GRAPHIC PACKAGING HOLDING CO
Form 10-Q
October 30, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013
or

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

For the transition period from to

COMMISSION FILE NUMBER: 001-33988

Graphic Packaging Holding Company

(Exact name of registrant as specified in its charter)

Delaware (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 R No o

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

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

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

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

As of October 25, 2013, there were 348,612,990 shares of the registrant’s Common Stock, par value $0.01 per share, outstanding.

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Information Concerning Forward-Looking Statements

Certain statements regarding the expectations of Graphic Packaging Holding Company (“GPHC” and, together with its subsidiaries, the “Company”), including, but not limited to, statements regarding cost savings from its continuous improvement programs, capital investment, depreciation and amortization, interest expense, debt reduction, synergies from acquisitions, pension plan contributions and postretirement health care benefit payments, in this report constitute “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from the Company’s historical experience and its present expectations. These risks and uncertainties include, but are not limited to, inflation of and volatility in raw material and energy costs, continuing pressure for lower cost products, the Company’s ability to implement its business strategies, including productivity initiatives and cost reduction plans, the Company’s debt level, currency movements and other risks of conducting business internationally, and the impact of regulatory and litigation matters, including those that could impact the Company’s ability to utilize its net operating losses to offset taxable income and those that impact the Company's ability to protect and use its intellectual property. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made and the Company undertakes no obligation to update such statements. Additional information regarding these and other risks is contained in Part I, “Item 1A., Risk Factors” of the Company’s 2012 Annual Report on Form 10-K, and in other filings with the Securities and Exchange Commission.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions, except per share amounts	2013	2012	2013	2012
Net Sales	$1,163.0	$1,104.7	$3,403.2	$3,283.8
Cost of Sales	982.3	915.8	2,851.0	2,728.9
Selling, General and Administrative	93.8	95.1	290.0	286.7
Other Income, Net	(4.0)	(1.0)	(11.3)	(3.0)
Restructuring and Other Special (Credits) Charges	(14.8)	3.4	(5.1)	12.1
Income from Operations	105.7	91.4	278.6	259.1
Interest Expense, Net	(23.5)	(26.1)	(80.4)	(85.6)
Loss on Modification or Extinguishment of Debt	(1.2)	—	(27.1)	(8.9)
Income before Income Taxes and Equity Income of Unconsolidated Entities	81.0	65.3	171.1	164.6
Income Tax Expense	(35.8)	(27.0)	(70.9)	(68.6)
Income before Equity Income of Unconsolidated Entities	45.2	38.3	100.2	96.0
Equity Income of Unconsolidated Entities	0.5	0.6	1.2	1.6
Net Income	45.7	38.9	101.4	97.6
Net (Income) Loss Attributable to Noncontrolling Interests	(1.2)	1.2	(0.8)	2.1
Net Income Attributable to Graphic Packaging Holding Company	$44.5	$40.1	$100.6	$99.7
Net Income Per Share Attributable to Graphic Packaging Holding Company— Basic	$0.13	$0.10	$0.29	$0.25
Net Income Per Share Attributable to Graphic Packaging Holding Company— Diluted	$0.13	$0.10	$0.29	$0.25

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2013	2012	2013	2012
Net Income	$45.7	$38.9	$101.4	$97.6
Other Comprehensive Income (Loss), Net of Tax:				
Derivative Instruments	(2.2)	(1.8)	1.4	(0.1)
Currency Translation Adjustment	8.3	3.9	(13.2)	2.5
Pension Benefit Plans	8.2	4.9	20.2	13.6
Postretirement Benefit Plans	(0.3)	(0.2)	(0.6)	(0.6)
Total Other Comprehensive Income, Net of Tax	14.0	6.8	7.8	15.4
Total Comprehensive Income	59.7	45.7	109.2	113.0
Comprehensive (Income) Loss Attributable to Noncontrolling Interests	(1.3)	1.2	(0.9)	2.0
Comprehensive Income Attributable to Graphic Packaging Holding Company	$58.4	$46.9	$108.3	$115.0

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

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GRAPHIC PACKAGING HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In millions, except share and per share amounts	September 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 92.0	$ 51.5
Receivables, Net	494.8	461.3
Inventories, Net	585.6	532.5
Deferred Income Tax Assets	76.8	140.7
Other Current Assets	21.6	18.4
Total Current Assets	1,270.8	1,204.4
Property, Plant and Equipment, Net	1,690.6	1,732.2
Goodwill	1,128.1	1,138.5
Intangible Assets, Net	476.3	506.4
Other Assets	52.9	47.1
Total Assets	$ 4,618.7	$ 4,628.6
LIABILITIES		
Current Liabilities:		
Short-Term Debt and Current Portion of Long-Term Debt	$ 83.9	$ 79.8
Accounts Payable	451.9	453.7
Interest Payable	23.5	10.1
Other Accrued Liabilities	180.4	209.3
Total Current Liabilities	739.7	752.9
Long-Term Debt	2,148.9	2,253.5
Deferred Income Tax Liabilities	155.3	144.8
Other Noncurrent Liabilities	467.0	494.3
Redeemable Noncontrolling Interests (Note 8)	11.7	10.8
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; 348,612,990 and 344,534,039 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	3.5	3.4
Capital in Excess of Par Value	1,928.7	1,915.1
Accumulated Deficit	(532.6)	(633.2)

Accumulated Other Comprehensive Loss	(303.5)	(311.3)
Total Graphic Packaging Holding Company Shareholders' Equity	1,096.1	974.0
Noncontrolling Interests	—	(1.7)
Total Equity	1,096.1	972.3
Total Liabilities and Equity	$ 4,618.7	$ 4,628.6

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

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

	Nine Months Ended September 30,	
In millions	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$101.4	$97.6
Non-cash Items Included in Net Income:		
Depreciation and Amortization	208.5	202.0
Deferred Income Taxes	61.0	60.1
Amount of Postretirement Expense Less Than Funding	(0.8)	(11.7)
Gain on the Sale of Assets	(26.6)	—
Other, Net	25.0	36.7
Changes in Operating Assets and Liabilities	(99.0)	(96.4)
Net Cash Provided by Operating Activities	269.5	288.3
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Spending	(153.2)	(128.4)
Proceeds Received from the Sale of Assets	64.6	17.2
Other, Net	(7.3)	(3.0)
Net Cash Used in Investing Activities	(95.9)	(114.2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance or Modification of Debt	425.0	1,000.0
Retirement of Long-Term Debt	(425.0)	—
Payments on Debt	(56.0)	(1,690.9)
Borrowings under Revolving Credit Facilities	1,373.5	1,028.6
Payments on Revolving Credit Facilities	(1,418.7)	(729.2)
Redemption and Debt Issuance Costs	(29.9)	(22.3)
Repurchase of Common Stock related to Share-Based Payments	(11.2)	(10.6)
Other, Net	10.8	13.7
Net Cash Used in Financing Activities	(131.5)	(410.7)
Effect of Exchange Rate Changes on Cash	(1.6)	1.3
Net Increase (Decrease) in Cash and Cash Equivalents	40.5	(235.3)
Cash and Cash Equivalents at Beginning of Period	51.5	271.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$92.0	$36.5

Supplemental non-cash investing activities:	
Total Consideration Received from the Sale of Assets	$76.0
Cash Proceeds Received from the Sale of Assets	64.6
Non-cash Consideration Received from the Sale of Assets	$11.4

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 flexible packaging. The Company's customers include some of the most widely recognized companies in the world. The Company strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting plants, its proprietary carton and packaging designs, and its commitment to customer service.

GPHC 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, 2012. 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. As a result of the purchase accounting preliminary valuation, certain adjustments have been made to the prior year Balance Sheet in order to conform to the required presentation.

For a summary of the Company's significant accounting policies, please refer to GPHC's Form 10-K for the year ended December 31, 2012.

Equity Secondary Offerings

During the third quarter of 2013, certain shareholders of the Company sold 15 million shares of common stock in a secondary public offering at $8.45 per share. The shares were sold by certain affiliates of TPG Capital, L.P. (the "TPG

Entities”), certain Coors family trusts (the “Coors Family Trusts”), Clayton, Dubilier & Rice Fund V Limited Partnership (the “CD&R Fund”) and Old Town, S.A. (“Old Town”). The shares outstanding held by the selling stockholders in this offering decreased from approximately 39% to approximately 35%.

During the second quarter of 2013, certain shareholders of the Company sold 15 million shares of common stock in a secondary public offering at $7.73 per share. The shares were sold by certain affiliates of the TPG Entities, the Coors Family Trusts, the CD&R Fund and Old Town. The shares outstanding held by the selling stockholders in this offering decreased from approximately 44% to approximately 39%.

During the first quarter of 2013, certain shareholders of the Company sold 28 million shares of common stock in a secondary public offering at $7.00 per share, as well as an additional 4.2 million shares pursuant to the underwriters' overallotment option. The shares were sold by the TPG Entities, the Coors Family Trusts, the Adolph Coors Foundation, the CD&R Fund and Old Town. The shares outstanding held by the selling stockholders decreased in this offering from approximately 53% to approximately 44%. TPG Capital BD, LLC, an affiliate of TPG Capital, L.P., was one of the underwriters of the offering.

Adoption of New Accounting Standards

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

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

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

Accounting Standards Not Yet Adopted

In March 2013, the FASB issued guidance amending the Foreign Currency Matters topic of the FASB Codification. The amendment requires a parent entity that ceases to have a controlling financial interest in a subsidiary or group of assets that represents a business, within a foreign entity, to release any related cumulative translation adjustment into net income. This guidance will be effective for the Company in the fourth quarter of 2013, to be applied prospectively, and is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

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

Restructuring and Other Special (Credits) Charges

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2013	2012	2013	2012
(Gain) Loss on Sale or Shutdown of Certain Assets	$(20.2)	$—	$(19.0)	$2.0
Net Charges Associated with Business Combinations	5.1	3.3	12.6	9.2
Other Special Charges	0.3	0.1	1.3	0.9
Total	$(14.8)	$3.4	$(5.1)	$12.1

On September 30, 2013, the Company completed the sale of certain assets related to the flexible plastics business and the sale of its uncoated-recycled board ("URB") mill. The Company had previously announced the closure of its Brampton, Ontario facility which was also part of the flexible plastics business. The financial impacts of these transactions are reflected as (Gain) Loss on Sale or Closure of Certain Assets in the above table. Approximately $10 million of goodwill was written off relating to the sales. The flexible plastics business was part of the Flexible Packaging segment and the URB mill was part of the Paperboard Packaging segment, and in aggregate, accounted for approximately 2% of Net Consolidated Sales.

NOTE 2 — INVENTORIES, NET

Inventories, Net by major class:

In millions	September 30, 2013	December 31, 2012
Finished Goods	$ 305.9	$ 270.5
Work in Progress	54.2	50.6
Raw Materials	157.9	152.1
Supplies	67.6	59.3
Total	$ 585.6	$ 532.5

NOTE 3 — ACQUISITIONS

On December 31, 2012, the Company acquired Contego Cartons ("Contego"), a leading food and consumer product packaging company based in the United Kingdom. Under the terms of the transaction, the Company paid approximately $93 million and assumed debt of

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

approximately $35 million in an all cash transaction funded with existing cash and debt under the Company's revolving line of credit. Contego operates four folding carton facilities that convert approximately 150,000 tons of paperboard annually into folding cartons for the food and consumer product industries. The acquisition and associated goodwill are included in the paperboard packaging segment. This transaction is herein referred to as the "Contego Transaction".

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

The purchase price of the European Acquisitions has been preliminarily allocated to the assets acquired and liabilities assumed based on the estimated fair values as of the purchase date and was subjected to adjustments in the current period. The European Acquisitions were made to grow the European food and beverage business and optimize the Company's supply chain footprint around customer needs. The excess of the purchase price over the aggregate fair value of net assets acquired was allocated to goodwill. Management believes that the portion of the purchase price attributable to goodwill represents benefits expected as a result of the acquisition, including 1) cost-reduction opportunities and synergies by combining sales and support functions and eliminating duplicate corporate functions, 2) providing new opportunities for top-line growth, which will allow the Company to compete effectively in the global packaging market, and 3) expansion of the Company's manufacturing system. The Company does not expect goodwill to be deductible for tax purposes. The preliminary purchase price allocation is as follows:

In millions	Amounts Recognized as of Acquisition Date	Measurement Period Adjustments	Amounts Recognized as of Acquisition Date (as adjusted)
Purchase Price	$ 118.4	$ (0.3)	$ 118.1
Assumed Debt	36.9	—	36.9
Total Purchase Consideration	$ 155.3	$ (0.3)	$ 155.0
In millions			
Cash and Cash Equivalents	$ 13.1	$ —	$ 13.1
Receivables, Net	65.7	—	65.7
Inventories	35.8	1.3	37.1
Other Current Assets	0.9	(0.2)	0.7
Property, Plant and Equipment, Net	70.1	25.6	95.7
Intangible Assets	—	7.3	7.3
Total Assets Acquired	185.6	34.0	219.6

Current Liabilities, Excluding Current Portion of Long-Term Debt	49.0	—	49.0
Pension and Postretirement Benefits	24.7	—	24.7
Deferred Tax Liabilities	—	7.8	7.8
Other Noncurrent Liabilities	1.0	—	1.0
Total Liabilities Assumed	74.7	7.8	82.5
Net Assets Acquired	110.9	26.2	137.1
Goodwill	44.4	(26.5)	17.9
Total Estimated Fair Value of Net Assets Acquired	$155.3	$(0.3)	$155.0

The preliminary allocation of the purchase price presented above is subject to further adjustment as the third-party valuations are finalized. As of September 30, 2013, preliminary valuations subject to change relate to fixed and intangible assets and related deferred income tax effects.

NOTE 4 — DEBT

On March 16, 2012, the Company entered into a $2.0 billion amended and restated credit agreement with a syndicate of lenders consisting primarily of commercial banks (the “Credit Agreement”). The Credit Agreement provides for a $1.0 billion revolving credit facility and a $1.0 billion amortizing term loan facility, both due on March 16, 2017. This transaction was treated primarily as an extinguishment of debt, and a charge of $8.9 million was recorded as Loss on Modification or Extinguishment of Debt in the Company's Condensed Consolidated Statements of Operations.

On December 18, 2012, the Company entered into Amendment No. 1 to the Credit Agreement to amend certain restrictions in the Credit Agreement and to provide an incremental term loan facility (the "Incremental Term Loan") in the amount of $300 million to fund a concurrent share repurchase. The Incremental Term Loan was treated primarily as a modification of debt. As a result, $2.1 million in third party fees were expensed as part of the loss on modification of debt, and the remaining fees paid to creditors of $3.1 million were deferred and will be amortized using the effective interest method over the term of the debt.

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

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

On September 13, 2013, the Company entered into Amendment No. 2 to the Credit Agreement to extend the maturity date of its existing revolving credit and term loan facilities from March 16, 2017 to September 13, 2018 and to amend certain other terms of the the agreement. Under the amendment, the Company added a €75.0 million (approximately $100 million) revolving credit facility, under which borrowings will be made in Euros and Pounds Sterling, and a ¥2.5 billion (approximately $25 million) revolving credit facility, under which borrowings will be made in Yen. Both revolving credit facilities will have the same maturity and interest rate pricing as the Company's current $1.0 billion revolving credit facility. In addition, Amendment No. 2 reduces the applicable margins for the existing facilities, which will be based on LIBOR and will vary between 150 basis points and 250 basis points depending upon the Company's current consolidated total leverage ratio. The Company's current rate is LIBOR plus 200 basis points. The extension of the term loans and revolving credit facility were treated primarily as a modification of debt. As a result, $1.5 million of fees were expensed as part of the loss on modification or extinguishment of debt, and the remaining fees of $2.2 million were deferred and will be amortized over the term of the debt.

For more information regarding the Company’s debt, see “Note 5 — Debt” of the Notes to Consolidated Financial Statements of the Company’s 2012 Form 10-K.

Long-Term Debt is composed of the following:

In millions	September 30, 2013	December 31, 2012

Senior Notes with interest payable semi-annually at 7.875%, payable in 2018 ($250.0 million face amount)	$247.2	$246.8
Senior Notes with interest payable semi-annually at 9.5%, payable in 2017 ($425.0 million face amount)	—	423.2
Senior Notes with interest payable semi-annually at 4.75%, payable in 2021	425.0	—
Senior Secured Term Loan Facility with interest payable at various dates at floating rates (2.18% at September 30, 2013) payable through 2018	1,230.0	1,275.0
Senior Secured Revolving Facility with interest payable at floating rates (2.18% at September 30, 2013) payable in 2018	301.6	325.8
Capital Lease Obligations	6.3	7.8
Other	22.7	54.7
	2,232.8	2,333.3
Less: Short-Term Debt and Current Portion of Long-Term Debt	83.9	79.8
Total	$2,148.9	$2,253.5

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

In millions	
Remainder of 2013	$32.8
2014	63.2
2015	69.2
2016	99.9
2017	123.2
2018	1,409.8
After 2018	428.4
Total	$2,226.5

At September 30, 2013, the Company and its U.S. and international subsidiaries had the following commitments, amounts outstanding and amounts available under revolving credit facilities:

In millions	Total Commitments	Total Outstanding	Total Available
Domestic Revolving Credit Facility [(a)]	$ 1,000.0	$263.0	$706.7
International Facilities	166.9	61.3	105.6
Total	$ 1,166.9	$324.3	$812.3

(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 $30.3 million as of September 30, 2013. 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 September 30, 2013, the Company was in compliance with the covenants in the Credit Agreement and the Indenture.

NOTE 5 — STOCK INCENTIVE PLANS

The Company has one active equity compensation plan for 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”). All outstanding RSUs vest and become payable in one to 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 are unrestricted on the grant date.

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Data concerning RSUs granted in the first nine months of 2013 is as follows:

Shares in thousands	Shares	Weighted Average Grant Date Fair Value Per Share
RSUs — Employees	3,324	$7.34
Stock Awards — Board of Directors	104	$7.80

During the nine months ended September 30, 2013 and 2012, $14.1 million and $21.2 million, respectively, were charged to compensation expense for stock incentive plans.

During the nine months ended September 30, 2013 and 2012, approximately 3.6 million and 3.7 million shares were issued, respectively. The shares issued were primarily related to RSUs granted during 2009 and 2010.

During the nine months ended September 30, 2013 and 2012, approximately 1.8 million shares and 0.3 million shares, respectively, were issued through the exercise of stock options at an average exercise price of $6.66, and $1.56 per share, respectively.

NOTE 6 — 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.

Currently, the North American defined benefit plans are closed to newly-hired salaried and non-union hourly employees. Effective July 1, 2011, the North American defined benefit plans were frozen for most salaried and non-union hourly employees and replaced with a defined contribution plan. The U.K. and Canada defined benefit plans were frozen effective March 31, 2001 and December 31, 2009, respectively, and replaced with defined contribution plans. The Company assumed additional benefit plans due to the European Acquisitions.

Pension and Postretirement Expense

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

	Pension Benefits				Postretirement Health Care Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2013	2012	2013	2012	2013	2012	2013	2012
Components of Net Periodic Cost:								
Service Cost	$4.0	$5.1	$12.1	$14.1	$0.4	$0.3	$1.1	$1.0
Interest Cost	13.1	13.2	39.4	38.3	0.6	0.6	1.7	1.8
Administrative Expenses	0.2	—	0.5	0.1	—	—	—	—

Expected Return on Plan Assets	(17.0)	(14.9)	(51.1)	(43.5)	—	—	—	—
Curtailment Gain	—	—	—	(0.2)	—	—	—	—
Special Termination Benefit	1.2	—	1.2	—	—	—	—	—
Amortization:								
Prior Service Cost (Credit)	0.1	0.3	0.5	0.5	—	—	(0.1)	(0.1)
Actuarial Loss (Gain)	9.4	7.5	28.2	22.5	(0.3)	(0.3)	(0.8)	(0.9)
Net Periodic Cost	$11.0	$11.2	$30.8	$31.8	$0.7	$0.6	$1.9	$1.8

Employer Contributions

The Company made contributions of $31.8 million and $43.8 million to its pension plans during the first nine months of 2013 and 2012, respectively. The Company expects to make contributions of $40 to $50 million for the full year 2013. During 2012, the Company made $55.1 million of contributions to its pension plans.

The Company made postretirement health care benefit payments of $1.7 million and $1.5 million during the first nine months of 2013 and 2012, respectively. The Company estimates its postretirement health care benefit payments for the full year 2013 to be approximately $3 million. During 2012, the Company made postretirement health care benefit payments of $3.2 million.

NOTE 7 — 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 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.

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 September 30, 2013 and December 31, 2012, the Company had interest rate swap agreements outstanding with a notional amount of $560 million and $460 million, respectively. 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 nine months of 2013 and 2012, 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. The Company has hedged a portion of its expected usage for 2013 and 2014. 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.

During the first nine months of 2013 and 2012, 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 September 30, 2013, multiple forward exchange contracts existed that expire on various dates through 2013. Those purchased forward exchange contracts outstanding at September 30, 2013 and December 31, 2012, when aggregated and measured in U.S. dollars at contractual rates at September 30, 2013 and December 31, 2012 had notional amounts totaling $15.4 million and $63.9 million, respectively.

No amounts were reclassified to earnings during the first nine months of 2013 or during 2012 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 September 30, 2013 and December 31, 2012, multiple foreign currency forward exchange contracts existed, with maturities ranging up to three months. Those foreign currency exchange contracts outstanding at September 30, 2013 and December 31, 2012, when aggregated and measured in U.S. dollars at exchange rates at September 30, 2013 and December 31, 2012, had net notional amounts totaling $38.1 million and $19.5 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.

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

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, 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 September 30, 2013, there has not been any significant impact to the fair value of the Company's derivative liabilities due to its own credit risk. Similarly, there has not been any significant adverse impact to the Company's derivative assets based on evaluation of the Company's counterparties' credit risks.

The fair value of the Company's derivative instruments is as follows:

	Derivative Assets			Derivative Liabilities		
In millions	Balance Sheet Location	September 30, 2013	December 31, 2012	Balance Sheet Location	September 30, 2013	December 31, 2012
Derivative Contracts Designated as Hedging Instruments						
Commodity Contracts	Other Current Assets	$ —	$ —	Other Accrued Liabilities	$ 1.3	$ 0.2
Foreign Currency Contracts	Other Current Assets	0.4	0.1	Other Accrued Liabilities	0.2	0.2
Interest Rate Swap Agreements	Other Current Assets	—	—	Other Accrued Liabilities, Other Noncurrent Liabilities and Interest Payable	3.7	6.0
Derivative Contracts Not Designated as Hedging Instruments						
Foreign Currency Contracts	Other Current Assets	—	—	Other Accrued Liabilities	0.2	—
Total Derivative Contracts		$ 0.4	$ 0.1		$ 5.4	