

GRAPHIC PACKAGING INTERNATIONAL CORP
Form 11-K
June 30, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

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

For the transition period from _____ to _____ .

Commission file number 1-14060

A. GRAPHIC PACKAGING SAVINGS AND INVESTMENT PLAN

B. GRAPHIC PACKAGING INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction
of incorporation or
organization)

84-1208699
(IRS Employer
Identification No.)

4455 Table Mountain Drive
Golden, Colorado
(Address of principal
executive offices)

80403
(Zip Code)

Graphic Packaging
Savings and Investment Plan
Financial Statements
December 31, 2002 and 2001

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Graphic Packaging Savings and Investment Plan
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Report of Independent Auditors

To the Participants and Administrator of the
Graphic Packaging Savings and Investment Plan:

In our opinion, the accompanying modified cash basis statements of net assets available for benefits and the related modified cash basis statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Graphic Packaging Savings and Investment Plan (the "Plan") as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended, on the basis of accounting described in Note 1. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require

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that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements and supplemental schedule were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP
 Denver, Colorado
 June 19, 2003

Graphic Packaging Savings and Investment Plan
 Statements of Net Assets Available for Benefits
 (Modified Cash Basis)

	December 31,	
	----- 2002	2001 -----
Assets		
Investments at fair value (Note 1):		
Cash and cash equivalents	\$ 741,476	\$ 379,084
Common stock and other securities	2,459,845	1,962,228
Unitized employer stock fund	33,631,527	35,594,621
Mutual funds	112,617,068	119,575,234
Participant loans	6,299,480	5,831,601
	-----	-----
Net assets available for benefits	\$155,749,396	\$163,342,768
	=====	=====

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The accompanying notes are an integral part of these financial statements.

Graphic Packaging Savings and Investment Plan
 Statements of Changes in Net Assets Available for Benefits
 (Modified Cash Basis)

	Year Ended December 31,	
	----- 2002	2001 -----
Additions to net assets		
Investment income (loss) (Note 1):		
Interest and dividend income	\$ 2,083,986	\$ 3,823,198
Net appreciation (depreciation) in fair value of investments	(9,283,515)	10,856,347
	-----	-----
Total investment income (loss)	(7,199,529)	14,679,545
Contributions:		
Participants	10,016,316	10,891,355
Employer	4,096,245	4,341,573
Total contributions	14,112,561	15,232,928
	-----	-----
Total additions	6,913,032	29,912,473
	-----	-----
Deductions from net assets		
Benefit payments	14,438,177	16,946,520
Management fees	57,042	49,305
Net transfers out	11,185	16,167
	-----	-----
Total deductions	14,506,404	17,011,992
	-----	-----
Net increase (decrease)	(7,593,372)	12,900,481
Net assets available for benefits		
Beginning of year	163,342,768	150,442,287
	-----	-----
End of year	\$155,749,396	\$163,342,768
	=====	=====

The accompanying notes are an integral part of these financial statements.

Graphic Packaging Savings and Investment Plan
 Notes to Financial Statements

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(Modified Cash Basis)

1. General Description of Plan and Trust and Summary of Significant Accounting Policies

The Graphic Packaging Savings and Investment Plan (the Plan) and the related Trust Agreement (the Trust) were established effective December 28, 1992. The Plan's purpose is to encourage employees of Graphic Packaging International Corporation and subsidiaries (the Company or GPC) to accumulate savings systematically to provide an additional source of income upon retirement. Prior to December 28, 1992, employees of Graphic Packaging Corporation, Golden Aluminum Company, and certain developmental businesses of Golden Technologies Company, Inc. (current and former subsidiaries of GPC) were eligible to participate in the Coors Savings and Investment Plan. On December 28, 1992, these participants' accounts in the Coors Savings and Investment Plan were transferred into the Graphic Packaging Savings and Investment Plan concurrent with the spin-off of the Company from Adolph Coors Company.

On March 25, 2003, the Company entered into a merger agreement with Riverwood Holding, Inc. The merger has not been completed as of June 19, 2003. The proposed merger's initial effect on the Plan involves changing the form of employer-matching contributions, as discussed below. If the merger is completed, each share of GPC common stock held by the Plan in the unitized employer stock fund will be converted into a share of Riverwood Holding, Inc. common stock. Additional changes to the Plan as a result of the proposed merger, if any, are not determinable at this time.

Fidelity Management Trust Company serves as the Plan's Trustee.

Eligibility

All regular, full-time employees of the Company and certain subsidiaries who are at least age 18 and expected to complete 1,000 hours of service or more per year, are eligible to participate in the Plan. At December 31, 2002, employees of the following groups were not eligible to participate in the Plan:

- o Graphic Packaging Corporation bargaining unit employees covered by a labor agreement that does not include participation in this plan; and
- o Graphic Packaging Corporation Canadian employees.

Contributions

Contributions are made to the Tax Effective Retirement Account (TERA) of the Plan. Participants are allowed to make a basic contribution of an amount no less than 1% of their eligible compensation (including commissions and overtime, but excluding bonuses). Additional contributions are to be in whole, not fractional, percentage points. Effective January 1, 2002, the maximum contribution allowed for each participant is the lower of 25% of eligible compensation or \$11,000.

Any participant contributions deposited prior to December 1, 1986, as part of the Coors Savings and Investment Plan have been taxed previously and are not taxable when paid to the

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participant. Participant contributions deposited subsequent to November 30, 1986, are taxable when paid to participants.

All eligible employees' basic contributions are matched at the 60% level. However, employer contributions are limited to a maximum amount, as defined in the Plan.

Effective January 1, 1987, employer contributions to the Coors Payroll Stock Ownership Plan (PAYSOP) were discontinued. However, PAYSOP account values generated by prior employer contributions remain in the Plan. Contributions were based on total eligible employee compensation, as defined in the Plan, not exceeding one-half of 1% thereof. (See Note 2).

From January 1, 2000 until March 24, 2003, all employer-matching contributions have been made in shares of GPC common stock. All employer-match shares were delivered to the GPC Stock Fund (the unitized employer stock fund). Participants may transfer interests in the GPC Stock Fund into other investment options at any time. As a result of the proposed merger of the Company with Riverwood Holding, Inc., effective March 24, 2003 all employer-matching contributions have been made in cash.

Vesting

Participants are immediately vested in their entire account balance, including their voluntary contributions, the employer's contributions, and all investment earnings on those funds.

Distributions

Participants may withdraw all or a portion of contributions subject to certain conditions as specified in the Plan. A participant or beneficiary entitled to receive benefits under the Plan may generally elect the method of distribution.

Participant Loans

A participant may borrow up to 50% of the total value of his or her Plan accounts, excluding the PAYSOP account. The minimum loan amount is \$1,000 and the maximum loan amount is \$50,000 minus the highest outstanding loan balance in the preceding 12 months. These loans are available to active employees who are participants. Only one loan may be outstanding at any time. The loans are secured by the participant's account balance. Loan terms are normally available for 12 to 60 months, with a 120-month term available for the purchase of a primary residence. Loans are normally repaid by payroll deductions and these payments are credited back to the participants' plan accounts and invested according to the most current investment election. The interest rate is set at 1% above the Wall Street Journal reported prime rate on the first business day of each month and remains fixed throughout the term of the loan. A loan origination fee is charged to participants upon initiation of a loan. Loans are subject to certain payment provisions upon termination of employment, default, lay-off, unpaid leave of absence and disability.

Plan Termination

The Company established the Plan with the intention that it will continue indefinitely, but reserves the right to terminate the Plan at anytime. If the Plan is terminated, all accounts will be updated and the participants will be able to

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choose to receive or transfer their funds. See above for discussion of the proposed merger between the Company and Riverwood Holding, Inc.

Plan Expenses

Expenses related to management of the assets are paid by the Plan. The Company pays all expenses incurred related to administration and record keeping of the Plan.

Basis of Presentation

The accounts of the Plan are maintained on the modified cash basis of accounting as permitted by the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA). This basis of accounting is not in accordance with generally accepted accounting principles. Under the modified cash basis of accounting, certain revenues and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. In effect, modified cash basis accounting adjusts cash basis financial statements to reflect investments at fair value.

The principal items which would be required to be reflected in the financial statements by generally accepted accounting principles (dollar amounts of which are not practicable to determine) are as follows:

- o Accrual of all contributions earned at each year end, but not received until the following year;
- o Accrual of dividends declared, but not paid; and
- o Accrual of interest income from participant loans earned at year-end, but not received until the following year.

Accounting Estimates and Assumptions

The preparation of the Plan's financial statements in conformity with a modified cash basis of accounting requires the Plan's administrator to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements, and the changes in net assets during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for various investment options in any combination of stocks, bonds, fixed income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

Participants' Accounts

Individual accounts are maintained for each Plan participant.

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Each participant's account is directly credited with the participant's contribution, the Company's matching contribution, and any rollover contributions in the participant's name. Net earnings (loss) from investments, including appreciation (depreciation) in fair value, are allocated to each participant's account based on the ratio which the trust fund portion of that participant's account balance bears to the total of the trust fund portion of all participants' account balances.

Payment of Benefits

Benefits are recorded when paid. No amounts are owed at December 31, 2002 to participants who have elected to withdraw from the Plan, but have not been paid.

Valuation of Investments

Investments in GPC common stock and other actively traded securities are stated at the quoted market price. Investments in all other funds are stated at the funds' net asset value, which is determined by the Plan's trustee based on market values. Participant loans are stated at the outstanding principal value, which approximates fair value.

The following investments (all of which are participant directed) exceed 5% of net assets available for benefits:

Identity	Description	December 31,	
		2002	2001
Fidelity Mid-Cap Stock Fund	Mutual Fund	\$10,887,593	\$15,132,169
Fidelity Retiree Money Market	Mutual Fund	44,122,001	41,372,244
Fidelity Magellan Fund	Mutual Fund	18,846,342	24,674,582
GPC Stock Fund	Unitized Employer Stock Fund	33,631,527	35,594,621
Fidelity Growth and Income Fund	Mutual Fund	7,843,247	8,790,548
Spartan U.S. Equity Index Fund	Mutual Fund	5,335,732	6,117,361

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	Year Ended December 31,	
	2002	2001
Mutual funds	\$(17,543,760)	\$(10,190,209)
Unitized employer stock fund	9,041,208	20,714,056
Self-directed participant accounts	(780,963)	332,500
	-----	-----
	\$ (9,283,515)	\$ 10,856,347
	=====	=====

Participant Accounting Records

Fidelity Investments Institutional Operations Company (Fidelity) is responsible for preparing, maintaining, and allocating individual participants' accounting records. Watson Wyatt & Company was utilized to process and transmit payroll data to Fidelity through September 2001. Beginning in October 2001, the Company processes and transmits payroll data directly to Fidelity.

Fiduciary Responsibility, Investment of Funds, and Plan Administration

The GPC Benefits Committee (the Committee), consisting of employees appointed by the Board of Directors of GPC, acts as fiduciary and administrator for the Plan. In accordance with its powers as fiduciary, the Committee has entered into trust and asset management agreements with Fidelity. Based upon particular elections, funds are invested in the various investment options. At December 31, 2002 there were 4,282 participants of which 3,943 had account balances.

2. Investments in Employer Stock

Payroll Stock Ownership Plan

During 1983, the Coors Savings and Investment Plan was amended to establish and include a PAYSOP. Annual employer contributions to the PAYSOP were made in the form of cash to purchase Adolph Coors Company Class B non-voting common stock for the Plan years commencing January 1, 1983 through January 1, 1986. An annual allocation was made to individual accounts for eligible employees in proportion to each employee's base pay received in the respective year (up to \$100,000). Employees own the stock, which is held in trust until the employees are eligible to receive it, subject to specified withdrawal rules. Dividends are credited to employee accounts. Individual income taxes are deferred until withdrawal of the stock and the employee has a choice of receiving either the stock or an equivalent value in cash upon withdrawal.

The Plan administrator, in accordance with Internal Revenue Service regulations, began liquidating Adolph Coors Company shares in January 1993. The proceeds were then used to purchase GPC shares so that the PAYSOP portion of the Plan was invested only in GPC stock. During 1995, GPC received authorization to liquidate the PAYSOP portion of this Plan if a participant elects to do so.

Fidelity holds the PAYSOP assets in one of the Plan's investment choices, the GPC Stock Fund. The GPC Stock Fund allows participants to be invested in their company's stock while allowing for daily trading similar to a mutual fund. The fund is comprised of underlying GPC stock and a short-term cash component. Participants may also elect to have payroll deductions invested in the GPC Stock Fund. Participants may elect to transfer their investments in the GPC Stock Fund to any of the other investment choices at any time.

Information about the significant components of the changes in net assets relating to the GPC Stock Fund is as follows:

Year Ended December 31,

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	2002	2001
Interest income	\$ 125,798	\$ 172,280
Net appreciation	9,041,208	20,714,056
Contributions	6,009,914	6,138,417
Benefit payments	(3,078,227)	(1,329,389)
Participant loan activity	(262,874)	(187,150)
Net transfers	(13,798,913)	3,982,430
	-----	-----
Net increase (decrease)	(1,963,094)	29,490,644
Net assets at beginning of year	35,594,621	6,103,977
	-----	-----
Net assets at end of year	\$33,631,527	\$35,594,621
	=====	=====

3. Income Tax Status

The Internal Revenue Service (IRS) has determined and informed the Company that the Plan satisfies applicable sections of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been provided. The Company applied for a new determination letter for 2001 and as of the date of this report has not received a response from the IRS. However, the Plan administrator and counsel believe the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

4. Realized Gains on Investment Transactions

The cost of investments sold or transferred is determined on a participant level by the average cost method.

The Department of Labor Form 5500 requires gains and losses to be determined based on revalued cost - that is, the current value of the assets as of the beginning of the Plan year, as carried forward from the end of the prior Plan year - or historical cost if the investment was acquired since the beginning of the Plan year. Realized and unrealized investment gains and losses disclosed in the Statement of Changes in Net Assets Available for Benefits have been calculated based upon historical cost. The Form 5500 requires that all income (including realized and unrealized gain and losses, and dividend income) from registered investment companies be combined in one line item. In both 2002 and 2001, the Form 5500 presentation differs from the presentation using the modified cash basis. In 2002 and 2001, investment losses from registered investment companies in the Form 5500 total (\$16,711,542) and (\$8,784,182), respectively. The 2002 Form 5500 net unrealized gain was \$1,248,566 and the net realized gain was \$7,075,118. The 2001 Form 5500 net unrealized gain was \$20,328,049 and the net realized gain was \$811,783.

Graphic Packaging Savings and Investment Plan
Schedule of Assets (Held at End of Year)

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December 31, 2002

Schedule I

(a)	(b)	(c)	(d)	(e)
	Identity of Issuer	Description	Cost	Current Value
	Self-directed Brokerage Accounts(1)	Common stocks and limited partnerships Mutual funds	\$ 3,247,920 534,856	\$ 2,138,805 321,040
			3,782,776	2,459,845
	Fidelity Brokerage Services, Inc.(2)	Cash and cash equivalents	741,476	741,476
			4,524,252	3,201,321
	Total self-directed brokerage accounts		4,524,252	3,201,321
*	Graphic Packaging International Corporation(3)	Unitized employer stock fund investing in shares of Graphic Packaging International Corporation common stock	25,746,316	33,631,527
	Miller Anderson & Sherrerd Franklin Templeton	MAS Value Advisor Mutual Fund Templeton Developing Markets Trust A Mutual Fund	4,509,124 482,698	4,001,299 442,423
	Morgan Stanley Investment Management, Inc.	MSI Value Equity Bond Fund	120,149	101,880
	Pacific Investment Management Company	PIMCO Total Return Fund	2,128,653	2,123,413
*	Fidelity Investments(2)	Fidelity Magellan Mutual Fund	25,651,146	18,846,342
*	Fidelity Investments(2)	Fidelity Growth and		

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	Income Mutual Fund	9,637,900	7,843,247
* Fidelity Investments(2)	Fidelity Diversified International Mutual Fund	2,693,535	2,610,627
* Fidelity Investments(2)	Fidelity Low Price Stock Mutual Fund	5,271,161	4,940,684
* Fidelity Investments(2)	Fidelity Equity Income Fund	326,200	273,688
* Fidelity Investments(2)	Fidelity Growth Fund	212,577	185,378
* Fidelity Investments(2)	Fidelity Mid-Cap Stock Fund	12,394,925	10,887,593
* Fidelity Investments(2)	Fidelity Freedom Income Fund	333,959	326,031
* Fidelity Investments(2)	Fidelity Freedom Fund 2000	1,475,060	1,340,816
* Fidelity Investments(2)	Fidelity Freedom Fund 2010	6,579,644	5,346,241
* Fidelity Investments(2)	Fidelity Freedom Fund 2020	2,795,159	2,178,224
* Fidelity Investments(2)	Fidelity Freedom Fund 2030	2,083,459	1,602,739
* Fidelity Investments(2)	Fidelity Freedom Fund 2040	124,320	108,710
* Fidelity Investments(2)	Fidelity Retiree Money Market	44,122,001	4,122,001
* Fidelity Investments(2)	Spartan US Equity Index Mutual Fund	6,715,028	5,335,732
	Total mutual fund investments	127,656,698	112,617,068
Participant loans	Interest rates ranging from 5.25% to 10.5%, repayable over a term up to five years, except for loans used to purchase a principal residence, which are repayable over a term up to ten years.	6,299,480	6,299,480
	Total investments held	\$164,226,746	\$155,749,396

* Signifies a party-in-interest.

(1) Numerous public and nongovernmental entities, as managed and

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directed by Plan participants through brokerage accounts with Fidelity Brokerage Services, Inc.

- (2) Fidelity Investments and Fidelity Brokerage Services, Inc. are parties-in-interest due to their affiliate relationships with Fidelity Management Trust Company, which serves as the trustee of the Plan.
- (3) Graphic Packaging International Corporation is a party-in-interest as the sponsor of the Plan. See Note 2 to the financial statements.

Exhibits

Exhibit

Exhibit Number	Document Description
23	Consent of Independent Auditors
99.1	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Trustee has duly caused this annual report to be signed by the undersigned thereunto duly authorized.

Graphic Packaging Savings and
Investment Plan

Date: June 27, 2003

By: /s/ John S. Norman

John S. Norman, Vice President
and Controller