrated and includes a system of mills and plants that produce a broad range of paperboard grades convertible into folding cartons. Folding cartons are used primarily to protect products, such as food, detergents, paper products, beverages, and health and beauty aids, while providing point of purchase advertising. The paperboard packaging reportable segment includes the design, manufacture and installation of packaging machinery related to the assembly of cartons, the production and sale of corrugated medium and kraft paper from paperboard mills in the U.S. As previously disclosed, the Company sold its labels business as of February 3, 2014 which was part of the paperboard packaging segment.

The flexible packaging segment produces kraft paper and converts kraft and specialty paper into products which include multi-wall bags, such as pasted valve, pinched bottom, sewn open mouth and woven polypropylene and coated paper. Coated paper products include institutional french fry packaging, barrier punch rollstock and freeze paper. Key end-markets include food and agriculture, building and industrial materials, chemicals, minerals and pet food. Flexible package paper is used in a wide range of consumer applications.

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

Segment information is as follows:

<i>In millions</i>	Three Months Ended March 31,	
	2014	2013
NET SALES:		
Paperboard Packaging	\$ 941.8	\$ 936.1
Flexible Packaging	130.9	164.4
Total	\$ 1,072.7	\$ 1,100.5
INCOME (LOSS) FROM OPERATIONS:		
Paperboard Packaging	\$ 100.2	\$ 102.7
Flexible Packaging	(4.5)	(3.8)
Corporate	(16.0)	(13.7)
Total	\$ 79.7	\$ 85.2
DEPRECIATION AND AMORTIZATION:		
Paperboard Packaging	\$ 61.0	\$ 58.4
Flexible Packaging	5.4	6.4
Corporate	0.6	0.6
Total	\$ 67.0	\$ 65.4

For more information regarding the Company's business segments, see "Note 16 — Business Segment and Geographic Area Information" of the Notes to Consolidated Financial Statements of the Company's 2013 Form 10-K.

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

NOTE 11 — EARNINGS PER SHARE

<i>In millions, except per share data</i>	Three Months Ended	
	March 31,	
	2014	2013
Net Income Attributable to Graphic Packaging Holding Company	\$ 35.2	\$ 34.9
Weighted Average Shares:		
Basic	327.6	348.1
Dilutive Effect of RSUs and Stock Awards	2.7	2.3
Diluted	330.3	350.4
Earnings Per Share — Basic	\$ 0.11	\$ 0.10
Earnings Per Share — Diluted	\$ 0.11	\$ 0.10

For the three months ended March 31, 2013, the potentially dilutive stock options excluded from the above calculation because the effect would have been anti-dilutive were 1,824,098 .

NOTE 12 — EQUITY

The following is a summary of the changes in total equity for the three months ended March 31, 2014:

<i>In millions</i>	Graphic Packaging Holding Company Shareholders Equity ^(a)	
Balance at December 31, 2013	\$	1,062.3
Net Income		35.2
Other Comprehensive Income, Net of Tax		4.0
Compensation Expense Under Share-Based Plans		4.1
Issuance of Common Stock, Net of Stock Repurchased for Tax Withholdings		(12.7)
Balance at March 31, 2014	\$	1,092.9

^(a) Excludes amounts related to contingently redeemable noncontrolling interests which are separately classified outside of permanent equity in the mezzanine section of the Condensed Consolidated Balance Sheets.

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

NOTE 13 — OTHER COMPREHENSIVE (LOSS) INCOME

The following represents changes in Accumulated Other Comprehensive (Loss) Income by each component of other comprehensive income for the three months ended March 31, 2014 ^(a):

<i>In millions</i>	Derivatives Instruments	Pension Benefit Plans	Postretirement Benefit Plans	Postemployment Benefit Plans	Currency Translation Adjustment	Total
Balance at December 31, 2013	\$ (10.8)	\$ (174.1)	\$ 12.8	\$ 0.5	\$ (16.6)	\$ (188.2)
Other Comprehensive Income (Loss) before Reclassifications	0.6	(0.7)	(2.0)	—	4.4	2.3
Amounts Reclassified from Accumulated Other Comprehensive (Loss) Income ^(b)	(0.6)	2.7	(0.4)	—	—	1.7
Net Current-period Other Comprehensive Income (Loss)	—	2.0	(2.4)	—	4.4	4.0
Balance at March 31, 2014	\$ (10.8)	\$ (172.1)	\$ 10.4	\$ 0.5	\$ (12.2)	\$ (184.2)

^(a) All amounts are net-of-tax.

^(b) See following table for details about these reclassifications.

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

The following represents reclassifications out of Accumulated Other Comprehensive Income for the three months ended March 31, 2014:

<i>In millions</i>		
Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Derivatives Instruments:		
Commodity Contracts	\$ (1.6)	Cost of Sales
Foreign Currency Contracts	(0.2)	Other Income, Net
Interest Rate Swap Agreements	0.8	Interest Expense, Net
	(1.0)	Total before Tax
	0.4	Tax Benefit
	<u>\$ (0.6)</u>	Net of Tax
Amortization of Defined Benefit Pension Plans:		
Prior Service Costs	\$ 0.1 ^(c)	
Actuarial Losses	3.0 ^(c)	
	3.1	Total before Tax
	(0.4)	Tax Expense
	<u>\$ 2.7</u>	Net of Tax
Amortization of Postretirement Benefit Plans:		
Prior Service Credits	\$ (0.1) ^(c)	
Actuarial Gains	(0.3) ^(c)	
	(0.4)	Total before Tax
	—	Tax Expense
	<u>\$ (0.4)</u>	Net of Tax
Total Reclassifications for the Period	<u>\$ 1.7</u>	

^(c) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see “*Note 6 — Pensions and Other Postretirement Benefits*”).

NOTE 14 — GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

This disclosure is required because certain subsidiaries are guarantors of GPII's debt securities. These consolidating financial statements reflect GPHC and GPC (collectively the "Parent"); GPII, the Subsidiary Issuer; and the Subsidiary Guarantors, which consist of all material 100% owned subsidiaries of GPII other than its foreign subsidiaries; and the nonguarantor subsidiaries (herein referred to as "Nonguarantor Subsidiaries"). The Nonguarantor Subsidiaries include all of GPII's foreign subsidiaries and the subsidiaries of GFP. Separate complete financial statements of the Subsidiary Guarantors are not presented because the guarantors are jointly and severally, fully and unconditionally liable under the guarantees.

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

<i>In millions</i>	Three Months Ended March 31, 2014					
	Parent	Subsidiary Issuer	Combined Guarantor Subsidiaries	Combined Nonguarantor Subsidiaries	Consolidating Eliminations	Consolidated
Net Sales	\$ —	\$ 818.1	\$ 0.4	\$ 300.2	\$ (46.0)	\$ 1,072.7
Cost of Sales	—	659.5	(0.3)	272.5	(46.0)	885.7
Selling, General and Administrative	—	73.6	0.1	27.2	—	100.9
Other Income, Net	—	(0.7)	—	(0.7)	—	(1.4)
Restructuring and Other Special Charges	—	0.3	5.9	1.6	—	7.8
Income (Loss) from Operations	—	85.4	(5.3)	(0.4)	—	79.7
Interest Expense, Net	—	(18.2)	—	(2.2)	—	(20.4)
Income (Loss) before Income Taxes and Equity						
Income of Unconsolidated Entities	—	67.2	(5.3)	(2.6)	—	59.3
Income Tax Expense (Benefit)	—	(28.0)	2.0	1.2	—	(24.8)
Income (Loss) before Equity Income of Unconsolidated Entities	—	39.2	(3.3)	(1.4)	—	34.5
Equity Income of Unconsolidated Entities	—	—	—	0.3	—	0.3
Equity in Net Earnings of Subsidiaries	34.8	(4.4)	(0.6)	—	(29.8)	—
Net Income (Loss)	34.8	34.8	(3.9)	(1.1)	(29.8)	34.8
Net Loss Attributable to Noncontrolling Interests	0.4	0.4	—	—	(0.4)	0.4
Net Income (Loss) Attributable to Graphic Packaging Holding Company	\$ 35.2	\$ 35.2	\$ (3.9)	\$ (1.1)	\$ (30.2)	\$ 35.2
Comprehensive Income (Loss) Attributable to Graphic Packaging Holding Company	\$ 39.2	\$ 39.2	\$ (3.8)	\$ 4.0	\$ (39.4)	\$ 39.2

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

<i>In millions</i>	Three Months Ended March 31, 2013					
	Parent	Subsidiary Issuer	Combined Guarantor Subsidiaries	Combined Nonguarantor Subsidiaries	Consolidating Eliminations	Consolidated
Net Sales	\$ —	\$ 820.6	\$ 15.3	\$ 318.9	\$ (54.3)	\$ 1,100.5
Cost of Sales	—	664.8	11.2	295.9	(54.3)	917.6
Selling, General and Administrative	—	70.4	1.8	27.0	—	99.2
Other Income, Net	—	(1.0)	—	(1.9)	—	(2.9)
Restructuring and Other Special Charges	—	0.6	—	0.8	—	1.4
Income (Loss) from Operations	—	85.8	2.3	(2.9)	—	85.2
Interest Expense, Net	—	(24.8)	—	(2.4)	—	(27.2)
Income (Loss) before Income Taxes and Equity Income of Unconsolidated Entities	—	61.0	2.3	(5.3)	—	58.0
Income Tax Expense	—	(20.4)	(0.9)	(2.4)	—	(23.7)
Income (Loss) before Equity Income of Unconsolidated Entities	—	40.6	1.4	(7.7)	—	34.3
Equity Income of Unconsolidated Entities	—	—	—	0.3	—	0.3
Equity in Net Earnings of Subsidiaries	34.6	(6.0)	(1.6)	—	(27.0)	—
Net Income (Loss)	34.6	34.6	(0.2)	(7.4)	(27.0)	34.6
Net Loss Attributable to Noncontrolling Interests	0.3	0.3	—	—	(0.3)	0.3
Net Income (Loss) Attributable to Graphic Packaging Holding Company	\$ 34.9	\$ 34.9	\$ (0.2)	\$ (7.4)	\$ (27.3)	\$ 34.9
Comprehensive Income (Loss) Attributable to Graphic Packaging Holding Company	\$ 27.9	\$ 27.9	\$ 1.6	\$ (19.6)	\$ (9.9)	\$ 27.9

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

<i>In millions</i>	March 31, 2014					
	Parent	Subsidiary Issuer	Combined Guarantor Subsidiaries	Combined Nonguarantor Subsidiaries	Consolidating Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ —	\$ —	\$ —	\$ 34.7	\$ —	\$ 34.7
Receivables, Net	—	282.1	—	188.8	—	470.9
Inventories, Net	—	384.0	—	194.1	—	578.1
Intercompany	50.0	522.5	70.7	—	(643.2)	—
Deferred Income Tax Assets	—	171.9	—	—	(0.5)	171.4
Other Current Assets	—	18.4	—	14.0	—	32.4
Assets Held for Sale	—	6.7	—	—	—	6.7
Total Current Assets	50.0	1,385.6	70.7	431.6	(643.7)	1,294.2
Property, Plant and Equipment, Net	—	1,403.6	0.5	265.5	(0.1)	1,669.5
Investment in Consolidated Subsidiaries	1,053.7	—	23.7	—	(1,077.4)	—
Goodwill	—	1,043.2	—	34.8	—	1,078.0
Other Assets	—	395.3	—	105.9	—	501.2
Total Assets	\$ 1,103.7	\$ 4,227.7	\$ 94.9	\$ 837.8	\$ (1,721.2)	\$ 4,542.9
LIABILITIES						
Current Liabilities:						
Short-Term Debt and Current Portion of Long-Term Debt	\$ —	\$ 62.6	\$ —	\$ 16.4	\$ —	\$ 79.0
Accounts Payable	—	302.4	—	116.8	—	419.2
Interest Payable	—	22.1	—	0.1	—	22.2
Intercompany	—	0.2	38.3	645.2	(683.7)	—
Other Accrued Liabilities	—	127.9	0.3	38.3	—	166.5
Total Current Liabilities	—	515.2	38.6	816.8	(683.7)	686.9
Long-Term Debt	—	2,071.6	—	60.6	—	2,132.2
Deferred Income Tax Liabilities	—	342.4	—	9.1	—	351.5
Other Noncurrent Liabilities	—	233.8	—	34.6	—	268.4
Redeemable Noncontrolling Interests	11.0	11.0	—	—	(11.0)	11.0
EQUITY						
Total Graphic Packaging Holding Company Shareholders' Equity	1,092.7	1,053.7	56.3	(83.3)	(1,026.5)	1,092.9
Total Equity	1,092.7	1,053.7	56.3	(83.3)	(1,026.5)	1,092.9
Total Liabilities and Equity	\$ 1,103.7	\$ 4,227.7	\$ 94.9	\$ 837.8	\$ (1,721.2)	\$ 4,542.9

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

<i>In millions</i>	December 31, 2013					
	Parent	Subsidiary Issuer	Combined Guarantor Subsidiaries	Combined Nonguarantor Subsidiaries	Consolidating Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ —	\$ 1.3	\$ —	\$ 50.9	\$ —	\$ 52.2
Receivables, Net	—	218.0	7.0	187.8	—	412.8
Inventories, Net	—	368.0	4.4	184.7	—	557.1
Deferred Income Tax Assets	—	171.9	—	—	(0.6)	171.3
Intercompany	59.0	595.5	—	—	(654.5)	—
Other Current Assets	—	16.6	—	15.6	—	32.2
Assets Held for Sale	—	6.6	—	—	—	6.6
Total Current Assets	59.0	1,377.9	11.4	439.0	(655.1)	1,232.2
Property, Plant and Equipment, Net	—	1,410.7	14.2	254.1	(0.1)	1,678.9
Investment in Consolidated Subsidiaries	1,014.5	—	24.2	—	(1,038.7)	—
Goodwill	—	1,043.2	47.2	35.0	—	1,125.4
Other Assets	—	395.6	16.9	110.3	—	522.8
Total Assets	\$ 1,073.5	\$ 4,227.4	\$ 113.9	\$ 838.4	\$ (1,693.9)	\$ 4,559.3
LIABILITIES						
Current Liabilities:						
Short-Term Debt and Current Portion of Long-Term Debt	\$ —	\$ 62.7	\$ —	\$ 14.7	\$ —	\$ 77.4
Accounts Payable	—	303.1	5.6	119.6	—	428.3
Intercompany	—	—	41.7	645.7	(687.4)	—
Other Accrued Liabilities	—	157.5	0.9	47.1	—	205.5
Total Current Liabilities	—	523.3	48.2	827.1	(687.4)	711.2
Long-Term Debt	—	2,123.7	—	52.5	—	2,176.2
Deferred Income Tax Liabilities	—	321.5	—	8.4	—	329.9
Other Noncurrent Liabilities	—	233.1	—	35.3	—	268.4
Redeemable Noncontrolling Interests	11.3	11.3	—	—	(11.3)	11.3
EQUITY						
Total Graphic Packaging Holding Company Shareholders' Equity	1,062.2	1,014.5	65.7	(84.9)	(995.2)	1,062.3
Total Liabilities and Equity	\$ 1,073.5	\$ 4,227.4	\$ 113.9	\$ 838.4	\$ (1,693.9)	\$ 4,559.3

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

<i>In millions</i>	Three Months Ended March 31, 2014					
	Parent	Subsidiary Issuer	Combined Guarantor Subsidiaries	Combined Nonguarantor Subsidiaries	Consolidating Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net Income (Loss)	\$ 34.8	\$ 34.8	\$ (3.9)	\$ (1.1)	\$ (29.8)	\$ 34.8
Non-cash Items Included in Net Income (Loss):						
Depreciation and Amortization	—	57.5	—	9.5	—	67.0
Deferred Income Taxes	—	25.8	—	(2.6)	—	23.2
Amount of Postretirement Expense Greater Than Funding	—	0.3	—	0.2	—	0.5
Equity in Net Earnings of Subsidiaries	(34.8)	4.4	0.6	—	29.8	—
Loss on the Sale of Assets	—	—	5.9	—	—	5.9
Other, Net	—	10.8	1.3	1.1	—	13.2
Changes in Operating Assets and Liabilities	—	(41.3)	(74.6)	(14.6)	15.8	(114.7)
Net Cash Provided by (Used in) Operating Activities	—	92.3	(70.7)	(7.5)	15.8	29.9
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital Spending	—	(41.2)	—	(18.1)	—	(59.3)
Proceeds Received from the Sale of Assets, Net of Selling Costs	—	—	70.7	—	—	70.7
Other, Net	15.8	(0.5)	—	—	(15.8)	(0.5)
Net Cash Provided by (Used in) Investing Activities	15.8	(41.7)	70.7	(18.1)	(15.8)	10.9
CASH FLOWS FROM FINANCING ACTIVITIES:						
Payments on Debt	—	(15.4)	—	—	—	(15.4)
Borrowings under Revolving Credit Facilities	—	236.6	—	30.7	—	267.3
Payments on Revolving Credit Facilities	—	(273.1)	—	(21.1)	—	(294.2)
Repurchase of Common Stock related to Share-Based Payments	(15.8)	—	—	—	—	(15.8)
Other, Net	—	—	—	(0.5)	—	(0.5)
Net Cash (Used in) Provided by Financing Activities	(15.8)	(51.9)	—	9.1	—	(58.6)
Effect of Exchange Rate Changes on Cash	—	—	—	0.3	—	0.3
Net Decrease in Cash and Cash Equivalents	—	(1.3)	—	(16.2)	—	(17.5)
Cash and Cash Equivalents at Beginning of Period	—	1.3	—	50.9	—	52.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ —	\$ —	\$ —	\$ 34.7	\$ —	\$ 34.7

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

<i>In millions</i>	Three Months Ended March 31, 2013					
	Parent	Subsidiary Issuer	Combined Guarantor Subsidiaries	Combined Nonguarantor Subsidiaries	Consolidating Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net Income (Loss)	\$ 34.6	\$ 34.6	\$ (0.2)	\$ (7.4)	\$ (27.0)	\$ 34.6
Non-cash Items Included in Net Income (Loss):						
Depreciation and Amortization	—	53.9	1.0	10.5	—	65.4
Deferred Income Taxes	—	19.5	—	—	—	19.5
Amount of Postretirement Expense Greater (Less) Than Funding	—	1.0	(0.2)	(1.5)	—	(0.7)
Equity in Net Earnings of Subsidiaries	(34.6)	6.0	1.6	—	27.0	—
Other, Net	—	4.1	—	1.4	—	5.5
Changes in Operating Assets and Liabilities	—	(128.3)	(2.2)	(5.7)	—	(136.2)
Net Cash Used in Operating Activities	—	(9.2)	—	(2.7)	—	(11.9)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital Spending	—	(29.5)	—	(3.4)	—	(32.9)
Other, Net	6.2	(0.8)	—	—	(6.2)	(0.8)
Net Cash Provided by (Used in) Investing Activities	6.2	(30.3)	—	(3.4)	(6.2)	(33.7)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Payments on Debt	—	(12.5)	—	(0.5)	—	(13.0)
Borrowings under Revolving Credit Facilities	—	356.4	—	53.3	—	409.7
Payments on Revolving Credit Facilities	—	(303.7)	—	(51.8)	—	(355.5)
Repurchase of Common Stock related to Share-Based Payments	(10.9)	—	—	—	—	(10.9)
Other, Net	4.7	(6.6)	—	(0.2)	6.2	4.1
Net Cash (Used in) Provided by Financing Activities	(6.2)	33.6	—	0.8	6.2	34.4
Effect of Exchange Rate Changes on Cash	—	—	—	(1.5)	—	(1.5)
Net Decrease in Cash and Cash Equivalents	—	(5.9)	—	(6.8)	—	(12.7)
Cash and Cash Equivalents at Beginning of Period	—	5.9	—	45.6	—	51.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ —	\$ —	\$ —	\$ 38.8	\$ —	\$ 38.8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

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

- Overview of Business
- Overview of 2014 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 coated unbleached kraft ("CUK") and coated-recycled board ("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 is a leading supplier of flexible packaging in North America. Products include multi-wall bags, such as pasted valve, 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 objectives 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 resins, depreciation expense and labor. Inflation increased costs in the first three months of 2014 by \$18.3 million, compared to the first three months of 2013. The higher costs in 2014 are related to labor and related benefits (\$10.7 million), energy costs (\$5.9 million) primarily due to the price of natural gas, externally purchased board (\$3.3 million) and inks and coatings (\$1.3 million). These higher costs were partially offset by lower chemical-based inputs (\$1.3 million) and other costs (\$1.6 million).

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 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 the first three months of 2014, the Company achieved approximately \$13 million in incremental cost savings as compared to the first three months of 2013, 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 solid bleached sulfate and recycled clay-coated news. 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.

Material Disruptions at our Facilities . Although we take appropriate measures to minimize the risk and effect of material disruptions to the business conducted at our operating facilities, natural disasters such as hurricanes, tornadoes, floods and fires, as well as other unexpected disruptions such as the unavailability of critical raw materials, power outages and equipment failures can reduce production and increase our manufacturing costs. These types of disruptions could materially adversely affect our earnings, depending upon the duration of the disruption and our ability to shift business to other facilities or find other sources of materials or energy. In the first quarter of 2014, severe winter storms and related power outages caused the shutdown of the Company's mills in West Monroe, Louisiana and Macon, Georgia, resulting in approximately \$14.5 million of lost production and higher manufacturing and freight costs.

Debt Obligations . The Company had \$2,211.2 million of outstanding debt obligations as of March 31, 2014. This debt can have consequences for the Company, as it requires a 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 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. These restrictions could limit the Company's flexibility to respond to changing market conditions and competitive pressures. The Credit Agreement also requires compliance with a maximum Consolidated Total Leverage Ratio and a minimum Consolidated Interest Coverage Ratio. The Company's ability to comply in future periods with these 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 "Financial Condition, Liquidity and Capital Resources — 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.

OVERVIEW OF 2014 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.

- Net Sales for the three months ended March 31, 2014 decreased by \$27.8 million , or 2.5% , to \$1,072.7 million from \$1,100.5 million for the three months ended March 31, 2013 primarily due to lower volume of approximately \$45 million due to the sale of the flexible plastics, uncoated recycle board ("URB") mill and the labels businesses. This decrease was partially offset by higher pricing and favorable exchange rates primarily in Europe.
- Income from Operations for the three months ended March 31, 2014 decreased to \$79.7 million from Income from Operations of \$85.2 million for the three months ended March 31, 2013. The decrease was driven primarily by higher inflation primarily for energy and labor and benefits, unplanned downtime due to power supply interruptions related to severe weather of approximately \$14.5 million and unfavorable exchange rates. These decreases were partially offset by the higher pricing.
- During the first quarter of 2014, certain shareholders of the Company sold 30 million shares of common stock in a secondary public offering at \$9.85 per share. The shares were sold by certain affiliates of TPG Capital, L.P. (the "TPG Entities"), Clayton, Dubilier & Rice Fund V Limited Partnership (the "CD&R Fund") and Old Town, S.A. ("Old Town"). As a result of these actions, the CD&R Fund and Old Town no longer hold shares of the Company. The TPG Entities and certain Coors family trusts and the Adolph Coors Foundation now hold approximately 13% of shares outstanding.
- On February 3, 2014, the Company completed the sale of its labels business. Approximately \$ 47 million of goodwill and \$ 17 million of intangible assets were written off relating to the sale. The labels business was part of the Paperboard Packaging segment and accounted for approximately 1% of Consolidated Net Sales.

RESULTS OF OPERATIONS**Segment Information**

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

<i>In millions</i>	Three Months Ended March 31,	
	2014	2013
NET SALES:		
Paperboard Packaging	\$ 941.8	\$ 936.1
Flexible Packaging	130.9	164.4
Total	\$ 1,072.7	\$ 1,100.5
INCOME (LOSS) FROM OPERATIONS:		
Paperboard Packaging	\$ 100.2	\$ 102.7
Flexible Packaging	(4.5)	(3.8)
Corporate	(16.0)	(13.7)
Total	\$ 79.7	\$ 85.2

FIRST QUARTER 2014 COMPARED WITH FIRST QUARTER 2013**Net Sales**

<i>In millions</i>	Three Months Ended March 31,			
	2014	2013	Increase (Decrease)	Percent Change
Paperboard Packaging	\$ 941.8	\$ 936.1	\$ 5.7	0.6 %
Flexible Packaging	130.9	164.4	(33.5)	(20.4)%
Total	\$ 1,072.7	\$ 1,100.5	\$ (27.8)	(2.5)%

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

<i>In millions</i>	Three Months Ended March 31,						
	2013	Variances				Total	2014
		Price	Volume/Mix	Exchange	Total		
Paperboard Packaging	\$ 936.1	\$ 17.4	\$ (13.2)	\$ 1.5	\$ 5.7	\$ 941.8	
Flexible Packaging	164.4	1.5	(35.0)	—	(33.5)	130.9	
Total	\$ 1,100.5	\$ 18.9	\$ (48.2)	\$ 1.5	\$ (27.8)	\$ 1,072.7	

Paperboard Packaging

The Company's Net Sales from paperboard packaging for the three months ended March 31, 2014 increased by \$5.7 million, or 0.6%, to \$941.8 million from \$936.1 million for the same period in 2013 as a result of higher pricing due to inflationary cost pass throughs and favorable exchange rates primarily in Europe. This was partially offset by lower volumes of approximately \$15 million due to the sale of the labels business and URB mill. Volume in the global beverage markets was down and general market softness continued in dry foods and cereals. Volume decline was partially offset by new consumer and beverage products.

Flexible Packaging

The Company's Net Sales from flexible packaging for the three months ended March 31, 2014 decreased by \$33.5 million or 20.4%, to \$130.9 million from \$164.4 million for the same period in 2013 primarily due to lower volume of approximately \$30 million related to the sale of the flexible plastics business and higher internalization of paper, which was partially offset by higher pricing.

Income (Loss) from Operations

<i>In millions</i>	Three Months Ended March 31,				Percent Change
	2014	2013	Increase (Decrease)		
Paperboard Packaging	\$ 100.2	\$ 102.7	\$ (2.5)	(2.4)%	
Flexible Packaging	(4.5)	(3.8)	(0.7)	N.M. ^(a)	
Corporate	(16.0)	(13.7)	(2.3)	N.M. ^(a)	
Total	\$ 79.7	\$ 85.2	\$ (5.5)	(6.5)%	

^(a) Percentage is not meaningful.

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

<i>In millions</i>	Three Months Ended March 31,								2014
	2013	Variances					Total		
		Price	Volume/Mix	Inflation	Exchange	Other ^(a)			
Paperboard Packaging	\$ 102.7	\$ 17.4	\$ (3.5)	\$ (13.9)	\$ (3.3)	\$ 0.8	\$ (2.5)	\$ 100.2	
Flexible Packaging	(3.8)	1.5	0.3	(3.9)	—	1.4	(0.7)	(4.5)	
Corporate	(13.7)	—	—	(0.5)	0.1	(1.9)	(2.3)	(16.0)	
Total	\$ 85.2	\$ 18.9	\$ (3.2)	\$ (18.3)	\$ (3.2)	\$ 0.3	\$ (5.5)	\$ 79.7	

^(a) Includes the Company's cost reduction initiatives, expenses related to integration and acquisition activities and shutdown costs.

Paperboard Packaging

The Company's Income from Operations from paperboard packaging for the three months ended March 31, 2014 decreased by \$2.5 million, or 2.4%, to \$100.2 million from \$102.7 million for the same period in 2013 as a result of inflation, the impact of severe weather and related power outages resulting in lost production and higher manufacturing and freight costs, the loss on the sale of business and unfavorable exchange rates, primarily in Japan. The inflation was primarily related to higher labor and benefits (\$8.4 million), energy (\$5.8 million), externally purchased board (\$2.7 million) and inks and coatings (\$1.4 million), offset by lower chemical-based inputs (\$1.5 million) and other lower costs (\$2.9 million). These decreases were partially offset by the higher pricing, synergies in Europe and cost savings through continuous improvement programs and other strategic initiatives.

Flexible Packaging

The Company's Loss from Operations from flexible packaging for the three months ended March 31, 2014 was \$ 4.5 million compared to Loss from Operations of \$ 3.8 million for the same period in 2013 as a result of higher inflation and severance costs related to right sizing the business. This decrease was partially offset by the improved pricing and cost savings. The inflation was primarily related to labor and benefits (\$1.8 million), externally purchased board (\$0.5 million) and other costs (\$1.6 million).

Corporate

The Company's Loss from Operations from corporate for the three months ended March 31, 2014 was \$ 16.0 million compared to \$ 13.7 million for the same period in 2013 primarily as a result of lower labor and benefits in 2013.

INTEREST EXPENSE, NET AND INCOME TAX EXPENSE**Interest Expense, Net**

Interest Expense, Net was \$ 20.4 million and \$ 27.2 million for the first three months of 2014 and 2013, respectively. Interest Expense, Net decreased due to lower average interest rates on the Company's debt and lower average debt balances. As of March 31, 2014, approximately 43% of the Company's total debt was subject to floating interest rates.

Income Tax Expense

During the three months ended March 31, 2014, the Company recognized Income Tax Expense of \$ 24.8 million on Income before Income Taxes and Equity Income of Unconsolidated Entities of \$ 59.3 million. The effective tax rate for the three months ended March 31, 2014 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 writeoff of nondeductible goodwill in connection with the sale of the labels business and other discrete items. During the three months ended March 31, 2013, the Company recognized Income Tax Expense of

\$ 23.7 million on Income before Income Taxes and Equity Income of Unconsolidated Entities of \$ 58.0 million . The effective tax rate for the three months ended March 31, 2013 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. The Company has approximately \$ 830 million of Net Operating Losses ("NOLs") for U.S. federal income tax purposes, which are currently being used and may be used to offset future taxable income.

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

<i>In millions</i>	Three Months Ended	
	March 31,	
	2014	2013
Net Cash Provided by (Used in) Operating Activities	\$ 29.9	\$ (11.9)
Net Cash Provided by (Used in) Investing Activities	10.9	(33.7)
Net Cash (Used in) Provided by Financing Activities	(58.6)	34.4

Net cash provided by operating activities for the first three months of 2014 totaled \$29.9 million , compared to net cash used in operating activities of \$11.9 million for the same period in 2013. The increase was due primarily to lower inventory and lower payments for incentive compensation; partially offset by lower interest payments due to the lower average interest rates on the Company's debt. Pension contributions for the first three months of 2014 and 2013 were \$0.8 million and \$10.7 million, respectively.

Net cash provided by investing activities for the first three months of 2014 totaled \$ 10.9 million , compared to net cash used in investing activities of \$ 33.7 million for the same period in 2013. The year over year change was primarily due to the proceeds from the sale of the Company's labels business of \$70.7 million and an increase in capital spending, primarily for improving process capabilities.

Net cash used in financing activities for the first three months of 2014 totaled \$ 58.6 million , compared to net cash provided by financing activities of \$ 34.4 million for the same period in 2013. Current year activities include net payments under revolving credit facilities of \$ 26.9 million and payments on debt of \$ 15.4 million . The Company withheld \$15.8 million of restricted stock units to satisfy tax withholding requirements related to the payout of restricted stock units. In the prior year, the Company had net borrowings under revolving credit facilities of \$54.2 million and payments on debt of \$13.0 million. Additionally, in the prior year the Company withheld \$10.9 million of restricted stock units to satisfy tax withholding requirements related to the payout of restricted stock units.

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 facility 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 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.

The Company has entered into various factoring and supply chain financing arrangements, principally at the request of customers, which qualify for sale accounting in accordance with the Transfers and Servicing topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("the Codification"). For the periods ended March 31, 2014 and December 31, 2013, the Company had received incremental proceeds of approximately \$ 19 million and \$ 41 million , respectively, from the factoring arrangements. Amounts transferred subject to continuing involvement at March 31, 2014 and December 31, 2013 were approximately \$ 2 million and \$ 20 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 Amended and Restated 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:

<u>Fiscal Quarter</u>	<u>Consolidated Total Leverage Ratio</u>
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 March 31, 2014 are listed below:

<i>In millions</i>	Twelve Months Ended March 31, 2014	
Net Income	\$	146.9
Income Tax Expense		68.5
Interest Expense, Net		89.2
Depreciation and Amortization including Debt Issuance Costs		284.9
Equity Income of Unconsolidated Entities, Net of Dividends		(0.1)
Other Non-Cash Charges		48.6
Other Non-Recurring / Extraordinary / Unusual Items		45.8
Credit Agreement EBITDA	\$	683.8

<i>In millions</i>	As of March 31, 2014	
Short-Term Debt	\$	79.0
Long-Term Debt		2,132.2
Total Debt	\$	2,211.2
Less: Cash and Cash Equivalents		34.7
Consolidated Indebtedness	\$	2,176.5

<i>In millions</i>	Twelve Months Ended March 31, 2014
Interest Expense, Net	\$ 95.1
Less: Amortization of Financing Costs	5.9
Consolidated Interest Expense	\$ 89.2

At March 31, 2014, 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: 3.18 to 1.00

At March 31, 2014, 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: 7.67 to 1.00

As of March 31, 2014, the Company's credit rating was BB+ by Standard & Poor's with a positive outlook and Ba2 by Moody's Investor Services with 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 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 the first three months of 2014 was \$ 59.3 million compared to \$ 32.9 million in the first three months of 2013. The increase was primarily due to investments made as part of the European integration along with several planned asset upgrades at our U.S. based mills.

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 9 in Part I, Item 1, Notes to Condensed Consolidated Financial Statements.

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 condensed 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 Company's most critical accounting policies which require significant judgment or involve complex estimations are described in GPHC's Form 10-K for the year ended December 31, 2013.

NEW ACCOUNTING STANDARDS

For a discussion of recent accounting pronouncements impacting the Company, see Note 1 in Part I, Item 1, Notes to Condensed Consolidated Financial Statements.

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 \$85 million to \$95 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, excluding acquisition and divestiture activity.
- Pension plan contributions of \$40 million to \$60 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For a discussion of certain market risks related to the Company, see Part II, “Item 7A, Quantitative and Qualitative Disclosure about Market Risk”, in GPHC’s Form 10-K for the year ended December 31, 2013. There have been no significant developments with respect to derivatives or exposure to market risk during the first three months of 2014. For a discussion of the Company’s Financial Instruments, Derivatives and Hedging Activities, see GPHC’s Form 10-K for the year ended December 31, 2013 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition, Liquidity and Capital Resources.”

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management has carried out an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as amended. Based upon such evaluation, management has concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2014.

Changes in Internal Control over Financial Reporting

There was no change in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2014 that has materially affected, or is likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. 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. For more information see Note 9 - Environmental and Legal Matters in the Notes to Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in GPHC’s Form 10-K for the year ended December 31, 2013.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1*	Graphic Packaging International, Inc. Executive Severance Plan, as amended and restated as of February 25, 2014.
31.1	Certification required by Rule 13a-14(a).
31.2	Certification required by Rule 13a-14(a).
32.1	Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Executive compensation plan or agreement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAPHIC PACKAGING HOLDING COMPANY
(Registrant)

<u>/s/ DANIEL J. BLOUNT</u> Daniel J. Blount	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	April 24, 2014
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<u>/s/ DEBORAH R. FRANK</u> Deborah R. Frank	Vice President and Chief Accounting Officer (Principal Accounting Officer)	April 24, 2014
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**Graphic Packaging International, Inc.
Executive Severance Plan**

(as amended and restated effective February 25, 2014)

I. Introduction

The purpose of the **Graphic Packaging International, Inc. Executive Severance Plan** (the “Plan”) is to provide severance benefits to certain executives of **Graphic Packaging International, Inc.** (the “Company”) in the event of termination of employment for certain reasons and to provide enhanced severance benefits to those executives in the event of termination of employment due to a Change in Control (as defined herein).

II. Definitions and Construction

2.1 Definitions . Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary.

- (a) **“Base Salary”** shall mean the annual base salary of the Participant, exclusive of commissions, overtime, bonuses, taxable fringe benefits and other forms of compensation.
 - (b) **“Beneficial Ownership”** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).
 - (c) **“Board” or “Board of Directors” or “Directors”** shall mean the Board of Directors of GPHC.
 - (d) **“Change in Control”** shall mean any of the following events:
 - (i) The acquisition by any Person of Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the then outstanding voting securities of GPHC entitled to vote generally in the election of Directors (the “Outstanding GPHC Voting Securities”); provided, however, that for purposes of this Section 2.1(d)(i), the following acquisitions shall not constitute a Change in Control: (i) any acquisition by a Person who immediately prior to such acquisition is the Beneficial Owner of thirty percent (30%) or more of the Outstanding GPHC Voting Securities, (ii) any acquisition by GPHC or any of its subsidiaries, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by GPHC or any of its subsidiaries, (iv) any acquisition by a shareholder who is a party to the Stockholders Agreement, dated July 7, 2007, as
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amended, or (v) any acquisition by any corporation pursuant to a transaction which complies with subparagraphs (1), (2), and (3) of Section 2.1(d)(iii);

- (ii) Individuals who constitute the Board at any time (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a Director subsequent to such time whose election, or nomination for election by GPHC’s shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election or removal of the Directors of GPHC or other actual or threatened solicitation of proxies of consents by or on behalf of a Person other than the Board;
 - (iii) Consummation of a reorganization, merger, or consolidation to which GPHC is a party (a “Business Combination”), in each case unless, following such Business Combination: (1) all or substantially all of the individuals and entities who were the Beneficial Owners of Outstanding GPHC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the outstanding voting securities entitled to vote generally in the election of Directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of such transaction owns GPHC either directly or through one or more subsidiaries) (the “Successor Entity”) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding GPHC Voting Securities; and (2) no Person (excluding any Successor Entity or any employee benefit plan, or related trust, of the Company or such Successor Entity) beneficially owns, directly or indirectly, thirty percent (30%) or more of the combined voting power of the then outstanding voting securities of the Successor Entity, except to the extent that such ownership existed prior to the Business Combination; and (3) at least a majority of the members of the board of directors of the Successor Entity were members of the Incumbent Board (including persons deemed to be members of the Incumbent Board by reason of the proviso to paragraph (ii) of this Section 2.1(d)) at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination;
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- (iv) The sale, transfer or other disposition of all or substantially all of the assets of GPHC; or
 - (v) Approval by the shareholders of GPHC of a complete liquidation or dissolution of GPHC.
 - (e) **“Change in Control Date”** shall mean the date on which a Change in Control actually occurs. No contract or other agreement, whether or not binding, shall be deemed a Change in Control for purpose of the Plan until a transaction occurs which meets the definition of Change in Control.
 - (f) **“Code”** shall mean the Internal Revenue Code of 1986, as amended.
 - (g) **“Code Section 409A”** shall mean Section 409A of the Code and all applicable regulations and other Treasury or IRS guidance issued thereunder.
 - (h) **“Company”** shall mean Graphic Packaging International, Inc.
 - (i) **“Disability”** shall mean the Participant:
 - (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or
 - (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company, or
 - (iii) has been determined to be disabled by the Social Security Administration.
 - (j) **“Effective Date”** shall mean February 25, 2014. The original effective date of this Plan was January 1, 2010.
 - (k) **“ERISA”** shall mean the Employee Retirement Income Security Act of 1974, as amended.
 - (l) **“GPHC”** shall mean Graphic Packaging Holding Company and any successor thereto.
 - (m) **“Job Elimination”** shall mean the Participant’s employment is involuntarily terminated by the Company because of cost-cutting measures, structural
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changes (including outsourcing), business or facility divestment, facility closure, permanent job elimination.

- (n) **“Participant”** shall mean each employee of the Company who is in Job Grade 101 or higher who is not a party to an employment agreement with the Company (unless the employment agreement expressly provides for such employee’s participation in this Plan).
 - (o) **“Person”** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.
 - (p) **“Plan”** shall mean this Graphic Packaging International, Inc. Executive Severance Plan, as amended from time to time.
 - (q) **“Plan Administrator”** shall mean the Board of Directors of Graphic Packaging International, Inc., or any other individual(s), committee(s) or other entity(ies) designated by the Company to administer the Plan. The Plan Administrator will be the administrator, as that term is defined in ERISA Section 3(16)(A).
 - (r) **“Retirement Age”** shall mean, with respect to a Participant, attainment of at least the age fifty-five (55) with the Participant’s age and years of service totaling at least sixty-five (65).
 - (s) **“Separation from Service” or “Separate from Service”** shall mean a separation from service as defined under Code Section 409A (without giving effect to any elective provisions that may be available under such definition). As a general overview of Code Section 409A’s definition of “separation from service”, a Participant separates from service if he has a termination of employment as an employee (other than for death) with the Company and all members of the controlled group, determined in accordance with the following:
 - (i) Leaves of Absence. The employment relationship is treated as continuing intact while the Participant is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six (6) months, or, if longer, so long as the Participant retains a right to reemployment with the Company or a member of the controlled group under an applicable statute or by contract. A leave of absence constitutes a bona fide leave of absence only while there is a reasonable expectation that the Participant will return to perform services for the Company or a member of the controlled group. If the period of leave exceeds six (6) months and the Participant does not retain a right to reemployment under an
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applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such 6-month period.

- (ii) Status Change . Generally, if a Participant performs services both as an employee and an independent contractor, the Participant must separate from service both as an employee and as an independent contractor pursuant to standards set forth in Treasury Regulations to be treated as having a separation from service. However, if a Participant provides services as an employee and as a member of the board of directors of the Company or GPHC, the services provided as a director are not taken into account in determining whether the Participant has a Separation from Service as an employee for purposes of this Plan.

 - (iii) Termination of Employment . Whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Company, all members of the controlled group and the Participant reasonably anticipate that (1) no further services will be performed after a certain date, or (2) the level of bona fide services the Participant will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Company and all members of the controlled group if the Participant has been providing services to the Company and all members of the controlled group for less than thirty-six (36) months). Facts and circumstances to be considered in making this determination include, but are not limited to, whether the Participant continues to be treated as an employee for other purposes (such as continuation of salary and participation in employee benefit programs), whether similarly-situated service providers have been treated consistently, and whether the Participant is permitted, and realistically available, to perform services for other service recipients in the same line of business. For periods during which a Participant is on a paid bona fide leave of absence and has not otherwise terminated employment as described in subsection (i) above, for purposes of this subsection, the Participant is treated as providing bona fide services at a level equal to the level of services that the Participant would have been required to perform to receive the compensation paid with respect to such leave of absence. Periods during which a Participant is on an unpaid bona fide leave of absence and has not otherwise terminated employment are disregarded for
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purposes of this subsection (including for purposes of determining the applicable 36-month (or shorter) period).

- (iv) Controlled Group. For purposes of this Section 2.1(q), “controlled group” means any other entity that would be required to be aggregated with the Company under Code Section 414(b) or (c) determined, however, by using “at least 50 percent” instead of “at least 80 percent” in applying Code Section 414(b) or (c).
- (t) **“Separation from Service for Good Reason”** shall mean a Separation from Service by the Participant (regardless of whether the Participant has reached Retirement Age) following the occurrence, without the Participant’s consent, of either of the following events:
 - (i) assignment to the Participant of duties that represent a material diminution of the duties he or she was performing immediately prior to the change; or
 - (ii) an assignment to the Participant of a position that requires Participant to permanently relocate more than fifty (50) miles from Participant’s current residence.
 - (iii) a material reduction in the rate of Participant’s Base Salary from the Base Salary the Participant was receiving (other than a reduction that does not exceed ten percent (10%) and is applied uniformly percentage-wise to all similarly situated executives).

A termination by a Participant shall not constitute a Separation from Service for Good Reason unless: (1) the Participant shall have first delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to Separate from Service for Good Reason, which notice must be given no later than thirty (30) days after the initial occurrence of such event; (2) there shall have passed a reasonable time, not less than thirty (30) days, within which the Company may take action to correct, rescind or otherwise substantially reverse the occurrence supporting Separation from Service for Good Reason as identified by the Participant; and (3) the Participant’s Separation from Service occurs not later than two (2) years following the initial existence of one or more of the conditions giving rise to a right to Separate from Service for Good Reason.

Notwithstanding anything to the contrary in this Plan, Separation from Service for Good Reason shall not include a Termination Due to Death or Disability.

- (u) **“Specified Employees”** shall have the meaning ascribed to such term for purposes of Code Section 409A, and shall be determined in accordance
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with the Company's Specified Employee Designation Policy (as now in effect and as it may be modified from time to time).

- (v) **“Termination by Company for Cause”** shall mean a termination of employment by the Company for:
- (i) the willful failure of the Participant substantially to perform his or her duties (other than such failure due to Disability), after a written demand for substantial performance has been delivered, and a reasonable opportunity to cure has been given, to the Participant by the Company, which demand identifies in reasonable detail the manner in which the Company believes that the Participant has not substantially performed his or her duties or has committed a violation of Company policy;
 - (ii) the Participant's engaging in willful and serious misconduct that has caused or is reasonably expected to result in material injury to the Company or any of its Affiliates, including but not limited to a violation of the Company's Code of Conduct. For purposes of this Agreement, “Affiliates” shall include the Company's subsidiaries, parent companies, and joint ventures.
 - (iii) the Participant's conviction of, or entering a plea of guilty or nolo contendere to, a crime that constitutes a felony; or
 - (iv) the Participant's material violation of the requirements of federal or state securities laws.

Notwithstanding anything to the contrary in this Plan, in no event will any Plan payments or benefits be paid to a Participant whose Separation from Service is due to a Termination by Company for Cause.

- (w) **“Termination by Company Without Cause”** shall mean a Participant's Separation from Service by the Company other than (1) such a Separation from Service of a Participant who has attained Retirement Age, except following a Change in Control to the extent provided in Section 3; (2) a Termination Due to Death or Disability; (3) a Termination by Company for Cause; or (4) a Separation from Service due to a Job Elimination.
- (x) **“Termination Due to Death or Disability”** shall mean a termination of employment due to Death or Disability of the Participant.

2.2 Number and Gender . Wherever appropriate herein, a word used in the singular shall be considered to include the plural and the plural to include the singular. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and vice versa.

2.3 Headings . The headings of Articles and Sections herein are included solely for convenience and if there is any conflict between such headings and the text of the Plan, the text shall control.

III. Plan Payments and Benefits

3.1 Payments Upon Certain Separations from Service . Upon a Separation from Service of the Participant due to a Termination by Company Without Cause, Job Elimination, or a Separation from Service for Good Reason, the Participant will become entitled to:

(a) one (1) year's Base Salary; and

(b) an amount equal to the product of (1) the amount of incentive compensation based on the Participant's annual target bonus opportunity that would have been payable to the Participant for the calendar year in which the date of the Separation from Service occurs if the Participant had remained employed for the entire calendar year and assuming that all applicable performance criteria had been achieved at target levels, multiplied by (2) a fraction, the numerator of which is equal to the number of days in such calendar year through and including the date of the Separation from Service and the denominator of which is 365 (such product, the "Pro Rata Bonus"), except as otherwise provided in Section 3.2(b) below if applicable.

A Participant who has attained Retirement Age shall become entitled to the above amounts only in the event of (1) the Participant's termination due to a Job Elimination; (2) the Participant's Separation from Service for Good Reason; or (3) the Participant's Termination by Company Without Cause within one (1) year following a Change in Control Date.

3.2 Payments Upon Certain Separations from Service Following a Change in Control

(a) one-half (1/2) year's Base Salary in addition to the amount described in Section 3.1(a) above; and

(b) instead of the Pro Rata Bonus described in Section 3.1(b) above, an amount equal to the product of (1) the amount of incentive compensation based on the Participant's annual target bonus opportunity that would have been payable to the Participant for the calendar year in which the date of the Separation from Service occurs if the Participant had remained employed for

the entire calendar year and assuming that all applicable performance criteria had been achieved at target levels, multiplied by (2) 1.5.

3.3

(a) In the case of termination upon Participant's death, Participant's estate shall, in addition to the other benefits provided herein, also be paid the equivalent of one month of Participant's Base Salary.

(b) The benefits provided pursuant to this Section are made in lieu of any other payments or benefits, and neither Participant nor Participant's estate shall be entitled to receive any payments or benefits, pursuant to any plan, policy, program or practice providing any bonus or annual incentive compensation.

3.4 Time and Form of Payment. Payments pursuant to Sections 3.1 and 3.2 above will be made as follows:

(a) **General Payment Timing** . Except as otherwise provided in subsection 3.4(c) below:

(vi) On the Company's first normal semi-monthly payroll date following both (1) the date of a Separation from Service entitling a Participant to payments and benefits hereunder and (2) execution and nonrevocation by the Participant of an Agreement and Release as required by Section 3.6 below (the "payment commencement date" for purposes of this subsection (a)), the following amounts will be paid to the Participant:

(A) the product of one twenty-fourth (1/24) of the amount due to the Participant under Section 3.1(a) multiplied by the number of normal semi-monthly payroll dates that have occurred since the Separation from Service date through and including the payment commencement date; and

(B) the full amount due under Section 3.2(a), if any.

The payment commencement date will be postponed to the extent required under Section 3.6(b).

(vii) On each of the Company's normal semi-monthly payroll dates subsequent to the payment commencement date described in (i), one twenty-fourth (1/24) of the amount due to Participant under Section 3.1(a) above will be payable, until the amount due thereunder is paid in full.

- (viii) The amount due under Section 3.1(b) or 3.2(b) will be paid in full upon the later of:
 - (A) the payment commencement date described in (i) above, and
 - (B) the date that the incentive compensation for the relevant calendar year is paid to the Company's executives (but in no event later than March 15 following the year in which the Separation from Service occurred).

(b) Payments to Specified Employees . Payments to Specified Employees upon Separation from Service will be made in accordance with the payment timing rules in subsection 3.4(a) above to the extent that one or more of the Code Section 409A exemptions, including without limitation the following, apply:

- (i) The payments are made no later than 2½ months after the end of the Participant's taxable year in which the Participant vests in the benefit (the "Short-Term Deferral Period"), pursuant to Treasury Regulation Section 1.409A-1(b)(4).
 - (A) This exemption does not include payments that will or may occur after the end of the Short-Term Deferral Period.
 - (B) This exemption will not apply to any amounts payable to a Participant under Section 3.1(a) of this Plan unless all installment payments with respect to such benefits (as described in subsection (a) above) will be completed by the end of the Short-Term Deferral Period.
 - (ii) The payments are made solely upon involuntary separation (including Code Section 409A compliant good reason separations), pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), to the extent such amounts:
 - (A) are payable no later than December 31 of the second taxable year following the year of the Separation from Service, and
 - (B) do not exceed two (2) times the lesser of (x) the Participant's annualized compensation, and (y) the IRS qualified plan compensation limit under Code Section 401(a)(17) (\$250,000 during 2012, subject to future cost-of-living adjustments) for the year in which the Separation from Service occurs.
 - (iii) The amounts payable upon Separation from Service are equal to or less than the applicable dollar limit under Code Section 402(g)(1)(B)
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(\$17,000 during 2012, subject to future cost-of-living adjustments) for the year of the Participant's Separation from Service, whether the separation is voluntary or involuntary, pursuant to Treasury Regulation Section 1.409A-1(b)(9)(v)(D).

The foregoing is only a general description of these Code Section 409A exemptions. The availability and application of exemptions will be determined exclusively under the rules of Code Section 409A, and no limitation thereon or modification thereto is intended as a result of these descriptions.

All available Code Section 409A exemptions will be used in combination, such that each exemption available with respect to a Participant's benefits will apply to the maximum extent applicable under Code Section 409A.

(c) **Non-Exempt Payments to Specified Employees** . Notwithstanding subsections 3.4(a) and (b) above, to the extent required by Code Section 409A with respect to payment of amounts not exempt under Code Section 409A to Specified Employees upon Separation from Service, payments will be made to Participants as follows:

(i) On the Company's first normal semi-monthly payroll date that occurs during the seventh (7th) month following the date of the Separation from Service entitling a Participant to payments and benefits hereunder and following execution and nonrevocation of an Agreement and Release as required by Section 3.6 below (the "payment commencement date" for purposes of this subsection (c)), the following amounts will be paid to the Participant:

(C) one-half (1/2) of the amount due under Section 3.1(a) that is subject to Code Section 409A; and

(D) the full amount due under Section 3.2(a) that is subject to Code Section 409A, if any;

The payment commencement date will be postponed to the extent required under Section 3.6(b).

(ii) On each of the Company's subsequent normal semi-monthly payroll dates following the payment commencement date described in (i) above, one twenty-fourth (1/24) of the amount due to the Participant under Section 3.1(a) above that is subject to Code Section 409A will be payable, until the amount due thereunder is paid in full.

(iii) The amount due under Section 3.1(b) or 3.2(b) that is subject to Code Section 409A will be paid in full upon the later of:

- (A) the payment commencement date described in (i) above, and
- (B) the date that the incentive compensation for the relevant calendar year is paid to the Company's executives (*i.e.* , between January 2 and March 15 following the year in which the Separation from Service occurred).

(d) Alternative Payment Timing . Notwithstanding subsections (a), (b) and (c) of this Section 3.4:

- (i) The Company may specify different timing and form of payment under this Section 3.4 for a new Participant. Any such payment timing shall be specified, in writing, at the time the Participant first becomes eligible to participate in this Plan.
- (ii) If and to the extent that amounts payable under Sections 3.1 and/or 3.2 above are deemed, for purposes of Code Section 409A, to be in substitution of amounts previously payable under another arrangement with respect to such Participant, such payments hereunder will be made at the same time(s) and in the same form(s) as such amounts would have been payable under the other arrangement, to the extent required to comply with Code Section 409A.

3.4 Benefit Continuation . If a Participant is entitled to payments pursuant to Section 3.1 above, then for the period beginning on the date of Separation from Service and ending on the first anniversary of the date of Separation from Service (the "Severance Period"), the Company shall (x) continue to provide to the Participant the life, medical, dental, and prescription drug benefits provided as of the date of Separation from Service; and (y) reimburse the Participant for expenses incurred by him or her for outplacement and career counseling services provided to Participant by a firm selected by the Company for an aggregate amount not in excess of \$25,000. To be eligible for continuation of medical, dental and prescription drug benefits, the Participant must elect continuation of group benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA) by completing an application and returning it to the COBRA administrator by the deadline specified in the application. The Company will subsidize the Participant's COBRA premiums during the Severance Period. The Company subsidy will end upon the earlier of the last day of the Severance Period or the day that COBRA coverage ends for any reason, including loss of plan eligibility under plan terms or applicable law; or qualification for benefits with another employer. During the Severance Period, the Participant will make the same contributions as required of active employees with said contributions being paid directly to the Company's COBRA administrator on an after-tax basis. The Severance Period will count against the Participant's total COBRA continuation period. To the extent that subsidized healthcare coverage provided to a Participant hereunder is treated as discriminatory in favor of a highly

compensated individual under Code Section 105(h), the Company will report the amount of the subsidy as taxable income on the Participant's IRS Form W-2 for such year.

3.5 Other Company Plans . No Participant in this Plan will be eligible to participate in the Graphic Packaging International, Inc. Severance Pay Plan or the Graphic Packaging International, Inc. Supplemental Unemployment Benefits Plan. No employee who has an employment agreement with the Company is eligible for benefits under this Plan, unless the employment agreement expressly provides for such employee's participation in this Plan.

3.6 Agreement and Release . Notwithstanding any contrary provisions of this Plan:

(a) A Participant's eligibility for any of the payments or benefits described herein will be subject to, and conditioned upon, the Participant executing an agreement and release in the form provided by the Company (the "Agreement and Release"), which will include a general release of claims and certain restrictions on the Participant's post-employment activities. If a Participant fails to sign or revokes the Agreement and Release within the time specified in the Agreement and Release, any payments or other benefits under this Plan otherwise due are forfeited.

(b) With respect to amounts subject to Code Section 409A, if the period between a Participant's Separation from Service and a payment commencement date under this Plan could span two (2) taxable years of the Participant, such payment commencement date will be the first payroll date in the second such taxable year that satisfies all requirements for a payment commencement, including execution and nonrevocation of the Agreement and Release.

IV. Consideration And Restrictive Covenants. Participant acknowledges and agrees that, as a result of Participant's employment with the Company, Participant has a prominent role in the management of the business and the development of the goodwill of the Company as well as its subsidiaries, parent companies, and joint ventures (collectively referred to as "Affiliates") and has obtained confidential and proprietary information and trade secrets concerning the business and operations of the Company and its Affiliates around the world--all of which could be used by Participant to compete unfairly with, the Company and its Affiliates. As a result, in consideration for the Plan Payment and Benefits provided above, Participant hereby agrees that:

4.1 Unauthorized Disclosure . During the period of Participant's employment with the Company and following any Separation of Service, without the Company's prior written consent (except to the extent required by an order of a court having jurisdiction or under subpoena from an appropriate government agency, in which event, Participant shall use his or her best efforts to consult with the Company prior to responding to any such order or subpoena; and except as required in the performance of his/her duties hereunder), Participant shall not disclose any confidential or proprietary trade secrets, customer lists,

drawings, designs, information regarding product development, marketing plans, sales plans, manufacturing plans, management organization information (including but not limited to data and other information relating to members of the Board of Directors of GPHC, the Company or any of their respective Affiliates or to management of GPHC, the Company or any of their respective Affiliates), operating policies or manuals, business plans, financial records, packaging design or other financial, commercial, business or technical information (a) relating to GPHC, the Company or any of their respective Affiliates or (b) that GPHC, the Company or any of their respective Affiliates may receive belonging to suppliers, customers or others who do business with GPHC, the Company or any of their respective Affiliates (collectively, "Confidential Information") to any third person unless such Confidential Information has been previously disclosed to the public or is in the public domain (other than by reason of Participant's breach of this Section 4.1). The obligations in this paragraph are in addition to, and in no way restrict or operate as a waiver of, statutory or common law protection of trade secrets, as defined by law.

4.1 Non-Competition. The Participant acknowledges and agrees that he or she is engaged in business with the Company in a global market. Therefore, during the period of Participant's employment with the Company and for one (1) year following the date of Participant's Separation of Service from the Company for any reason; Participant shall not directly or indirectly become employed or otherwise serve in a management capacity, whether as an independent contractor, advisor, consultant or otherwise, for any the following companies or any of their current subsidiaries or successors in the United States that directly compete with the Company or its Affiliates: Carastar Industries, Inc.; Cascades Inc.; Exopack Holding Corporation; Georgia Pacific Corporation; Hood Packaging Corporation; International Paper Company; MeadWestvaco Corporation; PaperWorks Industries, Inc.; Packaging Corporation of America; or Rock-Tenn Company. Participant acknowledges and agrees that serving in a management capacity for such entities would require Participant to perform essentially the same services as the services Participant performs for the Company.

4.2 Non-Solicitation of Employees . For a period of one (1) year following the date of Participant's Separation from Service from the Company for any reason, Participant shall not, directly or indirectly, for his/her own account or for the account of any other Person, solicit for employment, or employ or otherwise interfere with the relationship of GPHC, the Company or any of their respective subsidiaries with, any person who is employed by GPHC, the Company or any of their current subsidiaries at the time of Participant's Separation from Service and with whom Participant had contact while employed with the Company.

4.3 Non-Solicitation of Customers . The Participant acknowledges and agrees that he or she is engaged in business with the Company in a global customer market. For one (1) year following the date of Participant's Separation from Service, Participant shall not, directly or indirectly, for his/her own account or for the account of any other Person anywhere in the United States, the European Union, Canada or Mexico, solicit any current or actively sought prospective customer, client to distributor of the Company, GPHC, or any of their Affiliates with whom the Participant had material contact during the two (2) year period

directly preceding Participant's Separation from Service with the Company, for the purpose of engaging in the manufacture, sales or converting of paperboard and paperboard packaging.

4.4 Return of Documents. In the event of the Participant's Separation of Service from the Company for any reason, Participant shall deliver to the Company all of (a) the property of each of GPHC, the Company and their respective Affiliates and (b) the non-personal documents and data of any nature and in whatever medium of each of GPHC, the Company and their respective Affiliates, and he/she shall not take with him/her any such property, documents or data or any reproduction thereof, or any documents containing or pertaining to any Confidential Information. Whether documents or data are "personal" or "non-personal" shall be determined as follows: Participant shall present any documents or data that he/she wishes to take with him/her to the chief legal officer of the Company for his/her review. The chief legal officer shall make an initial determination whether any such documents or data are personal or non-personal, and with respect to such documents or data that he/she determines to be non-personal, shall notify Participant either that such documents or data must be retained by the Company or that the Company must make and retain a copy thereof before Participant may take such documents or data with him/her.

4.5 Injunctive Relief with Respect to Covenants; Forum, Venue and Jurisdiction. Participant acknowledges and agrees that the covenants, obligations and agreements of Participant contained in Sections 4.1 through 4.5 relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants, obligations or agreements will cause the Company irreparable injury for which adequate remedies are not available at law. Therefore, Participant agrees that the Company shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) as a court of competent jurisdiction may deem necessary or appropriate to restrain Participant from committing any violation of such covenants, obligations or agreements. These injunctive remedies are cumulative and in addition to any other rights and remedies the Company may have. Participant hereby irrevocably submits to the jurisdiction of the superior courts of Atlanta, Georgia and the federal courts of the Northern District of Georgia, in respect of the injunctive remedies set forth in this Section 4.6 and the interpretation and enforcement of Sections 4.1 through 4.15 insofar as such interpretation and enforcement relate to any request or application for injunctive relief or damages connected therewith in accordance with the provisions of this Section 4.6, and the parties hereto hereby irrevocably waive any and all objections and defenses based on forum, venue or personal or subject matter jurisdiction as they may relate to an application for such injunctive relief or damages connected therewith in a suit or proceeding brought before such a court in accordance with the provisions of this Section 4.6.

V. Administration of Plan

5.1 Administration and Interpretation of the Plan . The board of directors of Graphic Packaging International, Inc. shall be the Plan Administrator unless such board of directors appoints a different Plan Administrator in writing. If the board of directors of the Company appoints a committee to serve as the Plan Administrator, unless otherwise specified in such appointment: the committee shall consist of not less than three (3) members; any member of the committee may resign at any time by giving notice to the Company, and any resignation shall take effect on the date of receipt of such notice or at any later date specified in the notice; no member of the committee shall receive any compensation for his or her services as a member of the committee; a majority of the members of the committee shall constitute a quorum for the transaction of business; and all resolutions or other actions taken by the committee shall require the written approval or affirmative vote of a majority of the members of the committee. The Plan Administrator shall have all powers necessary or convenient to administer the Plan, including, in addition to such other powers as the law may provide, the following:

- (e) to make and enforce such rules and regulations as it deems necessary or proper for the administration of the Plan;
 - (f) to interpret the Plan, its interpretation thereof to be final and conclusive on all persons claiming benefits under the Plan;
 - (g) to decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;
 - (h) to make a determination as to the right of any person to a benefit under the Plan (including, without limitation, to determine whether and when there has been a termination of a Participant's employment and the cause of such termination);
 - (i) to appoint such agents, counsel, accountants, consultants, plan administrator and other persons as may be required to assist in administering the Plan;
 - (j) to allocate and delegate its responsibilities under the Plan and to designate other persons to carry out any of its responsibilities under the Plan, any such allocation, delegation or designation to be in writing;
 - (k) to sue or cause suit to be brought in the name of the Plan; and
 - (l) to obtain from the Company and from Participants such information, and execution of any documents, as is necessary for the administration of the Plan.
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The Plan Administrator shall have the absolute and exclusive discretionary right and final authority in all matters related to the discharge of its responsibilities and the exercise of authority under the Plan, including, without limitation, the construction of the terms of the Plan, the determination of eligibility for coverage and benefits, and the amount of benefits, and all determinations of the Plan Administrator shall be final and binding upon all parties. The decisions of the Plan Administrator shall be conclusive and binding upon all persons having or claiming to have any right or interest in or under the Plan, and no such decision shall be modified under judicial review unless such decision is proven to be arbitrary or capricious.

- 5.2 Indemnification** . The Company shall, to the fullest extent permitted by law, indemnify each director, officer, or employee of the Company and affiliated entities (including the heirs, executors, administrators, and other personal representatives of such person) and the Plan Administrator against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by a person covered under this indemnification clause in connection with any threatened, pending, or actual suit, action, or proceeding (whether civil, criminal, administrative, or investigative in nature, or otherwise) in which the person may be involved by reason of the fact that the person is or was serving the Plan in any capacity at the request of the Company, except that the Company will not indemnify any individual from liability arising from that person's own fraud, willful neglect or gross negligence.

VI. Claim Procedure

- 6.1 Filing a Claim** . If a person believes that the Company is obligated under the terms of the Plan to pay a benefit or there is a dispute as to the benefit amount, such person (hereinafter referred to as the "claimant") shall deliver a written request to the Plan Administrator or such person, office or committee as the Plan Administrator shall designate for the processing of claims (the "Claims Administrator"). Claims should be sent to the Claims Administrator, Executive Severance Plan, Graphic Packaging International, Inc., at the Company's primary, corporate headquarters. Upon receipt of such request, the Claims Administrator may require the claimant to complete such forms and provide such additional information as may be reasonably necessary to establish the claimant's right to benefits under the Plan. A claim is deemed filed upon receipt by the Claims Administrator.
- 6.2 Notification to Claimant of Decision** . The Claims Administrator shall furnish to the claimant a notice of the decision within 90 days after receipt of the claim. If special circumstances require more than 90 days to process the claim, this period may be extended for up to an additional 90 days by giving written notice to the claimant before the end of the initial 90-day period stating the special circumstances requiring the extension and the date by which a final decision is expected. Failure to provide a notice of decision within the time specified shall constitute a denial of
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the claim, and the claimant shall be entitled to require a review of the denial under the review procedures.

The notice to be provided to every claimant who is denied a claim for benefits shall be in writing and shall set forth, in a manner calculated to be understood by the claimant, the following:

- (a) The specific reason or reasons for the denial;
- (b) Specific reference to pertinent Plan provisions on which the denial is based;
- (c) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) An explanation of the Plan's claims review procedure describing the steps to be taken by a claimant who wishes to submit his or her claim for review.

6.3 Review Procedure . The purpose of the review procedure is to provide a person claiming benefits a reasonable opportunity to appeal a denial of a claim. The Plan Administrator will act as, or designate another person, office or committee to act as a claims review committee (the "Review Committee"), which may, at the discretion of the Plan Administrator, include the same members as the committee, if any, appointed to administer the Plan, to adjudicate the claim. To accomplish that purpose, the claimant or his or her duly authorized representative:

- (c) May request a review by the Review Committee;
- (d) May review pertinent Plan documents; and
- (e) May submit issues and comments in writing.

A claimant (or his or her duly authorized representative) shall request a review by the Review Committee by filing a written application for review with the Claims Administrator at any time within 60 days after receipt by the claimant of written notice of the denial of his or her claim. Any fees a claimant incurs as a result of representation by an attorney or other individual shall be paid by the claimant.

The decision on review shall be made by the Review Committee, which may in its discretion hold a hearing on the denied claim. The Review Committee shall make its decision promptly, which shall ordinarily be not later than 60 days after the Plan's receipt of the request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time for processing. In that case, a decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review. If an extension of time is required due to special circumstances, written notice of the extension shall be furnished to

the claimant prior to the time the extension commences. The decision on review shall be in writing and shall include specific reasons for the decision (written in a manner calculated to be understood by the claimant), as well as specific references to the pertinent Plan provisions on which the decision is based.

The Review Committee's decision on review shall be final. In the event the decision on review is not furnished to the claimant within the time required, the claim shall be deemed denied on review.

VII. General Provisions

- 7.1 Termination and Amendment** . The Plan may be amended from time to time or terminated in its entirety at the sole discretion of the Board of Directors of Graphic Packaging International, Inc. The Board of Directors of Graphic Packaging International, Inc. has the right to unilaterally change or eliminate any or all benefits under the Plan with one year's notice to the Participants of any material change in the Plan, including but not limited to participation in the Plan.
- 7.2 Nature of Plan; Funding; Cost of Plan** . The Plan is intended to be a "top-hat plan" under ERISA. The benefits provided herein shall be unfunded and shall be provided from the Company's general assets. The entire cost of the Plan shall be borne by the Company and no contributions shall be required of the Participants.
- 7.3 Nonalienation** . Participants shall not have any right to pledge, hypothecate, anticipate or assign benefits or rights under the Plan, except by will or the laws of descent and distribution.
- 7.4 Not Contract of Employment** . The adoption and maintenance of the Plan shall not be deemed to be a contract of employment between the Company and any person or to be consideration for the employment of any person. Nothing herein contained shall be deemed to (a) give any person the right to be retained in the employ of the Company, (b) restrict the right of the Company to discharge any person at any time, (c) give the Company the right to require any person to remain in the employ of the Company, or (d) restrict any person's right to terminate his employment at any time.
- 7.5 Right of Recovery** . If the Company, the Plan Administrator or other designee makes any payment that, according to the terms of the Plan, should not have been made, it may recover that incorrect payment, whether or not it was made due to its own error, from the person to whom it was made or from any other appropriate party. If any such incorrect payment is made directly to a Participant, the Company or its designee may deduct it when making future payments directly to that Participant or recover such payment by other methods to be determined at the discretion of the Plan Administrator.
- 7.6 Setoff or Counterclaim** . The Company shall have the right to set off, counterclaim, recoupment, defense or other right which the Company or any of its subsidiaries
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may have against a Participant. All amounts payable by the Company shall be paid without notice or demand. Notwithstanding the foregoing, with respect to amounts that are subject to Code Section 409A, the Company may, in its sole discretion, offset any payment to a Participant by any amount owed by such Participant (whether or not such obligation is related to the Plan) to the Company or any of its subsidiaries; provided, no such offset will apply before the payment is otherwise payable under the Plan, unless the following requirements are satisfied: (i) the debt owed to the Company or any of its subsidiaries was incurred in the ordinary course of the relationship between the Participant and the Company or any of its subsidiaries, (ii) the entire amount of offset to which this sentence applies in a single taxable year does not exceed \$5,000, and (iii) the offset occurs at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

- 7.7 Taxes or Penalties** . Any benefits paid or provided pursuant to the Plan shall be subject to all required tax and other withholdings. If there are any taxes or penalties payable by the Company on behalf of any Participant, such taxes or penalties shall be payable by the Participant to the Company to the extent such taxes would have been originally payable by the Participant had this Plan not been in existence.
- 7.8 Severability** . Any provision in the Plan that is prohibited or unenforceable in any jurisdiction by reason of applicable law shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.
- 7.9 Effect of Plan** . The Plan is intended to supersede all prior oral or written change in control plans of the Company for Participants in the Plan. Further, the Plan shall be binding upon the Company on and after the Change in Control Date and any successor of the Company, by merger, consolidation, acquisition or similar transaction shall be so bound. All statements made by the Company, Plan Administrator or Claims Administrator shall be deemed representations and not warranties. No such statements shall void or reduce coverage under the Plan or be used in defense to a claim unless in writing signed by the Plan Administrator.
- 7.10 Governing Law** . The Plan shall be construed and its provisions enforced and administered in accordance with ERISA. To the extent, if any, that state laws are not preempted and they apply, the Plan shall be construed and administered under the laws of the State of Georgia without regard to conflicts of law principles.
- 7.11 Compliance with Code Section 409A** . The severance pay provisions and benefits described in the Plan are intended to be exempt from Code Section 409A to the extent exemptions are available and applicable. However, to the extent payments and benefits hereunder are not exempt from Code Section 409A, the Plan is intended to comply with Code Section 409A and shall be interpreted accordingly.
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To the extent that any payments made pursuant to the Plan are reimbursements or in-kind benefits, the amount of such payments or benefits during any calendar year will not affect the benefits provided in any other calendar year, and the right to any such payments will not be subject to liquidation or exchange for another benefit or payment. As required by Code Section 409A, the payment date for any reimbursements shall in no event be later than the last day of the calendar year immediately following the calendar year in which the reimbursed expense was incurred.

To the extent required under Code Section 409A, any payments or benefits under this Plan of any amount subject to Code Section 409A to be made upon the Separation from Service of a Specified Employee will in no event be made or commence until six (6) months after such Participant's Separation from Service date.

The Company hereby agrees to the provisions of the Plan and in witness of its agreement, all of the members of the Board of Directors of Graphic Packaging International, Inc. have executed the Plan on the date written below.

Graphic Packaging International, Inc.

By: /s/ DAVID W. SCHEIBLE
David W. Scheible

By: /s/ STEPHEN A. HELLRUNG
Stephen A. Hellrung

By: /s/ DANIEL J. BLOUNT
Daniel J. Blount

Date: February 25, 2014

CERTIFICATION

I, David W. Scheible certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Graphic Packaging Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID W. SCHEIBLE

David W. Scheible,
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

April 24, 2014

CERTIFICATION

I, Daniel J. Blount certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Graphic Packaging Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DANIEL J. BLOUNT

Daniel J. Blount
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
April 24, 2014

CERTIFICATION
Pursuant to 18 United States Code Section 1350,
As adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

The undersigned hereby certifies that, to my knowledge, the Quarterly Report on Form 10-Q for the period ended March 31, 2014 of Graphic Packaging Holding Company (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID W. SCHEIBLE

Name: David W. Scheible,
Title: Chairman, President and Chief Executive Officer
April 24, 2014

CERTIFICATION
Pursuant to 18 United States Code Section 1350,
As adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

The undersigned hereby certifies that, to my knowledge, the Quarterly Report on Form 10-Q for the period ended March 31, 2014 of Graphic Packaging Holding Company (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DANIEL J. BLOUNT

Name: Daniel J. Blount

Title: Senior Vice President and Chief Financial Officer

April 24, 2014