

GRAPHIC PACKAGING CORP
Form 10-Q/A
August 09, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended September 30, 2004

COMMISSION FILE NUMBER: 1-13182

Graphic Packaging Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

58-2205241

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

814 Livingston Court

Marietta, Georgia

(Address of principal executive offices)

30067

(Zip Code)

(770) 644-3000

Registrant's telephone number, including area code:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

As of November 1, 2004, there were 198,578,608 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Explanatory Note

Graphic Packaging Corporation (the Company) is filing this Amendment No. 1 on Form 10-Q/A to its Quarterly Report on Form 10-Q for the period ended September 30, 2004 (Amendment No. 1) to restate its previously issued financial statements for the period ended September 30, 2004, to reflect corrections in accounting for deferred taxes. The restatement is discussed in more detail in Note 11 to the accompanying restated financial statements beginning on page 22 and was previously announced by the Company in its Current Report on Form 8-K filed on August 3, 2005. This Amendment No. 1 does not purport to provide a general update or discussion of developments with respect to the Company subsequent to November 9, 2004, the date that the Company originally filed its Form 10-Q for the period ended September 30, 2004. Such disclosures are contained in subsequent filings with the U.S. Securities and Exchange Commission and should be read in conjunction with this report.

GRAPHIC PACKAGING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in Millions, Except Share Amounts)

(Unaudited)

	As Restated Sept. 30, 2004	As Restated Dec. 31, 2003
ASSETS		
Current Assets:		
Cash and Equivalents	\$ 25.9	\$ 17.5
Receivables, Less Allowance for Doubtful Accounts of \$2.2 and \$4.4 at September 30, 2004 and December 31, 2003, respectively	236.4	198.5
Inventories	298.2	306.9
Prepaid Expenses	15.1	15.1
Total Current Assets	575.6	538.0
Property, Plant and Equipment, Net of Accumulated Depreciation of \$1,028.0 and \$908.4 at September 30, 2004 and December 31, 2003, respectively	1,655.7	1,722.9
Goodwill	643.4	624.3
Intangible Assets, Net of Accumulated Amortization of \$61.7 and \$38.0 at September 30, 2004 and December 31, 2003, respectively	169.6	192.3
Other Assets	120.6	122.8
Total Assets	\$ 3,164.9	\$ 3,200.3
LIABILITIES		
Current Liabilities:		
Short-Term Debt	\$ 42.7	\$ 38.4
Accounts Payable and Other Accrued Liabilities	319.2	346.7
Total Current Liabilities	361.9	385.1
Long Term Debt, Less Current Portion	2,083.2	2,116.2
Other Noncurrent Liabilities	290.2	260.6
Total Liabilities	2,735.3	2,761.9
SHAREHOLDERS EQUITY		
Preferred Stock, Par Value \$0.01 Per Share; 50,000,000 Shares Authorized; No Shares Issued or Outstanding		
Common Stock, Par Value \$0.01 Per Share; 500,000,000 Shares Authorized; 198,578,608 and 198,378,110 Shares Issued and Outstanding at September 30, 2004 and December 31, 2003, respectively		
	2.0	2.0
Capital in Excess of Par Value	1,169.2	1,168.5
Unearned Compensation	(0.4)	
Accumulated Deficit	(669.7)	(648.6)
Minimum Pension Liability Adjustment	(59.1)	(60.2)
Accumulated Derivative Instruments Loss	(1.0)	(12.7)
Cumulative Currency Translation Adjustment	(11.4)	(10.6)
Total Shareholders Equity	429.6	438.4
Total Liabilities and Shareholders Equity	\$ 3,164.9	\$ 3,200.3

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

GRAPHIC PACKAGING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in Millions, Except Per Share Amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	As Restated Sept. 30, 2004	As Restated Sept. 30, 2003	As Restated Sept. 30, 2004	As Restated Sept. 30, 2003
Net Sales	\$ 617.2	\$ 478.1	\$ 1,799.4	\$ 1,114.7
Cost of Sales	513.0	396.7	1,508.1	912.9
Selling, General and Administrative	48.6	44.7	146.0	105.4
Research, Development and Engineering	2.1	2.1	6.9	5.4
Other Expense, Net	6.5	1.5	28.0	3.7
Income from Operations	47.0	33.1	110.4	87.3
Loss on Early Extinguishment of Debt		(45.3)		(45.3)
Interest Income	0.1	0.1	0.3	0.3
Interest Expense	(38.5)	(39.7)	(112.6)	(107.5)
Income (Loss) before Income Taxes and Equity in Net Earnings of Affiliates	8.6	(51.8)	(1.9)	(65.2)
Income Tax Expense	(8.4)	(5.3)	(20.4)	(12.7)
Equity in Net Earnings of Affiliates	0.5	0.4	1.2	1.1
Net Income (Loss)	\$ 0.7	\$ (56.7)	\$ (21.1)	\$ (76.8)
Income (Loss) Per Share - Basic	\$	\$ (0.35)	\$ (0.11)	\$ (0.58)
Income (Loss) Per Share - Diluted	\$	\$ (0.35)	\$ (0.11)	\$ (0.58)
Weighted Average Number of Shares Outstanding - Basic	198.6	163.8	198.5	131.4
Weighted Average Number of Shares Outstanding - Diluted	203.1	163.8	198.5	131.4

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

GRAPHIC PACKAGING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Amounts in Millions)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	As Restated	As Restated	As Restated	As Restated
	Sept. 30,	Sept. 30,	Sept. 30,	Sept. 30,
	2004	2003	2004	2003
Net Income (Loss)	\$ 0.7	\$ (56.7)	\$ (21.1)	\$ (76.8)
Other Comprehensive Income (Loss):				
Minimum Pension Liability Adjustment, Net of Tax of \$0			1.1	
Derivative Instruments Gain (Loss), Net of Tax of \$0	5.9	(6.1)	11.7	(5.6)
Foreign Currency Translation Adjustments, Net of Tax of \$0	3.0	3.3	(0.8)	10.9
Comprehensive Income (Loss)	\$ 9.6	\$ (59.5)	\$ (9.1)	\$ (71.5)

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

GRAPHIC PACKAGING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

(Unaudited)

	Nine Months Ended	
	As Restated Sept. 30, 2004	As Restated Sept. 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (21.1)	\$ (76.8)
Noncash Items Included in Net Loss:		
Depreciation and Amortization	173.0	104.9
Loss on Early Extinguishment of Debt		16.7
Deferred Income Taxes	13.3	8.1
Pension, Postemployment and Postretirement Benefits Expense, Net of Contributions	17.9	13.4
Equity in Net Earnings of Affiliates, Net of Dividends	(0.2)	(0.5)
Amortization of Deferred Debt Issuance Costs	6.5	5.5
Loss on Retirement of Assets	7.3	
Other, Net	(2.4)	11.6
Changes in Operating Assets & Liabilities:		
Receivables	(35.3)	3.6
Inventories	5.2	(4.8)
Prepaid Expenses	3.4	(1.4)
Accounts Payable and Other Accrued Liabilities	(24.0)	(20.3)
Other Noncurrent Liabilities	(2.1)	1.7
Net Cash Provided by Operating Activities	141.5	61.7
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property, Plant and Equipment	(103.4)	(75.9)
Acquisition Fees		(91.8)
Cash Acquired in Merger		6.1
Proceeds from Sales of Assets, Net of Selling Costs	11.8	
Change in Other Assets	(11.4)	3.0
Net Cash Used in Investing Activities	(103.0)	(158.6)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing under Revolving Credit Facilities	452.7	343.0
Payments on Revolving Credit Facilities	(473.5)	(305.3)
Proceeds from Issuance of Debt		2,125.0
Increase in Debt Issuance Costs		(55.2)
Premium Paid on Early Extinguishment of Debt		(28.6)
Payments on Debt	(9.9)	(1,980.4)
Issuance of Common Stock	0.4	0.2
Repurchases of Redeemable Common Stock		(1.0)
Net Cash (Used in) Provided by Financing Activities	(30.3)	97.7
Effect of Exchange Rate Changes on Cash	0.2	0.1
Net Increase in Cash and Equivalents	8.4	0.9
Cash and Equivalents at Beginning of Period	17.5	13.8
Cash and Equivalents at End of Period	\$ 25.9	\$ 14.7

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

GRAPHIC PACKAGING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

On August 8, 2003, the corporation formerly known as Graphic Packaging International Corporation merged with and into Riverwood Acquisition Sub LLC, a wholly owned subsidiary of Riverwood Holding, Inc. (Riverwood Holding), with Riverwood Acquisition Sub LLC as the surviving entity (the Merger). At the closing of the Merger, one share of common stock of Riverwood Holding was exchanged for each share of common stock of Graphic Packaging International Corporation. After the Merger, (1) RIC Holding, Inc. merged into Graphic Packaging Holdings, Inc. which was renamed GPI Holding, Inc., (2) the corporation formerly known as Graphic Packaging Corporation merged into Riverwood International Corporation (RIC) which was renamed Graphic Packaging International, Inc. (Graphic Packaging International), and (3) Riverwood Acquisition Sub LLC merged into Riverwood Holding which was renamed Graphic Packaging Corporation.

References to the Company are to Riverwood Holding and its subsidiaries for periods prior to the Merger and to Graphic Packaging Corporation and its subsidiaries for periods after the Merger. Graphic Packaging International Corporation and its subsidiaries for periods prior to the Merger are referred to herein as Graphic.

For accounting purposes, the Merger was accounted for as a purchase by the Company. Under the purchase method of accounting, the assets and liabilities of Graphic were recorded, as of the date of the closing of the Merger, at their respective fair values and added to those of the Company. The difference between the purchase price and the fair market values of the assets acquired and liabilities assumed of Graphic was recorded as goodwill. The historical financial statements of Riverwood Holding became the historical financial statements of Graphic Packaging Corporation. Note 2 provides summary unaudited pro forma information and information pertaining to the Merger.

Graphic Packaging Corporation and GPI Holding, Inc., its wholly-owned subsidiary, conduct no significant business and have no independent assets or operations other than their ownership of Graphic Packaging International. Graphic Packaging Corporation and GPI Holding, Inc. fully and unconditionally guarantee substantially all of the debt of Graphic Packaging International.

The Condensed Consolidated Financial Statements of the Company included herein have been prepared by the Company without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented have been made. The Condensed Consolidated Balance Sheet as of December 31, 2003 was derived from audited financial statements.

NOTE 2 MERGER

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The Merger was consummated primarily to create a value-added paperboard packaging company. Prior to the consummation of the Merger, Riverwood Holding had two classes of common stock. There were 9.0 million shares of Class A common stock, par value \$0.01, authorized with 7.0 million shares outstanding at August 8, 2003. There were 3.0 million shares of Class B common stock, par value \$0.01, authorized with 0.5 million shares outstanding at August 8, 2003. In connection with the Merger, the Company's Board of Directors approved a 15.21-to-one stock split. At the time, the Class A and Class B common stock were reclassified as one class of common stock, par value \$0.01. Immediately after the stock split, there were 500.0 million shares of common stock authorized with 114.8 million shares outstanding. The aggregate par value of the issued common stock was increased by \$1.1 million as a result of keeping the par value price \$0.01. Accordingly, Capital in Excess of Par Value was decreased \$1.1 million. In connection with the Merger, the shareholders of Graphic Packaging International Corporation received one share of the Company's common stock and associated shareholder rights for each share of Graphic Packaging

International Corporation common stock and associated shareholder rights they owned prior to the Merger. Accordingly, Capital in Excess of Par Value increased \$419.5 million.

The Company determined that the relative outstanding share ownership and the designation of certain senior management positions required the Company to be the acquiring entity for accounting purposes, resulting in the historical financial statements of Riverwood Holding becoming the historical financial statements of Graphic Packaging Corporation. The assets and liabilities of the acquired business are included in the condensed consolidated balance sheets at September 30, 2004 and December 31, 2003. Results of Graphic have been included in the condensed consolidated statements of operations beginning August 9, 2003, through September 30, 2003. The purchase price for the acquisition, including transaction costs, has been allocated to the assets acquired and liabilities assumed based on the estimated fair market values at the date of the Merger. Goodwill is allocated entirely to the paperboard packaging segment and is not deductible for tax purposes. The stock-for-stock exchange resulted in the issuance of approximately 83.4 million shares of common stock to fund the purchase price of \$469.8 million. The final purchase price allocation is as follows:

(Amounts in Millions)	
Current assets	\$ 209.6
Property, plant & equipment	480.3
Goodwill	375.4
Intangible assets	162.0
Other assets	20.0
Total assets acquired	\$ 1,247.3
Accounts payable and accrued expenses	\$ 150.5
Total debt	496.6
Pension and other post-retirement liabilities, assumed merger related liabilities, and other	130.4
Total Liabilities assumed	\$ 777.5

See also Note 9 RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES.

Selected Unaudited Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information is presented to show the estimated effect of the Merger and the Related Financing Transactions (as defined herein) and represents the Company's pro forma combined financial information for the three and nine months ended September 30, 2003 as if the Merger and Related Financing Transactions had occurred on January 1, 2003. The unaudited pro forma combined financial information includes adjustments directly attributable to the Merger and the Related Financing Transactions that are expected to have a continuing impact on the Company. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable.

The following financing transactions (the Related Financing Transactions) were entered into in connection with the Merger:

The entering into and borrowing under the Senior Secured Credit Agreement, dated as of August 8, 2003, among Graphic Packaging International and the several lender parties thereto (the Senior Secured Credit Agreement), which provides for aggregate maximum borrowings of \$1.6 billion under (i) a term loan facility (the Term Loan Facility) providing for term loans in an aggregate principal amount of \$1.275 billion in two tranches, consisting of Tranche A term loans and Tranche B term loans, and (ii) a revolving credit facility (the Revolving Credit Facility) providing for up to \$325 million in revolving loans (including standby and commercial letters of credit) outstanding at anytime, to Graphic Packaging International.

The issuance and sale of \$425 million in aggregate principal amount of 8.5% senior notes due 2011 (the Senior Notes) and \$425 million in aggregate principal amount of 9.5% senior subordinated notes due 2013 (the Senior Subordinated Notes).

The repayment of all outstanding amounts under each of RIC s and Graphic s prior senior secured credit facilities and the termination of all commitments under those facilities.

The consummation of tender offers and consent solicitations for all of RIC s 10 5/8% senior notes due 2007 (the Senior Notes due 2007) and 10 7/8% senior subordinated notes due 2008 (the Senior Subordinated Notes due 2008 and, together with the Senior Notes due 2007, the Prior RIC Notes), which closed concurrently with the Merger. The Company redeemed all Prior RIC Notes that were not tendered pursuant to the tender offers.

The consummation of an anticipatory change of control tender offer and consent solicitation for all of Graphic s 8 5/8% senior subordinated notes due 2012 (the Prior Graphic Notes) made in anticipation of the change of control offer required by the indenture governing the Prior Graphic Notes. Out of \$300.0 million in aggregate principal amount of Prior Graphic Notes outstanding, approximately \$299.1 million in aggregate principal amount of Prior Graphic Notes were tendered in the anticipatory change of control tender offer. On September 15, 2003, the Company completed the change of control offer required pursuant to the indenture governing the Prior Graphic Notes. As of September 30, 2004 and December 31, 2003, \$0.8 million in principal amount of the Prior Graphic Notes was outstanding.

The pro forma financial information was prepared using the purchase method of accounting, with the Company treated as the acquirer for accounting purposes. Under purchase accounting, the total cost of the Merger is allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values at the effective date of the Merger. The allocation of the cost of the Merger has been made based upon currently available information and management s estimates.

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The pro forma financial information is based on the Company's actual financial results for the period indicated and the historical results of Graphic from the beginning of the period presented through the date of the Merger. The pro forma financial information has been prepared in accordance with accounting principles generally accepted in the United States of America and is provided for comparison and analysis purposes only. The unaudited pro forma combined financial information does not purport to represent the combined company's results of operations or financial condition had the Merger and Related Financing Transactions actually occurred as of such dates or of the results that the combined company would have achieved after the Merger. The unaudited pro forma combined financial information is as follows:

Combined Company

Unaudited Condensed Pro Forma Combined Statement of Operations

For the Three Months Ended September 30, 2003

(Amounts in Millions, Except Per Share Amounts)

	Company As Restated	Graphic	Pro Forma Adjustments	Condensed Pro Forma Combined As Restated
Net Sales	\$ 478.1	\$ 114.9	\$ (7.6)(A)	\$ 585.4
Cost of Sales	396.7	103.1	(14.7)(A) (0.2)(B)	484.9
Selling, General and Administrative, Research, Development and Engineering	48.3	8.7	4.2(B)	61.2
Income from Operations	33.1	3.1	3.1	39.3
Interest Expense, Net	(39.6)	(3.9)	4.0(C)	(39.5)
Loss on Early Extinguishment of Debt	(45.3)	(1.3)		(46.6)
Loss before Income Taxes and Equity in Net Earnings of Affiliates	(51.8)	(2.1)	7.1	(46.8)
Income Tax (Expense) Benefit	(5.3)	0.2		(5.1)
Loss before Equity in Net Earnings of Affiliates	(57.1)	(1.9)	7.1	(51.9)
Equity in Net Earnings of Affiliates	0.4			0.4
Net Loss	(56.7)	(1.9)	7.1	(51.5)
Preferred Stock Dividends Declared		1.1	(1.1)(D)	
Net Loss Attributable to Common Stockholders	\$ (56.7)	\$ (3.0)	\$ 8.2	\$ (51.5)
Loss Per Share - Basic	\$ (0.35)			\$ (0.26)
Loss Per Share - Diluted	\$ (0.35)			\$ (0.26)
Weighted Average Number of Shares Outstanding:				
Basic	163.8			198.3
Diluted	163.8			198.3

Combined Company

Unaudited Condensed Pro Forma Combined Statement of Operations

For the Nine months ended September 30, 2003

(Amounts in Millions, Except Per Share Amounts)

	Company As Restated	Graphic	Pro Forma Adjustments	Condensed Pro Forma Combined As Restated
Net Sales	\$ 1,114.7	\$ 650.8	\$ (38.0)(A)	\$ 1,727.5
Cost of Sales	912.9	581.7	(45.0)(A) (1.3)(B)	1,448.3
Selling, General and Administrative, Research, Development and Engineering	114.5	44.0	18.0(B)	176.5
Income from Operations	87.3	25.1	(9.7)	102.7
Interest Expense, Net	(107.2)	(23.0)	18.4(C)	(111.8)
Loss on Early Extinguishment of Debt	(45.3)	(1.3)		(46.6)
(Loss) Income before Income Taxes and Equity in Net Earnings of Affiliates	(65.2)	0.8	8.7	(55.7)
Income Tax Expense	(12.7)	(1.0)		(13.7)
Loss before Equity in Net Earnings of Affiliates	(77.9)	(0.2)	8.7	(69.4)
Equity in Net Earnings of Affiliates	1.1			1.1
Net Loss	(76.8)	(0.2)	8.7	(68.3)
Preferred Stock Dividends Declared		6.1	(6.1)(D)	
Net Loss Attributable to Common Stockholders	\$ (76.8)	\$ (6.3)	\$ 14.8	\$ (68.3)
Loss Per Share - Basic	\$ (0.58)			\$ (0.34)
Loss Per Share - Diluted	\$ (0.58)			\$ (0.34)
Weighted Average Number of Shares Outstanding:				
Basic	131.4			198.3
Diluted	131.4			198.3

Adjustments in the unaudited condensed pro forma combined financial statements are as follows:

(A) RIC sold coated unbleached kraft paperboard (CUK) folding boxboard to Graphic for use in certain cartons manufactured by Graphic. This pro forma adjustment eliminates the intercompany sales and cost of sales of \$7.6 million and \$38.0 million for the three months and nine months ended September 30, 2003, respectively, related to this activity. Cost of Sales also includes an adjustment of approximately \$7.0 million for the three and nine months ended September 30, 2003 to eliminate the effect of the increase in fair value of inventory which was recorded as an addition to Cost of Sales as a non-recurring item in the third quarter of 2003.

(B) The amortization of the identifiable intangible assets (customer relationships, patents and proprietary technology) is reflected as a pro forma adjustment to the unaudited condensed pro forma combined statement of operations. The Company is amortizing the estimated fair value of the identifiable intangibles of approximately \$162.0 million on a straight-line basis over an average estimated useful life of eighteen years except for non-compete agreements which have an estimated useful life of approximately one year. Depreciation expense would have decreased by \$0.2 million and \$1.3 million for the three months and nine months ended September 30, 2003, respectively, as a result of the Company revising the depreciable asset lives and the fair value of the property purchased in the Merger. The net effect of this increased amortization and decreased depreciation of \$4.0 million and \$16.7 million for the three months and nine months ended September 30, 2003, respectively, is reflected in the unaudited condensed pro forma combined statement of operations as follows:

(Amounts in Millions)	Three Months Ended September 30, 2003		Nine Months Ended September 30, 2003	
Cost of Sales	\$	(0.2)	\$	(1.3)
Selling, General and Administrative, Research, Development and Engineering		4.2		18.0
Total Net Additional Amortization and Depreciation of Intangible Assets and Property, Plant and Equipment	\$	4.0	\$	16.7

(C) In connection with the Merger, substantially all of RIC's and Graphic's then outstanding indebtedness was redeemed, repurchased or otherwise repaid and replaced with borrowings under the Senior Secured Credit Agreement and indebtedness under the Senior Notes and Senior Subordinated Notes. Excluding hedges and amortization of financing costs, the pro forma interest expense adjustments reflect an average variable interest rate of 3.9% for the combined company's new bank debt and a blended fixed rate of 9.0% on the combined company's Senior Notes and Senior Subordinated Notes.

(D) To reflect the new equity structure of the Company, including conversion of \$100 million of Graphic's convertible preferred stock into common stock (accordingly there are no preferred stock dividends declared).

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a summary of the Company's significant accounting policies, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

The preparation of the Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America 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.

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.

The Company has reclassified the presentation of certain prior period information to conform to the current presentation format.

As permitted by Statement of Financial Accounting Standards (SFAS) No. 123 *Accounting for Stock-Based Compensation*, the Company continues to apply intrinsic value accounting for its stock option plans under Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*. Compensation cost for stock options, if any, is measured as the excess of the market price of the Company's common stock at the date of grant over the exercise price to be paid by the grantee to acquire the stock. The Company has adopted disclosure-only provisions of SFAS No. 123 and SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure an Amendment of FASB Statement No. 123*. If the Company had elected to recognize compensation expense based upon the fair value at the grant dates for awards under these plans, the Company's Net Income (Loss) would have been as follows:

(Amounts in Millions, Except Per Share Amounts)	Three Months Ended		Nine Months Ended	
	As Restated Sept. 30, 2004	As Restated Sept. 30, 2003	As Restated Sept. 30, 2004	As Restated Sept. 30, 2003
Net Income (Loss), As Reported	\$ 0.7	\$ (56.7)	\$ (21.1)	\$ (76.8)
Add: Stock-Based Employee Compensation Expense Included in Reported Net Income (Loss), Net of Related Tax Effects	1.3	0.4	3.7	1.0
(Deduct) Add: Total Stock-Based Employee Compensation (Expense) Income Determined Under Fair Value Based Method for All Awards, Net of Related Tax Effects	(1.3)	(0.5)	(8.1)	0.1
Adjusted Net Income (Loss)	\$ 0.7	\$ (56.8)	\$ (25.5)	\$ (75.7)
Income (Loss) Per Basic Share-As Reported	\$	\$ (0.35)	\$ (0.11)	\$ (0.58)
Income (Loss) Per Basic Share-As Adjusted	\$	\$ (0.35)	\$ (0.13)	\$ (0.58)
Income (Loss) Per Diluted Share-As Reported	\$	\$ (0.35)	\$ (0.11)	\$ (0.58)
Income (Loss) Per Diluted Share-As Adjusted	\$	\$ (0.35)	\$ (0.13)	\$ (0.58)

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The following table displays the intangible assets that continue to be subject to amortization and aggregate amortization expense as well as intangible assets not subject to amortization as of September 30, 2004 and December 31, 2003:

(Amounts in Millions)	As of September 30, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable Intangible Assets:			
Customer Relationships	\$ 109.9	\$ 6.0	\$ 103.9
Non-Compete Agreements	23.3	22.4	0.9
Patents, Trademarks and Licenses	98.1	33.3	64.8
	\$ 231.3	\$ 61.7	\$ 169.6
Unamortizable Intangible Assets:			
Goodwill	\$ 643.4		\$ 643.4
(Amounts in Millions)	As of December 31, 2003		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable Intangible Assets:			
Customer Relationships	\$ 109.9	\$ 2.0	\$ 107.9
Non-Compete Agreements	23.3	7.3	16.0
Patents, Trademarks and Licenses	97.1	28.7	68.4
	\$ 230.3	\$ 38.0	\$ 192.3
Unamortizable Intangible Assets:			
Goodwill	\$ 624.3		\$ 624.3

The Company recorded amortization expense of \$6.8 million and \$1.5 million for the three months ended September 30, 2004 and 2003, respectively, and \$23.7 million and \$3.4 million for the nine months ended September 30, 2004 and 2003, respectively, relating to intangible assets subject to amortization. The Company expects amortization expense to be approximately \$27 million for 2004 and approximately \$12 million for each of the following four fiscal years.

NOTE 4 INVENTORIES

The major classes of inventories were as follows:

(Amounts in Millions)	September 30, 2004	December 31, 2003
Finished goods	\$ 159.9	\$ 172.8
Work-in progress	19.6	22.6
Raw materials	76.3	66.0
Supplies	42.4	45.5
	\$ 298.2	\$ 306.9

Raw materials and consumables used in the production process such as wood chips and chemicals are valued at purchase cost on a first-in, first-out (FIFO) basis upon receipt. Work in progress and finished goods inventories are valued at the cost of raw material consumed plus direct

manufacturing costs (such as labor, utilities and supplies) as incurred and a proportion of manufacturing overhead.

NOTE 5 CONTINGENCIES AND COMMITMENTS

The Company is subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, the management, treatment and disposal of solid 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. The Company's potential environmental liabilities and obligations may result in significant costs, which could negatively impact its financial condition and results of operations. In addition, capital expenditures may be necessary for the Company to comply with such laws and regulations, including the U.S. Environmental Protection Agency's regulations mandating stringent controls on air and water discharges from pulp and paper mills (referred to herein as the "cluster rules"). Any failure to comply with environmental, health and safety laws or any permits and authorizations required thereunder could subject the Company to fines, corrective action or other sanctions. In addition, some of the Company's current and former facilities are the subject of environmental investigations and remediations resulting from historical operations and the release of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations may be imposed in the future or for which indemnification claims may be asserted against the Company. The Company cannot predict with certainty future investigation or remediation costs or future costs relating to historical usage or indemnification claims. Also, potential future closures or sales of facilities may necessitate further investigation and may result in future remediation at those facilities. The Company will continue to review and revise its estimate of potential, contingent environmental liabilities related to past, present and future operations as additional information related to its environmental liabilities is obtained.

The federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") establishes liability for waste generators, current and former site owners and operators and others in connection with release of hazardous substances. In several instances, the Company has been identified as a Potentially Responsible Party ("PRP") under CERCLA and similar state laws with respect to remediation of sites at which hazardous substances have been released. At many of these sites, the liability of the Company has been resolved through settlement with other PRPs and/or appropriate regulatory agencies. The remaining sites which are currently known and at which Graphic's liability is not resolved are believed by the Company not to be material.

The Company is involved in investigation and remediation projects for certain properties that it currently owns or formerly owned or operated, including the specific sites discussed below. The Company has also received demands arising out of alleged contamination of various properties currently or formerly operated by it, and at certain waste disposal sites. The Company believes that these potential liabilities are not material.

North Portland, Oregon Facility. The presence of contamination in soils on and groundwater beneath the North Portland facility has been identified at levels exceeding Oregon state screening limits. Current information indicates that the contamination is naturally attenuating, is confined and/or is the result of off-site contamination which has migrated to groundwater beneath the facility. The facility is listed on the Oregon Confirmed Release List; however, the facility is under no current order or agreement to conduct additional investigation and/or remediation at this time. The EPA has determined that it will require no further action at the site. The Company believes it is probable that additional investigation will be required at the facility by the State of Oregon, although it is not possible to predict a time table for additional action. Based on current information, the Company believes that no active remediation will be required as a result of any additional investigation at the facility.

Kalamazoo Paperboard Mill and Carton Plant. The Kalamazoo facilities and adjacent properties have long histories of industrial and commercial usages. Portions of the property on which the mill is located have been found to contain contamination exceeding Michigan state screening levels. Restrictive covenants restricting land usage in portions of the mill property where contamination has been identified have been recorded to address contamination in those areas.

The Company believes that there is a reasonable possibility that some or all of the contamination which has been identified at the facility will be determined to be the result of past activities unrelated to the Company's operations; however, further investigation will be necessary to make a final determination. Although the Company is not under any current order or agreement to conduct additional site investigation, the Company plans to submit an Interim Remedial Action Plan (IRAP) to investigate and address the presence of contamination at the mill during the fourth quarter of

2004. The IRAP will be conducted over a five (5) year period. There is not sufficient information available to determine whether any additional investigation or remediation will be required after completion of the IRAP nor is there sufficient information to reasonably estimate the cost of any additional investigation or remediation beyond the requirements of the IRAP.

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 6 BUSINESS SEGMENT INFORMATION

The Company reports its results in two business segments: paperboard packaging and containerboard/other. These segments are evaluated by the chief operating decision maker based primarily on income from operations. The Company's reportable segments are based upon strategic business units that offer different products. The paperboard packaging business segment includes the production and sale of paperboard for its beverage multiple packaging and consumer products packaging businesses from its West Monroe, Louisiana, Macon, Georgia, Kalamazoo, Michigan and Norrköping, Sweden mills; carton converting facilities in the United States, Europe, Brazil and Canada; and the design, manufacture and installation of packaging machinery related to the assembly of cartons. The containerboard/other business segment primarily includes the production and sale of linerboard, corrugating medium and kraft paper from paperboard mills in the United States.

Business segment information is as follows:

(Amounts in Millions)	Three Months Ended		Nine Months Ended	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
NET SALES:				
Paperboard Packaging	\$ 590.7	\$ 459.0	\$ 1,731.9	\$ 1,054.1
Containerboard/Other	26.5	19.1	67.5	60.6
	\$ 617.2	\$ 478.1	\$ 1,799.4	\$ 1,114.7
INCOME (LOSS) FROM OPERATIONS:				
Paperboard Packaging	\$ 67.0	\$ 48.5	\$ 185.3	\$ 130.5
Containerboard/Other	(3.7)	(5.9)	(19.2)	(19.0)
Corporate	(16.3)	(9.5)	(55.7)	(24.2)
	\$ 47.0	\$ 33.1	\$ 110.4	\$ 87.3

NOTE 7 FINANCIAL INSTRUMENTS, DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to fluctuations in interest rates on its variable debt, fluctuations in foreign currency transaction cash flows and variability in cash flows attributable to certain commodity purchases. The Company actively monitors these fluctuations and periodically uses derivatives and other financial instruments to hedge exposures to interest, commodity and currency risks. The Company's use of derivative instruments may result in short-term gains or losses and may increase volatility in its earnings. In addition, these instruments involve, to varying degrees, elements of market and credit risk in excess of the amounts recognized in the Condensed Consolidated Balance Sheets. The Company does not trade or use derivative instruments with the objective of earning financial gains on interest or currency rates, nor does it use leveraged instruments or instruments where there are no underlying exposures identified.

Interest Rate Risk

The Company uses interest rate swaps to manage interest rate risks on future income 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 the debt. At September 30, 2004, the Company had interest rate swap agreements with a notional amount of \$770 million, which expire on various dates from 2005 to 2007 under which the Company will pay fixed rates of 1.89% to 3.27% and receive three-month LIBOR.

During the nine months ended September 30, 2004, there was approximately \$2.4 million determined to be the ineffective portion related to changes in the fair value of the 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 entered into fixed price natural gas contracts designed to effectively hedge prices for a portion of its natural gas requirements at its U.S. mills through January 2005. These contracts are not accounted for as derivative instruments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities* (SFAS No. 133), as they qualify for the normal purchase exemption.

In addition, during the third quarter of 2004, the Company entered into natural gas swap contracts to hedge prices for a portion of its natural gas requirements through December 2005. Such contracts are designated as cash flow hedges and are accounted for by deferring the quarterly change in fair value of the outstanding contracts in Accumulated Derivative Instruments Loss. On the date a contract matures, the resulting gain or loss is reclassified into Cost of Sales concurrently with the recognition of the commodity purchased. The ineffective portion of the swap contracts change in fair value, if any, would be recognized in earnings. During the nine months ended September 30, 2004, there was no material ineffective portion related to changes in 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 adversely affected by changes in exchange rates. Gains/losses, if any, related to these contracts are recognized in income when the anticipated transaction affects income.

At September 30, 2004 and December 31, 2003, multiple forward exchange contracts existed that expire on various dates from 2004 to 2005. Those purchased forward exchange contracts outstanding at September 30, 2004, when measured in U.S. dollars at September 30, 2004 exchange rates, had notional amounts totaling approximately \$176.2 million. Those purchased forward exchange contracts outstanding at December 31, 2003, when measured in U.S. dollars at December 31, 2003 exchange rates, had notional amounts totaling approximately \$141.7 million.

No amounts were reclassified to earnings during the nine months ended September 30, 2004 in connection with forecasted transactions that were no longer considered probable of occurring and there was no material ineffective portion 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 accounts receivable and certain accounts payable resulting from 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, 2004 and December 31, 2003, multiple foreign currency forward exchange contracts existed, with maturities ranging up to six months. Those forward currency exchange contracts outstanding at September 30, 2004, when aggregated and measured in U.S. dollars at September 30, 2004 exchange rates, had net notional amounts totaling approximately \$29.6 million. Those forward currency exchange contracts outstanding at December 31, 2003, when aggregated and measured in U.S. dollars at December 31, 2003 exchange rates, had net notional amounts totaling approximately \$29.3 million. Generally, unrealized gains and losses resulting from these contracts are recognized in operations and approximately offset corresponding unrealized gains and losses recognized on the hedged accounts receivable or payable. These contracts are presently being and will continue to be marked to market through the income statement.

Accumulated Derivative Instruments Loss

The following is a reconciliation of changes in the fair value of the interest rate swap agreements and foreign currency forward contracts which have been recorded as Accumulated Derivative Instruments Loss in the accompanying Condensed Consolidated Balance Sheet at September 30, 2004 and at September 30, 2003 and as Derivative Instruments Loss in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2004 and 2003.

(Amounts in millions)	2004		2003	
Balance at January 1	\$	(12.7)	\$	(6.1)
Reclassification to earnings		(6.6)		0.6
Current period change in fair value		18.3		(6.2)
Balance at September 30	\$	(1.0)	\$	(11.7)

The balance recorded in Accumulated Derivative Instruments Loss at September 30, 2004 is expected to be reclassified into future earnings, contemporaneously with and offsetting changes in the related hedged exposure. The actual amount that will be reclassified to future earnings over the next twelve months may vary from this amount as a result of changes in market conditions.

Note 8 PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company maintains defined benefit pension plans for its U.S. employees. Benefits are based on years of service and average base compensation levels over a period of years. The Company's funding policies with respect to its U.S. pension plans are to contribute funds to trusts as necessary to at least meet the minimum funding requirements of the U.S. Internal Revenue Code. Plan Assets are invested primarily in equities and fixed income securities.

The pension expense related to the U.S. plans consisted of the following:

(Amounts in Millions)	Three Months Ended		Nine Months Ended	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
Service Cost	\$ 3.7	\$ 2.5	\$ 10.6	\$ 5.8
Interest Cost	7.4	5.8	21.7	14.3
Expected Return on Plan Assets	(8.2)	(9.7)	(22.0)	(18.0)
Amortizations:				
Prior Service Cost	1.0	0.4	1.9	1.1
Actuarial Loss		4.9	1.8	7.0
Net Periodic Pension Cost	\$ 3.9	\$ 3.9	\$ 14.0	\$ 10.2

The Company disclosed in its financial statements for the year ended December 31, 2003 that, due to certain minimum regulatory requirements, the Company may be required to make contributions to its U.S. pension plans. The contributions were contingent upon final pension funding proposals separately approved by both houses of the U.S. Congress as well as the completion of the Company's 2004 valuation by its actuaries. The legislative actions have now been passed and the 2004 valuation has been completed. The Company estimates that no contributions to its U.S. pension plans will be required to be paid in 2004.

The Company maintains international defined benefit pension plans that are both noncontributory and contributory and are funded in accordance with applicable local laws. The pension or termination benefits are based primarily on years of service and the employees' compensation. Plan assets are invested primarily in equities and fixed income securities.

The pension expense related to the international plans consisted of the following:

(Amounts in Millions)	Three Months Ended		Nine Months Ended	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
Service Cost	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Interest Cost	1.6	1.3	4.7	3.9
Expected Return on Plan Assets	(1.5)	(1.1)	(4.5)	(3.4)
Amortizations:				
Actuarial Loss	0.2	0.1	0.6	0.3
Net Periodic Pension Cost	\$ 0.3	\$ 0.3	\$ 0.9	\$ 0.9

For its international pension plans, the Company contributed \$0.4 million in the third quarter of 2004 for a total of \$3.4 million for the nine months ended September 30, 2004 and expects to contribute a total of \$3.6 million in 2004.

The Company sponsors postretirement health care plans that provide medical and life insurance coverage to eligible salaried and hourly retired U.S. employees and their dependents. No postretirement medical benefits are offered to salaried employees who began employment after December 31, 1993.

The other postretirement benefits expense consisted of the following:

(Amounts in Millions)	Three Months Ended		Nine Months Ended	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
Service Cost	\$ 0.3	\$ 0.2	\$ 0.7	\$ 0.4
Interest Cost	1.2	0.7	2.7	1.6
Amortizations:				
Prior Service Cost			(0.1)	(0.1)
Actuarial Loss			0.2	0.2
Net Periodic Postretirement Benefits Cost	\$ 1.5	\$ 0.9	\$ 3.5	\$ 2.1

In December 2003, President Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Act expands Medicare primarily by adding a prescription drug benefit for Medicare-eligible individuals beginning in 2006. Pursuant to guidance provided in FASB Staff Position SFAS No. 106-1, *Accounting for Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (SFAS No. 106-1), the Company chose to defer recognition of the Act, and, accordingly, postretirement benefit obligations and net periodic postretirement benefit cost do not reflect any potential impact of the legislation. In May 2004, the FASB issued Staff Position SFAS No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003* (SFAS No. 106-2), which supercedes SFAS No. 106-1. SFAS No. 106-2 provides additional authoritative guidance on the accounting for the federal subsidy. The Company has not yet determined that the prescription drug benefits under its postretirement plan is actuarially equivalent to the Medicare Part D benefit and thus the postretirement benefit cost does not reflect any amount associated with the subsidy.

Note 9 RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES

The Company adopted a plan in the first quarter of 2004 to restructure its operations by closing facilities, relocating equipment and severing employees in an effort to better position the Company to operate in the current business environment. Components of the restructuring charges for the nine months ended September 30, 2004 are as follows:

(Amounts in Millions)	Nine Months Ended Sept. 30, 2004	
Restructuring Charges:		
Equipment Removal Costs	\$	1.4
Facility Restoration and Carrying Costs		0.7
Severance of Employees and Other Employee Termination-Related Charges		4.2
Total Restructuring Charges	\$	6.3

The initial purchase price allocation of \$7.2 million recorded at March 31, 2004 was reduced by \$0.9 million in the second quarter of 2004 primarily for facility restoration and carrying costs as a building was sold sooner than anticipated. Through September 30, 2004, the Company has made payments for severance and other employee termination-related charges in the amount of \$1.1 million and for equipment removal and facilities restoration in the amount of \$0.7 million, both of which reduced the initial reserve detailed above. The Company anticipates the majority of cash payments to be made under the restructuring plan will occur in the second and third quarters of 2005. The restructuring activities described herein are expected to be completed by the end of 2005 and affect only the paperboard packaging segment. As of September 30, 2004, the Company had approximately \$4.5 million accrued for restructuring, as follows:

(Amounts in Millions)	Balance at January 1, 2004	Adjustments (Statement of Operations Impact)		Cash Payments	Purchase Price Allocation	Reclassification	Balance at Sept. 30, 2004
	\$	\$	Expense Reversal	\$	\$	\$	\$
Equipment Removal Costs	\$	\$	\$	(0.6)	1.4	\$	\$ 0.8
Facility Restoration and Carrying Costs				(0.1)	0.7		0.6
Severance of Employees and Other Employee Termination-Related Charges				(1.1)	4.2		3.1
Total	\$	\$	\$	\$ (1.8)	\$ 6.3	\$	\$ 4.5

Note 10 SUBSEQUENT EVENT

On October 1, 2004, Graphic Packaging International, a wholly-owned subsidiary of the Company, entered into the First Amendment (the "First Amendment") to the \$1.6 billion Senior Secured Credit Agreement dated August 8, 2003 among Graphic Packaging International and the several lenders from time to time parties thereto (the "Original Credit Agreement"). The First Amendment consolidates Graphic Packaging International's \$142.5 million Term Loan A and \$1,113.8 million Term Loan B under the Original Credit Agreement into one \$1,256.3 million Term Loan C, but does not change any of the terms of Graphic Packaging International's \$325.0 million revolving credit facility under the Original Credit Agreement. The First Amendment reduces the interest rate on Graphic Packaging International's term loans by 25 basis points and provides a step-down provision that automatically reduces the interest rate if Graphic Packaging International achieves a leverage ratio (as defined in the Original Credit Agreement) below 4.75 to 1.00. The new Term Loan C is payable in equal installments of \$6.3 million on December 31 and June 30 of each year through December 31, 2009, with a final payment of \$1,187.2 million due on August 8, 2010. Graphic Packaging International's affirmative and negative covenants, including but not limited to limitations on additional indebtedness, asset sales, capital expenditures, acquisitions and other types of transactions, remain the same as under the Original Credit Agreement. Consistent with the terms of the Original Credit Agreement, an uncured breach of such covenants or Graphic Packaging International's representations and warranties, in addition to any failure to pay principal and interest when due, are events that may cause all amounts under the Credit Agreement (as amended by the First Amendment) to become due and payable immediately. The guarantees and collateral supporting the new Term Loan C remain the same as under the Original Credit Agreement.

NOTE 11 - RESTATEMENT

Previously issued financial statements for the nine months ended September 30, 2004, three months ended March 31, 2005 and financial statements for the years ended December 31, 2004, 2003 and 2002 have been restated to reflect adjustments to deferred taxes. Historically, the Company accounted for its deferred tax liability related to goodwill as a reversing taxable temporary difference. Following the adoption of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets on January 1, 2002, the deferred tax liability related to the Company's goodwill must be considered as a liability related to an asset with an indefinite life. Therefore, the deferred tax liability does not amortize and is not available as a source of taxable income to support the realization of deferred tax assets created by other deductible temporary timing differences. Without the deferred tax liability related to the Company's goodwill, the Company does not believe it is more likely than not it will realize its deferred tax assets and therefore, the Company was required to record an additional tax expense to increase its deferred tax asset valuation allowance. The restatement adjustments are non-cash and had no effect on operating cash flows nor on the Company's compliance with its debt covenants.

(Amounts in Millions)	September 30, 2004	
	As Previously Reported	As Restated
Three Months Ended:		
Income Tax Expense	\$ (3.6)	\$ (8.4)
Net Income	\$ 5.5	\$ 0.7
Income Per Share	\$ 0.03	
Nine Months Ended:		
Income Tax Expense	\$ (6.0)	\$ (20.4)
Net Loss	\$ (6.7)	\$ (21.1)
Loss Per Share	\$ (0.03)	\$ (0.11)
As of September 30, 2004:		
Other Noncurrent Liabilities	\$ 225.2	\$ 290.2
Accumulated Deficit	\$ (604.7)	\$ (669.7)

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September 30, 2003

(Amounts in Millions)	As Previously Reported		As Restated	
Three Months Ended:				
Income Tax Expense	\$	(1.4)	\$	(5.3)
Net Loss	\$	(52.8)	\$	(56.7)
Loss Per Share	\$	(0.32)	\$	(0.35)
Nine Months Ended:				
Income Tax Expense	\$	(4.8)	\$	(12.7)
Net Loss	\$	(68.9)	\$	(76.8)
Loss Per Share	\$	(0.52)	\$	(0.58)

December 31, 2003

(Amounts in Millions)	As Previously Reported		As Restated	
As of December 31, 2003:				
Other Noncurrent Liabilities	\$	210.0	\$	260.6
Accumulated Deficit	\$	(598.0)	\$	(648.6)

The impact of the non-cash adjustments increased income tax expense and net loss by \$12.8 million and \$37.8 million for the full years 2003 and 2002, respectively.