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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIESEXCHANGE ACT OF 1934**

For the transition period from to

COMMISSION FILE NUMBER: 001-33988

Graphic Packaging Holding Company

(Exact name of registrant as specified in its charter)

Delaware	**26-0405422**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
1500 Riveredge Parkway, Suite 100	
Atlanta , Georgia	**30328**
(Address of principal executive offices)	(Zip Code)

(770) 240-7200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	GPK	New York Stock Exchange

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

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

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

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

Large accelerated filer ☑	Accelerated filer ☐	Smaller reporting company ☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 20, 2020, there were 278,839,532 shares of the registrant's Common Stock, par value $0.01 per share, outstanding.

Information Concerning Forward-Looking Statements

Certain statements regarding the expectations of Graphic Packaging Holding Company (“GPHC” and, together with its subsidiaries, the “Company”), including, but not limited to, the exit activity charges expected in connection with the closure of two CRB mills, the availability of net operating losses to offset U.S. federal income taxes and the timing related to the Company's future U.S. federal income tax payments, capital investment, depreciation and amortization and pension plan contributions 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, the effects of the COVID-19 pandemic on the Company's operations and business, inflation of and volatility in raw material and energy costs, changes in consumer buying habits and product preferences, competition with other paperboard manufacturers and converters, product substitution, the Company’s ability to implement its business strategies, including strategic acquisitions, the Company's ability to successfully integrate acquisitions, 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, except as may be required by law. Additional information regarding these and other risks is contained in Part I, "Item 1A., Risk Factors" of the Company's 2019 Annual Report on Form 10-K, and in other filings with the Securities and Exchange Commission.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

In millions, except per share amounts	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net Sales	$ 1,611.0	$ 1,552.8	$ 3,210.1	$ 3,058.7
Cost of Sales	1,348.9	1,265.0	2,627.2	2,504.8
Selling, General and Administrative	132.2	131.8	267.8	256.5
Other (Income) Expense, Net	(5.4)	1.7	1.1	2.9
Business Combinations and Shutdown and Other Special Charges, Net	20.5	9.9	39.2	16.1
Income from Operations	114.8	144.4	274.8	278.4
Nonoperating Pension and Postretirement Benefit Income (Expense)	0.6	—	(151.0)	(0.1)
Interest Expense, Net	(30.7)	(35.5)	(64.4)	(70.5)
Income before Income Taxes and Equity Income of Unconsolidated Entity	84.7	108.9	59.4	207.8
Income Tax Expense	(18.3)	(23.0)	(12.9)	(44.0)
Income before Equity Income of Unconsolidated Entity	66.4	85.9	46.5	163.8
Equity Income of Unconsolidated Entity	0.3	0.2	0.4	0.4
Net Income	66.7	86.1	46.9	164.2
Net Income Attributable to Noncontrolling Interest	(14.6)	(22.3)	(7.5)	(42.5)
Net Income Attributable to Graphic Packaging Holding Company	$ 52.1	$ 63.8	$ 39.4	$ 121.7
Net Income Per Share Attributable to Graphic Packaging Holding Company — Basic	$ 0.19	$ 0.22	$ 0.14	$ 0.41
Net Income Per Share Attributable to Graphic Packaging Holding Company — Diluted	$ 0.19	$ 0.22	$ 0.14	$ 0.41

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

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

Three Months Ended June 30,

In millions	Graphic Packaging Holding Company	Noncontrolling Interest	Redeemable Noncontrolling Interest	Total
2020				
Net Income	$ 52.1	$ 14.5	$ 0.1	$ 66.7
Other Comprehensive Income, Net of Tax:				
Derivative Instruments	2.3	0.7	—	3.0
Pension and Postretirement Benefit Plans	0.3	—	0.1	0.4
Currency Translation Adjustment	11.3	2.6	0.1	14.0
Total Other Comprehensive Income, Net of Tax	13.9	3.3	0.2	17.4
Total Comprehensive Income	$ 66.0	$ 17.8	$ 0.3	$ 84.1
2019				
Net Income	$ 63.8	$ 17.2	$ 5.1	$ 86.1
Other Comprehensive (Loss) Income, Net of Tax:				
Derivative Instruments	(4.4)	(1.3)	(0.4)	(6.1)
Pension and Postretirement Benefit Plans	0.9	0.4	0.1	1.4
Currency Translation Adjustment	(2.6)	(0.6)	(0.2)	(3.4)
Total Other Comprehensive Loss, Net of Tax	(6.1)	(1.5)	(0.5)	(8.1)
Total Comprehensive Income	$ 57.7	$ 15.7	$ 4.6	$ 78.0

Six Months Ended June 30,

In millions	Graphic Packaging Holding Company	Noncontrolling Interest	Redeemable Noncontrolling Interest	Total
2020				
Net Income (Loss)	$ 39.4	$ 12.7	$ (5.2)	$ 46.9
Other Comprehensive Income (Loss), Net of Tax:				
Derivative Instruments	1.3	0.4	(0.1)	1.6
Pension and Postretirement Benefit Plans	113.6	32.4	9.5	155.5
Currency Translation Adjustment	(34.7)	(7.4)	(0.8)	(42.9)
Total Other Comprehensive Income, Net of Tax	80.2	25.4	8.6	114.2
Total Comprehensive Income	$ 119.6	$ 38.1	$ 3.4	$ 161.1
2019				
Net Income	$ 121.7	$ 32.8	$ 9.7	$ 164.2
Other Comprehensive (Loss) Income, Net of Tax:				
Derivative Instruments	(4.8)	(1.4)	(0.4)	(6.6)
Pension and Postretirement Benefit Plans	2.1	0.6	0.2	2.9
Currency Translation Adjustment	1.3	0.3	—	1.6
Total Other Comprehensive Loss, Net of Tax	(1.4)	(0.5)	(0.2)	(2.1)
Total Comprehensive Income	$ 120.3	$ 32.3	$ 9.5	$ 162.1

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

GRAPHIC PACKAGING HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In millions, except share and per share amounts	June 30, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 83.6	$ 152.9
Receivables, Net	692.4	504.5
Inventories, Net	1,197.5	1,095.9
Other Current Assets	76.5	52.3
Total Current Assets	2,050.0	1,805.6
Property, Plant and Equipment, Net	3,379.4	3,253.8
Goodwill	1,465.8	1,477.9
Intangible Assets, Net	460.9	477.3
Other Assets	310.3	275.3
Total Assets	$ 7,666.4	$ 7,289.9
LIABILITIES		
Current Liabilities:		
Short-Term Debt and Current Portion of Long-Term Debt	$ 483.2	$ 50.4
Accounts Payable	681.8	716.1
Compensation and Employee Benefits	166.8	168.4
Other Accrued Liabilities	281.0	263.8
Total Current Liabilities	1,612.8	1,198.7
Long-Term Debt	3,028.8	2,809.9
Deferred Income Tax Liabilities	531.8	511.8
Accrued Pension and Postretirement Benefits	119.9	140.4
Other Noncurrent Liabilities	292.7	266.8
Redeemable Noncontrolling Interest (Note 13)	43.8	304.3
SHAREHOLDERS' EQUITY		
Preferred Stock, par value $0.01 per share; 100,000,000 shares authorized; no shares issued or outstanding	—	—
Common Stock, par value $0.01 per share; 1,000,000,000 shares authorized; 278,853,968 and 290,246,907 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	2.8	2.9
Capital in Excess of Par Value	1,840.8	1,876.7
(Accumulated Deficit) Retained Earnings	(37.1)	56.4
Accumulated Other Comprehensive Loss	(285.6)	(365.8)
Total Graphic Packaging Holding Company Shareholders' Equity	1,520.9	1,570.2
Noncontrolling Interest	515.7	487.8
Total Equity	2,036.6	2,058.0
Total Liabilities and Shareholders' Equity	$ 7,666.4	$ 7,289.9

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

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

	Common Stock		Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total Equity
In millions, except share amounts	Shares	Amount					
Balances at December 31, 2019	**290,246,907**	**$ 2.9**	**$ 1,876.7**	**$ 56.4**	**$ (365.8)**	**$ 487.8**	**$ 2,058.0**
Net Loss	—	—	—	(12.7)	—	(1.8)	(14.5)
Other Comprehensive (Loss) Income, Net of Tax:							
Derivative Instruments	—	—	—	—	(1.0)	(0.3)	(1.3)
Pension and Postretirement Benefit Plans	—	—	—	—	113.3	32.4	145.7
Currency Translation Adjustment	—	—	—	—	(46.0)	(10.0)	(56.0)
Repurchase of Common Stock[(a)]	(9,667,034)	(0.1)	(52.6)	(71.7)	—	—	(124.4)
Dividends Declared	—	—	—	(21.1)	—	—	(21.1)
Redeemable Noncontrolling Interest Redemption Value Adjustment	—	—	18.1	—	—	—	18.1
Tax Effect of IP Redemption	—	—	6.8	—	—	—	6.8
Distribution of Membership Interest	—	—	—	—	—	(4.6)	(4.6)
Recognition of Stock-Based Compensation, Net	—	—	3.6	—	—	—	3.6
Issuance of Shares for Stock-Based Awards	788,561	—	—	—	—	—	—
Balances at March 31, 2020	**281,368,434**	**$ 2.8**	**$ 1,852.6**	**$ (49.1)**	**$ (299.5)**	**$ 503.5**	**$ 2,010.3**
Net Income	—	—	—	52.1	—	14.5	66.6
Other Comprehensive Income, Net of Tax:							
Derivative Instruments	—	—	—	—	2.3	0.7	3.0
Pension and Postretirement Benefit Plans	—	—	—	—	0.3	—	0.3
Currency Translation Adjustment	—	—	—	—	11.3	2.6	13.9
Repurchase of Common Stock[(b)]	(2,622,283)	—	(14.3)	(18.8)	—	—	(33.1)
Redeemable Noncontrolling Interest Redemption Value Adjustment	—	—	(5.4)	—	—	—	(5.4)
Dividends Declared	—	—	—	(21.3)	—	—	(21.3)
Distribution of Membership Interest	—	—	—	—	—	(5.6)	(5.6)
Recognition of Stock-Based Compensation, Net	—	—	7.9	—	—	—	7.9
Issuance of Shares for Stock-Based Awards	93,381	—	—	—	—	—	—
Balances at June 30, 2020	**278,839,532**	**$ 2.8**	**$ 1,840.8**	**$ (37.1)**	**$ (285.6)**	**$ 515.7**	**$ 2,036.6**

[(a)] Includes 410,400 shares repurchased but not yet settled as of March 31, 2020.
[(b)] Includes 14,436 shares repurchased but not yet settled as of June 30, 2020.

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

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

In millions, except share amounts	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total Equity
Balances at December 31, 2018	**299,807,779**	**$ 3.0**	**$ 1,944.4**	**$ 10.0**	**$ (377.9)**	**$ 439.0**	**$ 2,018.5**
Net Income	—	—	—	57.9	—	15.6	73.5
Other Comprehensive (Loss) Income, Net of Tax:							
Derivative Instruments	—	—	—	—	(0.4)	(0.1)	(0.5)
Pension and Postretirement Benefit Plans	—	—	—	—	1.2	0.2	1.4
Currency Translation Adjustment	—	—	—	—	3.9	0.9	4.8
Repurchase of Common Stock[(a)]	(5,033,426)	(0.1)	(27.2)	(32.2)	—	—	(59.5)
Dividends Declared	—	—	—	(22.1)	—	—	(22.1)
Reclassification of Redeemable Noncontrolling Interest for Share Repurchases	—	—	—	—	—	(6.7)	(6.7)
Distribution of Membership Interest	—	—	—	—	—	(5.0)	(5.0)
Recognition of Stock-Based Compensation, Net	—	—	0.9	—	—	—	0.9
Issuance of Shares for Stock-Based Awards	530,196	—	—	—	—	—	—
Balances at March 31, 2019	**295,304,549**	**$ 2.9**	**$ 1,918.1**	**$ 13.6**	**$ (373.2)**	**$ 443.9**	**$ 2,005.3**
Net Income	—	—	—	63.8	—	17.2	81.0
Other Comprehensive (Loss) Income, Net of Tax:							
Derivative Instruments	—	—	—	—	(4.4)	(1.3)	(5.7)
Pension and Postretirement Benefit Plans	—	—	—	—	0.9	0.4	1.3
Currency Translation Adjustment	—	—	—	—	(2.6)	(0.6)	(3.2)
Repurchase of Common Stock	(1,428,470)	—	(7.7)	(10.6)	—	—	(18.3)
Dividends Declared	—	—	—	(22.1)	—	—	(22.1)
Reclassification of Redeemable Noncontrolling Interest for Share Repurchases	—	—	—	—	—	19.1	19.1
Distribution of Membership Interest	—	—	—	—	—	(6.4)	(6.4)
Recognition of Stock-Based Compensation, Net	—	—	5.9	—	—	—	5.9
Issuance of Shares for Stock-Based Awards	94,327	—	—	—	—	—	—
Balances at June 30, 2019	**293,970,406**	**$ 2.9**	**$ 1,916.3**	**$ 44.7**	**$ (379.3)**	**$ 472.3**	**$ 2,056.9**

[(a)] Includes 33,263 shares repurchased but not yet settled as of March 31, 2019.

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

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

In millions	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 46.9	$ 164.2
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	236.0	227.3
Deferred Income Taxes	(10.3)	26.8
Amount of Postretirement Expense Greater Than Funding	157.0	5.1
Other, Net	30.6	5.9
Changes in Operating Assets and Liabilities	(316.4)	(369.5)
Net Cash Provided by Operating Activities	143.8	59.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Spending	(292.6)	(146.2)
Packaging Machinery Spending	(14.0)	(12.1)
Acquisition of Businesses, Net of Cash Acquired	(122.6)	(2.0)
Beneficial Interest on Sold Receivables	53.4	309.6
Beneficial Interest Obtained in Exchange for Proceeds	(5.0)	(156.9)
Other, Net	(7.9)	(2.4)
Net Cash Used in Investing Activities	(388.7)	(10.0)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of Common Stock	(157.4)	(78.7)
Payments on Debt	(18.3)	(18.3)
Redemption of Noncontrolling Interest	(250.0)	—
Proceeds from Issuance of Debt	450.0	300.0
Borrowings under Revolving Credit Facilities	1,534.8	1,303.4
Payments on Revolving Credit Facilities	(1,308.2)	(1,495.3)
Repurchase of Common Stock related to Share-Based Payments	(8.9)	(4.0)
Debt Issuance Costs	(6.7)	(4.2)
Dividends and Distributions Paid to GPIP Partner	(53.6)	(58.3)
Other, Net	(1.3)	(1.0)
Net Cash Provided by (Used in) Financing Activities	180.4	(56.4)
Effect of Exchange Rate Changes on Cash	(4.8)	0.8
Net Decrease in Cash and Cash Equivalents	(69.3)	(5.8)
Cash and Cash Equivalents at Beginning of Period	152.9	70.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 83.6	$ 64.7
Non-cash Investing and Financing Activities:		
Beneficial Interest Obtained (Sold) in Exchange for Trade Receivables	$ 67.6	$ (102.2)
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 48.6	$ 41.6
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	$ —	$ 15.5

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 committed to providing consumer packaging that makes a world of difference. The Company is a leading provider of paper-based packaging solutions for a wide variety of products to food, beverage, foodservice and other consumer products companies. The Company operates on a global basis, is one of the largest producers of folding cartons in the United States ("U.S.") and holds leading market positions in coated-recycled paperboard ("CRB"), coated unbleached kraft paperboard ("CUK") and solid bleached sulfate paperboard ("SBS").

The Company's customers include many of the world's most widely recognized companies and brands with prominent market positions in beverage, food, foodservice, and other consumer products. The Company strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting facilities, its proprietary carton and packaging designs, and its commitment to quality and service.
On January 1, 2018, GPHC, a Delaware corporation, International Paper Company, a New York corporation ("IP"), Graphic Packaging International Partners, LLC, a Delaware limited liability company formerly known as Gazelle Newco LLC and a wholly owned subsidiary of the Company ("GPIP"), and Graphic Packaging International, LLC, a Delaware limited liability company formerly known as Graphic Packaging International, Inc. and a subsidiary of GPIP ("GPIL"), completed a series of transactions pursuant to an agreement dated October 23, 2017, among the foregoing parties (the "Transaction Agreement"). Pursuant to the Transaction Agreement (i) a wholly owned subsidiary of the Company transferred its ownership interest in GPIL to GPIP; (ii) IP transferred its North America Consumer Packaging ("NACP") business to GPIP, which was then subsequently transferred to GPIL; (iii) GPIP issued membership interests to IP, and IP was admitted as a member of GPIP; and (iv) GPIL assumed certain indebtedness of IP (the "NACP Combination").

During 2019 and 2018, GPIP repurchased 20.8 million partnership units from GPI Holding, which increased IP's ownership interest in GPIP from 20.5% at January 1, 2018 to 21.6% at December 31, 2019. GPI Holding distributed proceeds of such transaction up to the Company which used the proceeds to repurchase 20.8 million shares of its common stock pursuant to its share repurchase program.

On January 28, 2020, the Company announced that IP had notified the Company of its intent to begin the process of reducing its ownership interest in GPIP. Per the agreement between the parties, on January 29, 2020, GPIP purchased 15.1 million partnership units from IP for $250 million in cash. As a result, IP's ownership interest in GPIP decreased from 21.6% to 18.3% as of January 29, 2020.

Unless otherwise negotiated by the parties, IP's next opportunity to exchange their partnership units begins 180 days from the purchase date and is limited to the lesser of $250 million or 25% of the units owned immediately following the transaction, subject to a minimum and a cap on the number of units that may be exchanged for shares. IP will have further opportunities to exchange their partnership units beginning 180 days after each exchange date. The Company may choose to satisfy these exchanges using shares of its common stock, cash, or a combination thereof.

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 state 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, 2019. 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.

Revenue Recognition

The Company has two primary activities, the manufacturing and converting of paperboard, from which it generates revenue from contracts with customers. Revenue is disaggregated primarily by geography and type of activity as further explained in "*Note 11-Segments.*" All reportable segments and the Australia and Pacific Rim operating segments recognize revenue under the same method, allocate transaction price using similar methods, and have similar economic factors impacting the uncertainty of revenue and related cash flows.

Revenue is recognized on the Company's annual and multi-year supply contracts when the Company satisfies the performance obligation by transferring control over the product or service to a customer, which is generally based on shipping terms and passage of title under the point-in-time method of recognition. For the three months ended June 30, 2020 and 2019, the Company recognized $1,605.3 million and $1,548.1 million, respectively, of revenue from contracts with customers. For the six months ended June 30, 2020 and 2019, the Company recognized $3,199.9 million and $3,049.7 million, respectively, of revenue from contracts with customers.

The transaction price allocated to each performance obligation consists of the stand alone selling price, estimates of rebates and other sales or contract renewal incentives, and cash discounts and sales returns ("Variable Consideration") and excludes sales tax. Estimates are made for Variable Consideration based on contract terms and historical experience of actual results and are applied to the performance obligations as they are satisfied. Purchases by the Company’s principal customers are manufactured and shipped with minimal lead time, therefore performance obligations are generally satisfied shortly after manufacturing and shipment. The Company uses payment terms that are consistent with industry practice.

The Company's contract assets consist primarily of contract renewal incentive payments to customers which are amortized over the period in which performance obligations related to the contract renewal are satisfied. As of June 30, 2020 and December 31, 2019, contract assets were $19.8 million and $24.3 million, respectively. The Company's contract liabilities consist principally of rebates, and as of June 30, 2020 and December 31, 2019 were $44.8 million and $49.6 million, respectively.

The Company did not have a material amount relating to backlog orders at June 30, 2020 or December 31, 2019.

Accounts Receivable and Allowances

The Company has entered into agreements to sell, on a revolving basis, certain trade accounts receivable to third party financial institutions. Transfers under these agreements meet the requirements to be accounted for as sales in accordance with the *Transfers and Servicing* topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "Codification"). The loss on sale is not material and is included in Other (Income) Expense, Net on the Condensed Consolidated Statement of Operations. The following table summarizes the activity under these programs for the six months ended June 30, 2020 and 2019, respectively:

	Six Months Ended June 30,	
In millions	**2020**	**2019**
Receivables Sold and Derecognized	$ 1,357.1	$ 1,410.2
Proceeds Collected on Behalf of Financial Institutions	1,318.0	1,077.2
Net Proceeds Received From (Paid to) Financial Institutions	30.7	(3.6)
Deferred Purchase Price at June 30[(a)]	9.7	5.2
Pledged Receivables at June 30	260.7	124.0

[(a)] Included in Other Current Assets and represents a beneficial interest in the receivables sold to the financial institutions, which is a Level 3 fair value measure.

The Company participates in supply chain financing arrangements offered by certain customers and has entered into various factoring arrangements that also qualify for sale accounting in accordance with the *Transfers and Servicing* topic of the FASB Codification. For the six months ended June 30, 2020 and 2019, the Company sold receivables of approximately $151 million and $73 million, respectively, related to these factoring arrangements.

Receivables sold under all programs subject to continuing involvement, which consists principally of collection services, at June 30, 2020 and December 31, 2019, were approximately $600 million and $562 million, respectively.

Capital Allocation Plan

On February 20, 2020 and May 20, 2020, the Company's board of directors declared a regular quarterly dividend of $0.075 per share of common stock payable on April 5, 2020 and July 5, 2020 to shareholders of record as of March 15, 2020 and June 15, 2020, respectively.

On January 28, 2019, the Company's board of directors authorized an additional share repurchase program to allow the Company to purchase up to $500 million of the Company's issued and outstanding shares of common stock through open market purchases, privately negotiated transactions and Rule 10b5-1 plans (the "2019 share repurchase program"). The previous $250 million share repurchase program was authorized on January 10, 2017 (the "2017 share repurchase program"). During the first six months of 2020 the Company repurchased 12,289,317 shares of its common stock at an average price of $12.82, under the 2019 share repurchase program. During the six months ended June 30, 2019, the Company repurchased 6,461,896 shares of its common stock at an average price of $12.04, under the 2017 share repurchase program. During the third quarter of 2019, the 2017 share repurchase program was completed. As of June 30, 2020, the Company has approximately $305 million available for additional repurchases under the 2019 share repurchase program.

Business Combinations and Shutdown and Other Special Charges, Net

The following table summarizes the transactions recorded in Business Combinations and Shutdown and Other Special Charges, Net in the Condensed Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions	**2020**	**2019**	**2020**	**2019**
Charges Associated with Business Combinations	$ (5.5)	$ 0.5	$ (4.0)	$ 2.6
Shutdown and Other Special Charges	22.0	9.4	26.2	13.5
Exit Activities[(a)]	4.0	—	17.0	—
Total	$ 20.5	$ 9.9	$ 39.2	$ 16.1

[(a)] Relates to the Company's CRB mills, converting facility closures and the PM1 containerboard machine exit activities (see "*Note 15 — Exit Activities"*).

2020

On January 31, 2020, the Company acquired a folding carton facility from Quad/Graphics, Inc. ("Quad"), a commercial printing company. The converting facility is located in Omaha, Nebraska and is included in the Americas Paperboard Packaging reportable segment. During the three months ended June 30, 2020, the Company recorded a bargain purchase gain of $6.6 million as the net fair value of assets acquired and liabilities assumed was greater than the purchase price. The gain associated with this acquisition is included in Charges Associated with Business Combinations in the table above. For more information, see "*Note 3 — Business Combinations*."

In March 2020, the Company made the decision to close the White Pigeon, Michigan CRB mill and shut down the PM1 containerboard machine in West Monroe, Louisiana. During the three months ended June 30, 2020, the Company closed the White Pigeon, Michigan CRB mill and shut down the PM1 containerboard machine. Charges associated with these projects are included in Exit Activities in the table above. For more information, see "*Note 15 — Exit Activities*."

On April 1, 2020, the Company acquired the Consumer Packaging Group business from Greif, Inc. ("Greif"), a leader in industrial packaging products and services. The acquisition included seven converting facilities across the United States which are included in the Americas Paperboard Packaging reportable segment. Charges associated with this acquisition are included in Charges Associated with Business Combinations in the table above. For more information, see "*Note 3 — Business Combinations*."

In June 2020, the Company made the decision to close certain converting facilities that were acquired from Greif. The Burlington, North Carolina converting facility was closed effective June 30, 2020 with additional facilities to be closed by the end of 2020. Charges associated with these projects are included in Exit Activities in the table above. For more information, see "*Note 15 — Exit Activities*."

The Company has established estimated liabilities related to the partial or complete withdrawal from certain multi-employment benefit plans for facilities which have been closed. During the second quarter, the Company increased its estimated withdrawal liability for these plans by $12.2 million, which was recorded in Shutdown and Other Special Charges in the table above. For more information, see *"Note 6 — Pensions and Other Postretirement Benefits*."

During the three months ended June 30, 2020, the Company made one-time payments to front-line production employees and made contributions to local food banks in every community with our manufacturing operations. The charges associated with these payments were recorded in Shutdown and Other Special Charges in the table above.

2019

On September 24, 2019, the Company announced its plan to invest approximately $600 million in a new CRB paper machine in Kalamazoo, Michigan. In conjunction with the completion of this project, the Company currently expects to close two of its smaller CRB Mills in 2022 in order to remain capacity neutral. Charges associated with this project are included in Exit Activities in the table above. For more information, see "*Note 15 — Exit Activities*."

On August 1, 2019, the Company acquired substantially all the assets of Artistic Carton Company ("Artistic"), a diversified producer of folding cartons and CRB. The acquisition included two converting facilities located in Auburn, Indiana and Elgin, Illinois (included in the Americas Paperboard Packaging reportable segment) and one CRB paperboard mill located in White Pigeon, Michigan (included in the Paperboard Mills reportable segment). Charges associated with this acquisition are included in Charges Associated with Business Combinations in the table above. For more information, see "*Note 3 — Business Combinations*."

During 2019, the Company began a three-year program to dismantle and dispose of idle and abandoned assets primarily at the paperboard mills. Expected charges for this program are approximately $40 million. Charges associated with this program are included in Shutdown and Other Special Charges in the table above.

Adoption of New Accounting Standards

Effective January 1, 2020, the Company adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which amends the FASB's guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model (known as the "current expected credit loss model") that is based on expected losses rather than incurred losses. The adoption of this standard did not have a material impact on the Company's financial position, results of operations and cash flows.

Effective January 1, 2020, the Company adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This amendment modifies the disclosure requirements on fair value measurements. The adoption of this standard did not have a material impact on the Company's financial disclosures.

Effective January 1, 2020, the Company adopted ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU broadens the scope of Accounting Standards Codification ("ASC") 350-40 with an updated definition of a hosting arrangement and clarifies certain aspects of accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The adoption of this standard did not have a material impact on the Company's financial position, results of operations and cash flows.

Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20); Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. This amendment removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures. The guidance is effective for fiscal years ending after December 15, 2020 and would be applied on a retrospective basis. The Company is currently evaluating the impact this guidance will have on its related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* This amendment modifies ASC 740 to simplify the accounting for income taxes. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is currently evaluating the impact of this new guidance.

NOTE 2 — INVENTORIES, NET

Inventories, Net by major class:

In millions	June 30, 2020	December 31, 2019
Finished Goods	$ 481.5	$ 434.8
Work in Progress	152.3	123.4
Raw Materials	389.8	370.0
Supplies	173.9	167.7
Total	$ 1,197.5	$ 1,095.9

NOTE 3 — BUSINESS COMBINATIONS

On January 31, 2020, the Company acquired a folding carton facility from Quad/Graphics, Inc., a commercial printing company. The converting facility is located in Omaha, Nebraska, close to many of the Company's existing food and beverage customers. The Company paid approximately $41 million using existing cash and borrowings under its revolving credit facility. The purchase price has been allocated to assets acquired and liabilities assumed based on the estimated fair values as of the acquisition date. The Company recorded $4.7 million related to identifiable intangible assets (customer relationships with useful lives offifteen years), $42.8 million related to net tangible assets (primarily working capital, land/buildings and equipment) and a bargain purchase gain of $6.6 million as the net fair value of assets acquired and liabilities assumed was greater than the purchase price.

On April 1, 2020, the Company acquired the Consumer Packaging Group business from Greif, Inc., a leader in industrial packaging products and services. The acquisition included seven converting facilities across the United States and will allow the Company to increase its mill-to-converting plant integration over time. The Company paid approximately $80 million using existing cash and borrowings under its revolving credit facility. The purchase price has been preliminarily allocated to assets acquired and liabilities assumed based on the estimated fair values as of the acquisition date and is subject to adjustments in subsequent periods once the third-party valuations are finalized. The Company recorded $13.5 million related to identifiable intangible assets (customer relationships with useful lives offifteen years) and $66.2 million related to net tangible assets (primarily working capital, land/buildings and equipment).

As disclosed in "*Note 1 — General Information*," the Company completed the Artistic acquisition in 2019. The Company paid approximately $53 million for the Artistic acquisition using existing cash and borrowings under its revolving credit facility. During the three months ended March 31, 2020, the acquisition accounting for Artistic was finalized.

NOTE 4 — DEBT

On March 6, 2020, GPIL completed a private offering of $450.0 million aggregate principal amount of its senior unsecured notes due 2028. The Senior Notes bear interest at an annual rate of 3.50%. The net proceeds were used by the Company to repay a portion of the outstanding borrowings under GPIL's revolving credit facility, which is under its senior secured credit facility.

Long-Term Debt is comprised of the following:

In millions	June 30, 2020	December 31, 2019
Senior Notes with interest payable semi-annually at3.50%, effective rate of3.55%, payable in 2028	$ 450.0	$ —
Senior Notes with interest payable semi-annually at4.75%, effective rate of4.82%, payable in 2027	300.0	300.0
Senior Notes with interest payable semi-annually at4.125%, effective rate of4.16%, payable in 2024	300.0	300.0
Senior Notes with interest payable semi-annually at4.875%, effective rate of4.90%, payable in 2022	250.0	250.0
Senior Notes with interest payable semi-annually at4.75%, effective rate of4.76%, payable in 2021	425.0	425.0
Senior Secured Term Loan Facilities with interest payable at various dates at floating rates (1.62% at June 30, 2020) payable through 2023	1,377.9	1,396.1
Senior Secured Revolving Facilities with interest payable at floating rates (1.58% at June 30, 2020) payable in 2023	281.1	52.8
Finance Leases	132.1	134.2
Other	5.4	5.4
Total Long-Term Debt	3,521.5	2,863.5
Less: Current Portion	475.4	41.1
	3,046.1	2,822.4
Less: Unamortized Deferred Debt Issuance Costs	17.3	12.5
Total	$ 3,028.8	$ 2,809.9

At June 30, 2020, 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
Senior Secured Domestic Revolving Credit Facility[a]	$ 1,450.0	$ 203.0	$ 1,229.1
Senior Secured International Revolving Credit Facility	178.3	78.1	100.2
Other International Facilities	48.4	13.1	35.3
Total	$ 1,676.7	$ 294.2	$ 1,364.6

[a] In accordance with its debt agreements, the Company's availability under its revolving credit facilities has been reduced by the amount of standby letters of credit issued of $17.9 million as of June 30, 2020. These letters of credit are primarily used as security against the Company's self-insurance obligations and workers' compensation obligations. These letters of credit expire at various dates through 2020 and 2021 unless extended.

The Third Amended and Restated Credit Agreement dated as of January 1, 2018 and the Amended and Restated Term Loan Agreement dated as of January 1, 2018 (collectively, the "Credit Agreement"), the 4.75% Senior Notes due 2027 and the 3.50% Senior Notes due 2028 are guaranteed by GPIP and certain domestic subsidiaries. The 4.75% Senior Notes due 2021, 4.875% Senior Notes due 2022 and 4.125% Senior Notes due 2024 are guaranteed by GPHC and certain domestic subsidiaries.

The Credit Agreement and the indentures governing the 4.75% Senior Notes due 2021, 4.875% Senior Notes due 2022, 4.125% Senior Notes due 2024, 4.75% Senior Notes due 2027 and 3.50% Senior Notes due 2028 (the "Indentures") limit the Company's ability to incur additional indebtedness. Additional covenants contained in the Credit Agreement and the Indentures may, among other things, restrict the ability of the Company to dispose of assets, incur guarantee obligations, prepay other indebtedness, repurchase stock, pay dividends and make other restricted payments, create liens, make equity or debt investments, make acquisitions, modify terms of the Indentures, engage in mergers or consolidations, change the business conducted by the Company and its subsidiaries, and engage in certain transactions with affiliates. Such restrictions could limit the Company's ability to respond to changing market conditions, fund its capital spending program, provide for unexpected capital investments or take advantage of business opportunities.

As of June 30, 2020, the Company was in compliance with the covenants in the Credit Agreement and the Indentures.

NOTE 5 — STOCK INCENTIVE PLANS

The Company has one active equity compensation plan from which new grants may be made, the Graphic Packaging Holding Company 2014 Omnibus Stock and Incentive Compensation Plan (the "2014 Plan"). Under the 2014 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs") and other types of stock-based and cash awards. Awards under the 2014 Plan generally vest and expire in accordance with terms established at the time of grant. Shares issued pursuant to awards under the 2014 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 and are adjusted for actual performance for performance-based awards.

Stock Awards, Restricted Stock and Restricted Stock Units

Under the 2014 Plan, all RSUs generally vest and become payable in three years from date of grant. RSUs granted to employees generally contain some combination of service and performance objectives based on various financial targets and relative total shareholder return that must be met for the RSUs to vest.

Data concerning RSUs granted in the first six months of 2020 is as follows:

	RSUs	Weighted Average Grant Date Fair Value Per Share
RSUs — Employees	1,632,205	$ 15.42
Stock Awards — Board of Directors	71,160	$ 13.49

During the six months ended June 30, 2020 and 2019, $20.4 million and $10.8 million, respectively, were charged to compensation expense for stock incentive plans.

During the six months ended June 30, 2020 and 2019, 0.8 million and 0.5 million shares were issued, respectively. The shares issued were primarily related to RSUs granted during 2017 and 2016, 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 employee's compensation.

In the first quarter of 2020, the Company purchased a group annuity contract using the assets held within the pension trust that transferred the remaining pension obligation under its largest U.S. pension plan of approximately $713 million to an insurance company. The Company incurred an additional non-cash settlement charge of $152.5 million related to this transfer. These non-cash settlement charges relate to Net Actuarial Loss previously recognized in Accumulated Other Comprehensive Loss.

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 June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
In millions	2020	2019	2020	2019	2020	2019	2020	2019
Components of Net Periodic Cost:								
Service Cost	$ 3.9	$ 3.7	$ 7.8	$ 7.0	$ 0.2	$ 0.2	$ 0.3	$ 0.3
Interest Cost	3.1	11.5	7.7	23.0	0.3	0.3	0.5	0.6
Administrative Expenses	0.1	0.1	0.2	0.2	—	—	—	—
Expected Return on Plan Assets	(4.7)	(13.7)	(11.6)	(27.5)	—	—	—	—
Net Settlement Loss	—	—	152.5	—	—	—	—	—
Amortization:								
Prior Service Credit	—	—	—	—	—	(0.1)	(0.1)	(0.1)
Actuarial Loss (Gain)	1.1	2.6	2.7	5.1	(0.5)	(0.7)	(0.9)	(1.2)
Net Periodic Cost (Benefit)	$ 3.5	$ 4.2	$ 159.3	$ 7.8	$ —	$ (0.3)	$ (0.2)	$ (0.4)

Employer Contributions

The Company made contributions of $1.1 million to its pension plans during the first six months of 2020 and 2019. The Company expects to make contributions in the range of $10 million to $20 million for the full year 2020. During 2019, the Company made $11.3 million of contributions to its pension plans.

The Company made postretirement health care benefit payments of $1.0 million and $1.2 million during the first six months of 2020 and 2019, respectively. The Company estimates its postretirement health care benefit payments for the full year 2020 to be approximately $3 million. During 2019, the Company made postretirement health care benefit payments of $1.2 million.

Multi-Employer Plans

The Company has established estimated liabilities related to the partial or complete withdrawal from certain multi-employment benefit plans for facilities which have been closed. During the second quarter, the Company increased its estimated withdrawal liability for these plans by $12.2 million, which was recorded in Business Combinations and Shutdown and Other Special Charges in the Consolidated Statements of Operations, to reflect the Company's best estimate of the expected withdrawal liability. The estimated liability of $42.5 million related to these plans is recorded as Compensation and Employee Benefits and Other Noncurrent Liabilities in the Company's Consolidated Balance Sheets. For more information regarding the Company's multi-employer plans, see "*Note 8 - Pension and Other Post Retirement Benefits*" of the Notes to Consolidated Financial Statements of the Company's 2019 Form 10-K.

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 Loss. These changes in fair value will subsequently be reclassified to earnings, contemporaneously with and offsetting changes in the related hedged exposure and presented in the same line of the income statement expected for the hedged item.

For more information regarding the Company's financial instruments and fair value measurement, see "*Note 10 — Financial Instruments, Derivatives and Hedging Activities*" *and* "*Note 11 — Fair Value Measurement*" of the Notes to the Consolidated Financial Statements of the Company's 2019 Form 10-K.

Interest Rate Risk

The Company uses interest rate swaps to manage interest rate risks on future interest payments caused by interest rate changes on its variable rate term loan facility. 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. The following table summarizes the Company's current interest rate swap positions for each period presented as of June 30, 2020:

Start	End	(In Millions) Notional Amount	Weighted Average Interest Rate
04/03/2018	10/01/2020	$150.0	2.36%
12/03/2018	01/01/2022	$120.0	2.92%
12/03/2018	01/04/2022	$80.0	2.79%

During the first six months of 2020 and 2019, there wereno 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 purchases of natural gas, the Company enters into natural gas swap contracts to hedge prices for a designated percentage of its expected natural gas usage. Such contracts are designated as cash flow hedges. The contracts are carried at fair value with changes in fair value recognized in Accumulated Other Comprehensive Loss and resulting gain or loss reclassified into Cost of Sales concurrently with the recognition of the commodity consumed. The Company has hedged approximately 59%, 36%, and 10% of its expected natural gas usage for the remainder of 2020 and all of 2021 and 2022, respectively.

During the first six months of 2020 and 2019, there wereno 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 foreign currency transactions and future variability of cash flows arising from those 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) Expense, Net or Net Sales, when appropriate.

At June 30, 2020, multiple forward exchange contracts existed that expire on various dates through the remainder of 2020. Those purchased forward exchange contracts outstanding at June 30, 2020 and December 31, 2019, when aggregated and measured in U.S. dollars at contractual rates at June 30, 2020 and December 31, 2019, had notional amounts totaling $38.8 million and $87.6 million, respectively.

No amounts were reclassified to earnings during the first six months of 2020 or during 2019 in connection with forecasted transactions that were considered probable of not occurring and there was no amount of ineffectiveness related to changes in the fair value of foreign currency forward contracts. Additionally, there wereno 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 receivables resulting from sales transactions and intercompany loans denominated in foreign currencies in order to manage risks associated with variability in cash flows that may be adversely affected by changes in exchange rates. At June 30, 2020 and December 31, 2019, multiple foreign currency forward exchange contracts existed, with maturities ranging up to three months. Those foreign currency exchange contracts outstanding at June 30, 2020 and December 31, 2019, when aggregated and measured in U.S. dollars at contractual rates at June 30, 2020 and December 31, 2019, had net notional amounts totaling $110.9 million and $77.4 million, respectively. Unrealized gains and losses resulting from these contracts are recognized in Other (Income) Expense, Net and approximately offset corresponding recognized but unrealized gains and losses on the remeasurement of these accounts receivable.

Fair Value of Financial Instruments

The Company's derivative instruments are carried at fair value. The Company has determined that the inputs to the valuation of these derivative instruments are Level 2 in the fair value hierarchy. Level 2 inputs are defined as quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. The Company uses valuation techniques based on discounted cash flow analyses, which reflect the terms of the derivatives and use observable market-based inputs, including forward rates, and uses market price quotations obtained from independent derivatives brokers, corroborated with information obtained from independent pricing service providers.

As of June 30, 2020, 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 following table summarizes the fair value of the Company's derivative instruments:

	Derivative Assets[(a)]		Derivative Liabilities[(b)]	
In millions	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Derivatives designated as hedging instruments:				
Interest rate contracts	$ —	$ —	$ 9.9	$ 6.6
Foreign currency contracts	0.6	—	0.1	1.5
Commodity contracts	—	—	0.4	3.4
Total Derivatives	$ 0.6	$ —	$ 10.4	$ 11.5

(a) Derivative assets of $0.6 million are included in Other Current Assets as of June 30, 2020.

(b) Derivative liabilities of $7.2 million and $8.5 million are included in Other Accrued Liabilities as of June 30, 2020 and December 31, 2019, respectively. Derivative liabilities of $3.2 million and $3.0 million are included in Other Noncurrent Liabilities as of June 30, 2020 and December 31, 2019, respectively.

The fair values of the Company's other financial assets and liabilities at June 30, 2020 and December 31, 2019 approximately equal the carrying values reported on the Condensed Consolidated Balance Sheets except for Long-Term Debt. The fair value of the Company's Long-Term Debt (excluding finance leases and deferred financing fees) was $3,428.7 million and $2,788.6 million as compared to the carrying amounts of $3,389.4 million and $2,729.3 million as of June 30, 2020 and December 31, 2019, respectively. The fair value of the Company's Total Debt, including the Senior Notes, is based on quoted market prices (Level 2 inputs). Level 2 valuation techniques for Long-Term Debt are based on quotations obtained from independent pricing service providers.

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

Effect of Derivative Instruments

The pre-tax effect of derivative instruments in cash flow hedging relationships on the Company's Condensed Consolidated Statements of Operations is as follows:

	Amount of (Gain) Loss Recognized in Accumulated Other Comprehensive Loss					Amount of (Gain) Loss Recognized in Statement of Operations			
	Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended June 30,		Six Months Ended June 30,	
In millions	2020	2019	2020	2019	Location in Statement of Operations	2020	2019	2020	2019
Commodity Contracts	$ (4.8)	$ 3.6	$ (8.4)	$ 2.7	Cost of Sales	$ (2.3)	$ (0.1)	$ (5.4)	$ 0.1
Foreign Currency Contracts	0.2	0.2	(2.6)	(0.9)	Other (Income) Expense, Net	(0.2)	—	(0.6)	(0.7)
Interest Rate Swap Agreements	0.4	3.8	5.9	5.8	Interest Expense, Net	2.0	0.1	2.9	0.1
Total	$ (4.2)	$ 7.6	$ (5.1)	$ 7.6		$ (0.5)	$ —	$ (3.1)	$ (0.5)

The effect of derivative instruments not designated as hedging instruments on the Company's Condensed Consolidated Statements of Operations is as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
In millions		2020	2019	2020	2019
Foreign Currency Contracts	Other (Income) Expense, Net	$ (5.9)	$ 1.5	$ (0.4)	$ 1.4

Accumulated Derivative Instruments (Loss) Income

The following is a rollforward of pre-tax Accumulated Derivative Instruments (Loss) Income which is included in the Company's Condensed Consolidated Balance Sheet as of June 30, 2020:

In millions	
Balance at December 31, 2019	$ (10.9)
Reclassification to Earnings	(3.1)
Current Period Change in Fair Value	5.1
Balance at June 30, 2020	$ (8.9)

At June 30, 2020, the Company expects to reclassify $6.3 million of pre-tax losses in the next twelve months from Accumulated Other Comprehensive Loss to earnings, contemporaneously with and offsetting changes in the related hedged exposure. The actual amount that will be reclassified to future earnings may vary from this amount as a result of changes in market conditions.

NOTE 8 — INCOME TAXES

Substantially all of the Company's operations are held through its majority investment in GPIP, a subsidiary that is classified as a partnership for U.S. income tax purposes and is generally not subject to domestic income tax expense. As a result, the consolidated financial statements exclude the domestic tax effect of the earnings attributable to the minority partner's interest in GPIP.

During the six months ended June 30, 2020 and 2019, the Company recognized Income Tax Expense of $12.9 million and $44.0 million, respectively, on Income before Income Taxes and Equity Income of Unconsolidated Entity of $59.4 million and $207.8 million, respectively. The effective tax rate for the six months ended June 30, 2020 and 2019 is lower than the statutory rate primarily due to the tax effect of income attributable to noncontrolling interests as well as the mix and levels of earnings between foreign and domestic tax jurisdictions.

As of December 31, 2019, the Company had approximately $32 million of Net Operating Losses ("NOLs") for U.S. federal income tax purposes which may be used to offset future taxable income. Based on these NOLs, other tax attributes, tax benefits associated with planned capital projects, and the anticipated reduction in International Paper's investment in GPIP, the Company does not expect to be a meaningful U.S. federal cash taxpayer until 2024.

NOTE 9 — ENVIRONMENTAL AND LEGAL MATTERS

Environmental Matters

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

Some of the Company's current and former facilities are the subject of environmental investigations and remediations resulting from historic operations and the release of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations may be imposed in the future or for which indemnification claims may be asserted against the Company. Also, closures or sales of facilities may necessitate investigation and may result in remediation activities at those facilities.

The Company has established reserves for those facilities or issues where a liability is probable and the costs are reasonably estimable. The Company believes that the amounts accrued for its loss contingencies, and the reasonably possible loss beyond the amounts accrued, are not material to the Company's consolidated financial position, results of operations or cash flows. The Company cannot estimate with certainty other future compliance, investigation or remediation costs. Some costs relating to historic usage that the Company considers to be reasonably possible of resulting in liability are not quantifiable at this time. The Company will continue to monitor environmental issues at each of its facilities, as well as regulatory developments, and will revise its accruals, estimates and disclosures relating to past, present and future operations, as additional information is obtained.

Legal Matters

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

NOTE 10 — RELATED PARTY TRANSACTIONS

In connection with the NACP Combination, the Company entered into agreements with IP for transition services, fiber procurement fees and corrugated products and ink supply. Payments to IP for the six months ended June 30, 2020 for fiber procurement fees and corrugated products were $6.2 million (related to pass through wood purchases of approximately $107 million) and $14.6 million, respectively. There were no payments to IP for transition services during the six months ended June 30, 2020. Payments to IP for the six months ended June 30, 2019 for transition services, fiber procurement fees and corrugated products and ink supply were $0.1 million, $5.6 million (related to pass through wood purchases of approximately $124 million) and $12.7 million, respectively. In addition, approximately $2 million of payments were made for purchases unrelated to these agreements for the six months ended June 30, 2019.

NOTE 11 — SEGMENT INFORMATION

The Company has three reportable segments as follows:

Paperboard Mills includes the nine North American paperboard mills which produce primarily CRB, CUK, and SBS, which is consumed internally to produce paperboard packaging for the Americas and Europe Paperboard Packaging segments. The remaining paperboard is sold externally to a wide variety of paperboard packaging converters and brokers. The Paperboard Mills segment Net Sales represent the sale of paperboard only to external customers. The effect of intercompany transfers to the paperboard packaging segments has been eliminated from the Paperboard Mills segment to reflect the economics of the integration of these segments.

Americas Paperboard Packaging includes paperboard packaging, primarily folding cartons, sold primarily to Consumer Packaged Goods ("CPG") companies, and cups, lids and food containers sold primarily to foodservice companies and quick-service restaurants ("QSR"), all serving the food, beverage, and consumer product markets in the Americas.

Europe Paperboard Packaging includes paperboard packaging, primarily folding cartons, sold primarily to CPG companies serving the food, beverage and consumer product markets in Europe.

The Company allocates certain mill and corporate costs to the reportable segments to appropriately represent the economics of these segments. The Corporate and Other caption includes the Pacific Rim and Australia operating segments and unallocated corporate and one-time costs.

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

These segments are evaluated by the chief operating decision maker based primarily on Income from Operations, as adjusted for depreciation and amortization. The accounting policies of the reportable segments are the same as those described above in "*Note 1 - General Information.*"

Segment information is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions	**2020**	**2019**	**2020**	**2019**
NET SALES:				
Paperboard Mills	$ 234.6	$ 279.2	$ 503.1	$ 554.7
Americas Paperboard Packaging	1,153.7	1,062.7	2,277.1	2,085.5
Europe Paperboard Packaging	183.0	177.2	359.8	351.0
Corporate/Other/Eliminations[(a)]	39.7	33.7	70.1	67.5
Total	$ 1,611.0	$ 1,552.8	$ 3,210.1	$ 3,058.7
(LOSS) INCOME FROM OPERATIONS:				
Paperboard Mills	$ (35.3)	$ 12.5	$ (58.2)	$ 8.5
Americas Paperboard Packaging	157.1	125.3	351.9	250.9
Europe Paperboard Packaging	20.7	15.5	32.7	34.7
Corporate and Other[(b)]	(27.7)	(8.9)	(51.6)	(15.7)
Total	$ 114.8	$ 144.4	$ 274.8	$ 278.4
DEPRECIATION AND AMORTIZATION:				
Paperboard Mills	$ 67.0	$ 52.4	$ 126.0	$ 108.6
Americas Paperboard Packaging	40.7	40.9	80.1	84.6
Europe Paperboard Packaging	9.3	11.8	19.1	23.6
Corporate and Other	5.4	5.1	10.8	10.5
Total	$ 122.4	$ 110.2	$ 236.0	$ 227.3

[(a)] Includes revenue from contracts with customers for the Australia and Pacific Rim operating segments.
[(b)] Includes expenses related to business combinations, exit activities, idle and abandoned assets and shutdown and other special charges.

NOTE 12 — EARNINGS PER SHARE

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions, except per share data	**2020**	**2019**	**2020**	**2019**
Net Income Attributable to Graphic Packaging Holding Company	$ 52.1	$ 63.8	$ 39.4	$ 121.7
Weighted Average Shares:				
Basic	279.9	295.2	284.4	296.3
Dilutive Effect of RSUs	0.6	0.5	0.8	0.7
Diluted	280.5	295.7	285.2	297.0
Earnings Per Share — Basic	$ 0.19	$ 0.22	$ 0.14	$ 0.41
Earnings Per Share — Diluted	$ 0.19	$ 0.22	$ 0.14	$ 0.41

NOTE 13 — REDEEMABLE NONCONTROLLING INTEREST

For information regarding the Company's Redeemable Noncontrolling Interest, see "*Note 15 — Redeemable Noncontrolling Interest*" of the Notes to Consolidated Financial Statements of the Company's 2019 Form 10-K.

On January 28, 2020, the Company announced that IP had notified the Company of its intent to begin the process of reducing its ownership interest in GPIP. Per the agreement between the parties, on January 29, 2020, GPIP purchased 15.1 million partnership units from IP for $250 million in cash. As a result, IP's ownership interest in GPIP decreased from 21.6% to 18.3% as of January 29, 2020.

At June 30, 2020, the redeemable noncontrolling interest was determined as follows:

In millions		
Balance at December 31, 2019	$	304.3
Net Loss Attributable to Redeemable Noncontrolling Interest		(5.2)
Other Comprehensive Income, Net of Tax		8.6
Redemption of IP's Ownership Interest		(250.0)
Redeemable Noncontrolling Interest Redemption Value Adjustment		(12.7)
Distributions of Membership Interest		(1.2)
Balance at June 30, 2020	$	43.8

Redeemable Noncontrolling Interest is recorded at the greater of carrying amount or redemption value at the end of each period. The redemption value is determined by the closing price of the Company's common stock.

NOTE 14 — ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the components of Accumulated Other Comprehensive Loss attributable to GPHC for the six months ended June 30, 2020 are as follows:

In millions, net of tax		Derivatives Instruments		Pension and Postretirement Benefit Plans		Currency Translation Adjustments		Total
Balance at December 31, 2019	$	(16.6)	$	(238.5)	$	(110.7)	$	(365.8)
Other Comprehensive Income (Loss) before Reclassifications		4.1		32.0		(42.9)		(6.8)
Amounts Reclassified from Accumulated Other Comprehensive (Loss) Income[a]		(2.5)		123.5		—		121.0
Net Current-period Other Comprehensive Income (Loss)		1.6		155.5		(42.9)		114.2
Less:								
Net Current-period Other Comprehensive (Income) Loss Attributable to Noncontrolling Interest[b]		(0.3)		(41.9)		8.2		(34.0)
Balance at June 30, 2020	$	(15.3)	$	(124.9)	$	(145.4)	$	(285.6)

[a] See following table for details about these reclassifications.

[b] Includes amounts related to redeemable noncontrolling interest which are separately classified outside of permanent equity in the mezzanine section of the Condensed Consolidated Balance Sheets.

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

The following represents reclassifications out of Accumulated Other Comprehensive Loss for the six months ended June 30, 2020:

In millions

Details about Accumulated Other Comprehensive Loss Components		Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Statement Where Net Income is Presented
Derivatives Instruments:				
Commodity Contracts	$	(5.4)		Cost of Sales
Foreign Currency Contracts		(0.6)		Other (Income) Expense, Net
Interest Rate Swap Agreements		2.9		Interest Expense, Net
		(3.1)		Total before Tax
		0.6		Tax Expense
	$	(2.5)		Net of Tax
Amortization of Defined Benefit Pension Plans:				
Actuarial Losses		155.2	(a)	
		155.2		Total before Tax
		(30.9)		Tax Benefit
	$	124.3		Net of Tax
Amortization of Postretirement Benefit Plans:				
Prior Service Credits	$	(0.1)	(a)	
Actuarial Gains		(0.9)	(a)	
		(1.0)		Total before Tax
		0.2		Tax Expense
	$	(0.8)		Net of Tax
Total Reclassifications for the Period	$	121.0		

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost (see "*Note 6 — Pensions and Other Postretirement Benefits*").

NOTE 15 — EXIT ACTIVITIES

During 2019, the Company announced its plans to invest approximately $600 million in a new CRB paper machine in Kalamazoo, Michigan. In conjunction with the completion of this project, the Company currently expects to close two of its smaller CRB Mills in 2022 in order to remain capacity neutral.

In March 2020, the Company made the decision to close the White Pigeon, Michigan CRB mill and shut down the PM1 containerboard machine in West Monroe, Louisiana. During the three months ended June 30, 2020, the Company closed the White Pigeon, Michigan CRB mill and shut down the PM1 containerboard machine.

In June 2020, the Company made the decision to close certain converting facilities that were acquired from Greif. The Burlington, North Carolina converting facility was closed effective June 30, 2020 with additional facilities to be closed by the end of 2020.

The Company accounts for the costs associated with these closures in accordance with ASC 360, *Impairment or Disposal of Long-Lived Assets ("ASC 360"),* ASC 420, *Exit or Disposal Costs Obligations ("ASC 420") and ASC 712 Compensation-Nonretirement Post Employment Benefits ("ASC 712").* During the six months ended June 30, 2020, the Company recorded $33.0 million of exit costs. The Company did not record any exit costs during the six months ended June 30, 2019. Other costs associated with the start up of the new CRB paper machine will be recorded in the period in which they are incurred. These costs are included in the Corporate and Other caption in "*Note 11 - Segment Information*."

The following table summarizes the costs incurred related to these restructurings:

In millions	Location in Statement of Operations	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Severance costs and other[(a)]	Business Combinations and Shutdown and Other Special Charges, Net	$ 2.5	$ 7.0
Accelerated depreciation	Cost of Sales	11.4	16.0
Inventory and asset write-offs	Business Combinations and Shutdown and Other Special Charges, Net	1.5	10.0
Total		$ 15.4	$ 33.0

[(a)] Costs incurred include activities for post-employment benefits, retention bonuses, incentives and professional services.

The following table summarizes the balance of accrued expenses related to restructuring:

In millions	
Balance at December 31, 2019	$ 7.1
Costs incurred	7.4
Payments	(1.2)
Adjustments[(a)]	(0.4)
Balance at June 30, 2020	$ 12.9

[(a)] Adjustments related to changes in estimates of severance costs.

In conjunction with the closure of the two smaller CRB Mills in 2022, the Company currently expects to incur exit activity charges for post-employment benefits, retention bonuses and incentives in the range of $15 million to $20 million and for accelerated depreciation and inventory and asset write-offs in the range of $50 million to $60 million. Through June 30, 2020, the Company has incurred cumulative exit activity charges for post-employment benefits, retention bonuses and incentives of $10.6 million and accelerated depreciation and inventory and asset write-offs of $16.5 million.

For the closures of the White Pigeon, Michigan CRB mill and the shutdown of the PM1 containerboard machine in West Monroe, Louisiana, the Company has incurred cumulative exit activity charges for post-employment benefits of $2.4 million and accelerated depreciation and inventory and asset write-offs of $15.8 million through June 30, 2020. The Company does not expect to incur any additional significant costs charges related to these closures.

For the closure of the facilities acquired from Greif, the Company currently expects to incur exit activity charges for post-employment benefits of approximately $3.5 million and for accelerated amortization of operating lease assets of $3.5 million. Through June 30, 2020, the Company has incurred cumulative exit activity charges for post-employment benefits of $1.4 million and accelerated amortization of $0.9 million related to these closures.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTSOF OPERATIONS

INTRODUCTION

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

- Overview of Business
- Overview of 2020 Results
- Results of Operations
- Financial Condition, Liquidity and Capital Resources
- Critical Accounting Policies
- New Accounting Standards
- Business Outlook

OVERVIEW OF BUSINESS

The Company’s objective is to strengthen its position as a leading provider of paper-based packaging solutions. To achieve this objective, the Company offers customers its paperboard, cartons, cups, lids, foodservice containers and packaging machines, either as an integrated solution or separately. Cartons, carriers and containers are designed to protect and hold products. Product offerings include a variety of laminated, coated and printed packaging structures that are produced from the Company’s coated recycled board (“CRB”), coated unbleached kraft (“CUK”) and solid bleached sulfate ("SBS"). Innovative designs and combinations of paperboard, films, foils, metallization, holographics and embossing are customized to the individual needs of the customers.

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

Significant Factors That Impact The Company’s Business

COVID-19 Pandemic. There are many uncertainties regarding the current novel coronavirus (“COVID-19”) pandemic, including the anticipated duration of the pandemic, and the extent of local and worldwide social, political, and economic disruption it may cause. While, to the Company’s knowledge, the COVID-19 pandemic has not materially impacted its overall business, operations, or financial results to date, it may have far-reaching impacts on many aspects of the Company's operations, including impacts on customer and consumer behaviors, business and manufacturing operations, inventory, accounts receivable, the Company’s employees, and the market generally. The Company will continue to assess the evolving impact of the COVID-19 pandemic and intends to make adjustments to its business accordingly, such as to balance the Company's supply with demand by adjusting mill maintenance outages and taking downtime where appropriate such as we expect to take SBS mill market downtime in Q3 of 2020 to reflect reduced demand for SBS cupstock.

Impact of Inflation/Deflation. The Company’s cost of sales consists primarily of energy (including natural gas, fuel oil and electricity), pine and hardwood fiber, chemicals, secondary fibers, purchased paperboard, aluminum foil, ink, plastic films and resins, depreciation expense and labor. Costs decreased in the first six months of 2020 by $0.3 million, compared to the first six months of 2019. The lower costs in the six months ended June 30, 2020 were due to wood ($17.3 million), energy ($9.3 million), and other costs, net ($3.4 million) partially offset by higher labor and benefit costs ($23.1 million) and secondary fiber cost ($6.6 million).
Because the price of natural gas experiences significant volatility, the Company has entered into contracts designed to manage risks associated with future variability in cash flows caused by changes in the price of natural gas. The Company has entered into natural gas swap contracts to hedge prices for a portion of its expected usage for the remainder of 2020 and all of 2021 and 2022. Since negotiated sales contracts and the market largely determine the pricing for its products, the Company is at times limited in its ability to raise prices and pass through to its customers any inflationary or other cost increases that the Company may incur.

Commitment to Cost Reduction. In light of continuing margin pressure throughout the packaging industry, the Company has programs in place that are designed to reduce costs, improve productivity and increase profitability. The Company utilizes a global continuous improvement initiative that uses statistical process control to help design and manage many types of activities, including production and maintenance. This includes a Six Sigma process focused on reducing variable and fixed manufacturing and administrative costs. The Company has expanded the continuous improvement initiative to include the deployment of Lean Sigma principles into manufacturing and supply chain services.

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

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

In addition, the Company's sales historically are driven by consumer buying habits in the markets its customers serve. Changes in consumer dietary habits and preferences, increases in the costs of living, unemployment rates, access to credit markets, as well as other macroeconomic factors, may negatively affect consumer spending behavior. New product introductions and promotional activity by the Company's customers and the Company's introduction of new packaging products also impact its sales.

Debt Obligations. The Company had an aggregate principal amount of $3,529.3 million of outstanding debt obligations as of June 30, 2020. This debt has consequences for the Company, as it requires a portion of cash flow from operations to be used for the payment of principal and interest, exposes the Company to the risk of increased interest rates and may restrict the Company's ability to obtain additional financing. Covenants in the Company's Amended and Restated Credit Agreement, the Term Loan Credit Agreement and Indentures may, among other things, restrict the ability of the Company to dispose of assets, incur guarantee obligations, prepay other indebtedness, repurchase stock, pay dividends, make other restricted payments and make acquisitions or other investments. The Amended and Restated Credit Agreement and the Term Loan Credit Agreement also require compliance with a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio. The Company's ability to comply in future periods with the financial covenants will depend on its ongoing financial and operating performance, which in turn will be subject to many other factors, many of which are beyond the Company's control. See "Covenant Restrictions" in "Financial Condition, Liquidity and Capital Resources" for additional information regarding the Company's debt obligations.

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

OVERVIEW OF SECOND QUARTER 2020 RESULTS

This management's discussion and analysis contains an analysis of Net Sales, Income from Operations and other information relevant to an understanding of the Company's results of operations. On a Consolidated basis:

- Net Sales for the three months ended June 30, 2020, increased $58.2 million or 3.7% to $1,611.0 million from $1,552.8 million for the three months ended June 30, 2019, due to higher selling prices, organic volume growth, and the Greif, Quad and Artistic acquisitions discussed below, partially offset by unfavorable foreign currency exchange rates and lower open market volume of our paperboard.

- Income from Operations for the three months ended June 30, 2020 decreased $29.6 million or 20.5% to $114.8 million from $144.4 million for the three months ended June 30, 2019. Increases due to higher selling prices, cost savings through continuous improvement and other programs, higher volumes, commodity deflation, and favorable foreign currency exchange rates, were offset by higher labor and benefits costs, higher levels of planned maintenance at the mills, and higher charges for a settlement accrual for a multi-employer pension plan.

Acquisitions

- On April 1, 2020, the Company acquired the Consumer Packaging Group business from Greif, Inc. ("Greif"), a leader in industrial packaging products and services. The acquisition included seven converting facilities across the United States, which are included in the Americas Paperboard Packaging reportable segment.

- On January 31, 2020, the Company acquired a folding carton facility from Quad/Graphics, Inc. ("Quad"), a commercial printing company. The converting facility is located in Omaha, Nebraska and is included in the Americas Paperboard Packaging reportable segment.

- On August 1, 2019, the Company acquired substantially all the assets of Artistic Carton Company ("Artistic"), a diversified producer of folding cartons and CRB. The acquisition included two converting facilities located in Auburn, Indiana and Elgin, Illinois (included in the Americas Paperboard Packaging reportable segment) and one CRB paperboard mill located in White Pigeon, Michigan (included in the Paperboard Mills reportable segment).

Capital Allocations

- On May 20, 2020, the Company's board of directors declared a regular quarterly dividend of $0.075 per share of common stock payable on July 5, 2020 to shareholders of record as of June 15, 2020.

- On January 28, 2019, the Company's board of directors authorized an additional share repurchase program to allow the Company to purchase up to $500 million of the Company's issued and outstanding shares of common stock through open market purchases, privately negotiated transactions and Rule 10b5-1 plans (the "2019 share repurchase program"). The previous $250 million share repurchase program was authorized on January 10, 2017 (the "2017 share repurchase program"). During the first six months of 2020, the Company repurchased 12,289,317 shares of its common stock at an average price of $12.82, under the 2019 share repurchase program. During the six months ended June 30, 2019, the Company repurchased 6,461,896 shares of its common stock at an average price of $12.04, under the 2017 share repurchase program. During the third quarter of 2019, the 2017 share repurchase program was completed. As of June 30, 2020, the Company has approximately $305 million available for additional repurchases under the 2019 share repurchase program.

RESULTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions	2020	2019	2020	2019
Net Sales	$ 1,611.0	$ 1,552.8	$ 3,210.1	$ 3,058.7
Income from Operations	114.8	144.4	274.8	278.4
Nonoperating Pension and Postretirement Benefit Income (Expense)	0.6	—	(151.0)	(0.1)
Interest Expense, Net	(30.7)	(35.5)	(64.4)	(70.5)
Income before Income Taxes and Equity Income of Unconsolidated Entity	84.7	108.9	59.4	207.8
Income Tax Expense	(18.3)	(23.0)	(12.9)	(44.0)
Income before Equity Income of Unconsolidated Entity	66.4	85.9	46.5	163.8
Equity Income of Unconsolidated Entity	0.3	0.2	0.4	0.4
Net Income	$ 66.7	$ 86.1	$ 46.9	$ 164.2

SECOND QUARTER 2020 COMPARED WITH SECOND QUARTER 2019

Net Sales

	Three Months Ended June 30,			
In millions	2020	2019	Increase	Percent Change
Consolidated	$ 1,611.0	$ 1,552.8	$ 58.2	3.7 %

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

	Three Months Ended June 30,					
		Variances				
In millions	2019	Price	Volume/Mix	Exchange	Total	2020
Consolidated	$ 1,552.8	$ 5.4	$ 65.9	$ (13.1)	$ 58.2	$ 1,611.0

The Company’s Net Sales for the three months ended June 30, 2020 increased by $58.2 million or 3.7% to $1,611.0 million from $1,552.8 million for the three months ended June 30, 2019, due to Net Sales of $85.2 million from the Greif, Artistic, and Quad acquisitions, higher selling prices and organic volume growth including conversions to our paperboard packaging solutions. These increases were offset by lower open market volume of our paperboard and unfavorable foreign currency exchange rates, primarily the British Pound, Mexican Peso, Euro, and Australian dollar. The higher selling prices are the results of announced price increases which benefit from inflationary pass throughs in the converting business partially offset by price declines on open market sales. Core converting volumes were up, primarily in global beverage, dry foods, and cereal offset by declines in away from home and confections products. The COVID-19 pandemic had a positive impact on volumes in the quarter for food and beverage packaging offset by a reduction in demand for some foodservice products.

Income from Operations

In millions	Three Months Ended June 30, 2020	2019	Decrease	Percent Change
Consolidated	$ 114.8	$ 144.4	$ (29.6)	(20.5)%

The components of the change in Income from Operations are as follows:

	Three Months Ended June 30,	Variances						
In millions	2019	Price	Volume/Mix	Inflation	Exchange	Other [(a)]	Total	2020
Consolidated	$ 144.4	$ 5.4	$ (11.3)	$ (2.5)	$ 2.3	$ (23.5)	$ (29.6)	$ 114.8

[(a)] Includes the Company's cost reduction initiatives, planned mill maintenance costs, expenses related to acquisitions and integration activities, exit activities and shutdown and other special charges.

Income from Operations for the three months ended June 30, 2020 decreased $29.6 million or 20.5% to $114.8 million from $144.4 million for the three months ended June 30, 2019. Increases due to higher selling prices, cost savings through continuous improvement and other programs, higher volumes including from organic volume growth and acquisitions, commodity deflation and favorable foreign currency exchange rates, were offset by product mix, higher levels of planned maintenance at the mills, higher charges for exit activities related to our announced closures of White Pigeon, Michigan, CRB mill and West Monroe, Louisiana, PM1 containerboard machine, higher charges for a settlement accrual for a multi-employer pension plan, and other inflation (primarily labor and benefits). Inflation increased for the three months ended June 30, 2020 by $2.5 million due to higher labor and benefit costs ($11.1 million) and secondary fiber costs ($10.4 million), partially offset by lower wood ($11.3 million), energy ($2.6 million), freight ($1.6 million) and other costs, net ($3.5 million).

Interest Expense, Net

Interest Expense, Net was $30.7 million and $35.5 million for the three months ended June 30, 2020 and 2019, respectively. Interest Expense, Net decreased due primarily to lower interest rates, partially offset by higher debt balances as compared to the same period in the prior year. As of June 30, 2020, approximately 38% of the Company’s total debt was subject to floating interest rates.

Income Tax Expense

During the three months ended June 30, 2020 and 2019, the Company recognized Income Tax Expense of $18.3 million and $23.0 million, respectively, on Income before Income Taxes and Equity Income of Unconsolidated Entity of $84.7 million and $108.9 million, respectively. The effective tax rate for the three months ended June 30, 2020 and 2019 is different than the statutory rate primarily due to the tax effect of income attributable to noncontrolling interests as well as the mix and levels of earnings between foreign and domestic tax jurisdictions.

As of December 31, 2019, the Company had approximately $32 million of Net Operating Losses (“NOLs”) for U.S. federal income tax purposes which may be used to offset future taxable income. Based on these NOLs, other tax attributes, tax benefits associated with planned capital projects, and the anticipated reduction in International Paper's investment in GPIP, the Company does not expect to be a meaningful U.S. federal cash taxpayer until 2024.

FIRST SIX MONTHS 2020 COMPARED WITH FIRST SIX MONTHS 2019

Net Sales

	Six Months Ended June 30,			
In millions	2020	2019	Increase	Percent Change
Consolidated	$ 3,210.1	$ 3,058.7	$ 151.4	4.9 %

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

	Six Months Ended June 30,					
		Variances				
In millions	2019	Price	Volume/Mix	Exchange	Total	2020
Consolidated	$ 3,058.7	$ 19.5	$ 154.9	$ (23.0)	$ 151.4	$ 3,210.1

The Company's Net Sales for the six months ended June 30, 2020 increased by $151.4 million or 4.9% to $3,210.1 million from $3,058.7 million for the six months ended June 30, 2019, due to Net Sales of $114.1 million from the Greif, Artistic and Quad Acquisitions, higher selling prices, and organic volume growth including conversions to our paperboard packaging solutions. These increases were partially offset by lower open market volume of our paperboard and unfavorable foreign currency exchange rates, primarily the British Pound, Mexican Peso, Euro, and Australian dollar. The higher selling prices are the results of announced price increases which benefit from inflationary pass throughs in the converting business partially offset by price declines on open market sales. Core converting volumes were up, primarily in global beverage, dry foods, and cereal offset by declines in away from home and frozen foods products. The COVID-19 pandemic had a positive impact on volumes in the first half of 2020 for food and beverage packaging offset by a reduction in demand for some foodservice products.

Income from Operations

	Six Months Ended June 30,			
In millions	2020	2019	Decrease	Percent Change
Consolidated	$ 274.8	$ 278.4	$ (3.6)	(1.3)%

The components of the change in Income from Operations are as follows:

	Six Months Ended June 30,							
		Variances						
In millions	2019	Price	Volume/Mix	Inflation	Exchange	Other [(a)]	Total	2020
Consolidated	$ 278.4	$ 19.5	$ (5.9)	$ 0.3	$ (5.9)	$ (11.6)	$ (3.6)	$ 274.8

[(a)] Includes the Company's cost reduction initiatives, expenses related to acquisitions and integration activities, exit activities and shutdown and other special charges.

Income from Operations for the six months ended June 30, 2020 decreased $3.6 million or 1.3% to $274.8 million from $278.4 million for the six months ended June 30, 2019. Increases due to higher selling prices, cost savings through continuous improvement and other programs, higher volumes including from organic volume growth and acquisitions, and commodity deflation were offset by product mix, higher levels of planned maintenance at the mills, higher charges for exit activities related to our announced closures of White Pigeon, Michigan, CRB mill and West Monroe, Louisiana, PM1 containerboard machine, higher charges for a settlement accrual for a multi-employer pension plan, other inflation (primarily labor and benefits) and unfavorable foreign currency exchange rates. Commodity costs decreased for the six months ended June 30, 2020 by $0.3 million primarily due to wood ($17.3 million), energy ($9.3 million), and other costs, net ($3.4 million), partially offset by higher labor and benefit costs ($23.1 million) and secondary fiber cost ($6.6 million).

Nonoperating Pension and Postretirement Benefit

Nonoperating Pension and Postretirement Benefit was an expense of $151.0 million for the six months ended June 30, 2020 versus an expense of $0.1 million in 2019. The increase was due to a settlement charge of $152.5 million incurred during the first quarter of 2020 associated with the Company's purchase of a group annuity contract that transferred the remaining pension benefit obligation under the largest U.S. Plan of approximately $713 million to an insurance company.

Interest Expense, Net

Interest Expense, Net was $64.4 million and $70.5 million for the six months ended June 30, 2020 and 2019, respectively. Interest Expense, Net decreased due primarily to lower interest rates, partially offset by higher debt balances as compared to the same period in the prior year.

Income Tax Expense

During the six months ended June 30, 2020 and 2019, the Company recognized Income Tax Expense of $12.9 million and $44.0 million, respectively, on Income before Income Taxes and Equity Income of Unconsolidated Entity of $59.4 million and $207.8 million, respectively. The effective tax rate for the six months ended June 30, 2020 and 2019 is different than the statutory rate primarily due to the tax effect of income attributable to noncontrolling interests as well as the mix and levels of earnings between foreign and domestic tax jurisdictions.

Segment Reporting

The Company has three reportable segments as follows:

Paperboard Mills includes the nine North American paperboard mills which produce primarily CRB, CUK, and SBS, which is consumed internally to produce paperboard packaging for the Americas and Europe Paperboard Packaging segments. The remaining paperboard is sold externally to a wide variety of paperboard packaging converters and brokers. The Paperboard Mills segment Net Sales represent the sale of paperboard only to external customers. The effect of intercompany transfers to the paperboard packaging segments has been eliminated from the Paperboard Mills segment to reflect the economics of the integration of these segments.

Americas Paperboard Packaging includes paperboard packaging, primarily folding cartons, sold primarily to Consumer Packaged Goods ("CPG") companies, and cups, lids and food containers sold primarily to foodservice companies and quick-service restaurants ("QSR"), all serving the food, beverage, and consumer product markets in the Americas.

Europe Paperboard Packaging includes paperboard packaging, primarily folding cartons, sold primarily to CPG companies serving the food, beverage and consumer product markets in Europe.

The Company allocates certain mill and corporate costs to the reportable segments to appropriately represent the economics of these segments. The Corporate and Other caption includes the Pacific Rim and Australia operating segments and unallocated corporate and one-time costs.

These segments are evaluated by the chief operating decision maker based primarily on Income from Operations, as adjusted for depreciation and amortization. The accounting policies of the reportable segments are the same as those described above in "*Note 1 - General Information.*"

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions	**2020**	**2019**	**2020**	**2019**
NET SALES:				
Paperboard Mills	$ 234.6	$ 279.2	$ 503.1	$ 554.7
Americas Paperboard Packaging	1,153.7	1,062.7	2,277.1	2,085.5
Europe Paperboard Packaging	183.0	177.2	359.8	351.0
Corporate/Other/Eliminations[a]	39.7	33.7	70.1	67.5
Total	$ 1,611.0	$ 1,552.8	$ 3,210.1	$ 3,058.7
(LOSS) INCOME FROM OPERATIONS:				
Paperboard Mills	$ (35.3)	$ 12.5	$ (58.2)	$ 8.5
Americas Paperboard Packaging	157.1	125.3	351.9	250.9
Europe Paperboard Packaging	20.7	15.5	32.7	34.7
Corporate and Other[b]	(27.7)	(8.9)	(51.6)	(15.7)
Total	$ 114.8	$ 144.4	$ 274.8	$ 278.4

[a] Includes revenue from contracts with customers for the Australia and Pacific Rim operating segments.
[b] Includes expenses related to business combinations, exit activities, idle and abandoned assets and shutdown and other special charges.

2020 COMPARED WITH 2019

Second Quarter 2020 Compared to Second Quarter 2019

Paperboard Mills

Net Sales decreased from prior year due to lower selling prices, customer mix, and lower open market volume primarily of SBS offset by higher open market volume of CRB including the White Pigeon mill, which was acquired as part of Artistic. The Company also internalized more paperboard tons.

Loss from Operations increased due to the lower selling prices, lower open market volume, higher levels of planned maintenance at the mills, higher labor and benefits costs, and customer mix of open market volume partially offset by productivity improvements, including benefits from capital projects, and commodity deflation. The commodity deflation was primarily due to lower prices for wood and energy.

Americas Paperboard Packaging

Net Sales increased due to higher selling prices, the Greif, Artistic, and Quad acquisitions, organic volume growth including conversions to our paperboard packaging solutions, and new product introductions. Higher volumes in global beverage, dry foods, and cereal were offset by declines in away from home and confections products. In beverage, volumes increased in all categories including soft drink, craft and specialty, and big beer. The COVID-19 pandemic had a positive impact on volumes in the second quarter of 2020 for food and beverage packaging offset by a reduction in demand for some foodservice products.

Income from Operations increased due to higher selling prices, cost savings through continuous improvement and other programs, higher volumes, and commodity deflation, partially offset by other inflation (primarily labor and benefits) and unfavorable foreign currency exchange rates. The commodity deflation was primarily due to lower prices for wood and energy.

Europe Paperboard Packaging

Net Sales increased as higher pricing and increased volumes, led by beverage and convenience, were partially offset by unfavorable mix and foreign currency exchange rates.

Income from Operations increased due to higher selling prices, increased volumes, and commodity deflation partially offset by higher labor and benefits costs and COVID-19 costs.

First Six Months of 2020 Compared to First Six Months of 2019

Paperboard Mills

Net Sales decreased from prior year due to lower selling prices, customer mix, and lower open market volume primarily of SBS offset by higher open market volume of CRB including the White Pigeon mill, which was acquired as part of Artistic. The Company also internalized more paperboard tons.

Loss from Operations increased due to the lower selling prices, lower open market volume, higher levels of planned maintenance at the mills, higher labor and benefits costs, and customer mix of open market volume partially offset by productivity improvements, including benefits from capital projects, and commodity deflation. The commodity deflation was primarily due to lower prices for wood and energy.

Americas Paperboard Packaging

Net Sales increased due to higher selling prices, the Greif, Artistic, and Quad acquisitions, organic volume growth including conversions to our paperboard packaging solutions, and new product introductions. Higher volumes in global beverage, dry foods, and cereal were offset by declines in away from home and frozen food products. In beverage, volumes increased in all categories including soft drink, craft and specialty, and big beer. COVID-19 had a positive impact on volumes in the first half of 2020 for food and beverage packaging offset by a reduction in demand for some foodservice products.

Income from Operations increased due to higher selling prices, cost savings through continuous improvement and other programs, higher volumes, and commodity deflation, partially offset by other inflation (primarily labor and benefits) and unfavorable foreign currency exchange rates. The commodity deflation was primarily due to lower prices for wood and energy.

Europe Paperboard Packaging

Net Sales increased as higher pricing and increased volumes, led by beverage and convenience, were partially offset by unfavorable mix and foreign currency exchange rates.

Income from Operations decreased due to higher inflation, primarily labor and benefits, external board, and COVID-19 costs. The increased costs were partially offset by the higher selling prices, increased volumes, and commodity deflation.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows

	Six Months Ended June 30,	
In millions	**2020**	**2019**
Net Cash Provided by Operating Activities	$ 143.8	$ 59.8
Net Cash Used in Investing Activities	$ (388.7)	$ (10.0)
Net Cash Provided by (Used in) Financing Activities	$ 180.4	$ (56.4)

Net cash provided by operating activities for the first six months of 2020 totaled $143.8 million, compared to $59.8 million for the same period in 2019. The increase was due primarily to the restructuring of certain of the Company's accounts receivable sale and securitization programs as well as improved operations as compared to the same period in the prior year. Pension contributions for the first six months of 2020 and 2019 were $1.1 million.

Net cash used in investing activities for the first six months of 2020 totaled $388.7 million, compared to $10.0 million for the same period in 2019. Capital spending was $306.6 million and $158.3 million in 2020 and 2019, respectively. In 2020, the Company paid approximately $41 million and $80 million for the Quad and Greif acquisitions, respectively. In 2019, the Company paid the remaining $2.0 million for the Letica acquisition. Net beneficial interest decreased by $104.3 million as a result of the restructuring of certain of the Company's accounts receivable sale and securitization programs. Net cash receipts related to the accounts receivable securitization and sale programs were $48.4 million and $152.7 million in 2020 and 2019, respectively.

Net cash provided by financing activities for the first six months of 2020 totaled $180.4 million, compared to $56.4 million used in financing activities for the same period in 2019. Current year activities include a debt offering of $450 million aggregate principal amount of 3.50% senior notes due 2028. The Company used the net proceeds to repay a portion of its outstanding borrowings under its senior secured revolving credit facility. In the current year period, the Company also paid $250 million toward the redemption of International Paper Company's ownership interest in Graphic Packaging International Partners, LLC. Additionally, the Company made borrowings under revolving credit facilities primarily for capital spending, repurchase of common stock of $157.4 million and payments on debt of $18.3 million. The Company also paid dividends and distributions of $53.6 million and withheld $8.9 million of restricted stock units to satisfy tax withholding obligations related to the payout of restricted stock units. In the prior year period, the Company made a debt offering of $300 million aggregate principal amount of 4.75% senior notes due 2027. The Company also made borrowings under revolving credit facilities primarily for capital spending, repurchase of common stock and payments on debt of $18.3 million. In addition, the Company paid dividends and distributions of $58.3 million and withheld $4.0 million of restricted stock units to satisfy tax withholding payments related to the payout of restricted stock units.

Liquidity and Capital Resources

The Company's liquidity needs arise primarily from the funding of its capital expenditures, debt service on its indebtedness, ongoing operating costs, working capital, share repurchases and dividend payments. Principal and interest payments under the term loan facilities and the revolving credit facilities, together with principal and interest payments on the Company's 4.75% Senior Notes due 2021, 4.875% Senior Notes due 2022, 4.125% Senior Notes due 2024, 4.75% Senior Notes due 2027 and 3.50% Senior Notes due 2028 (the "Notes"), represent liquidity requirements for the Company. Based upon current levels of operations, anticipated cost savings and expectations as to future growth, the Company believes that cash generated from operations, together with amounts available under its revolving credit facilities and other available financing sources, will be adequate to permit the Company to meet its debt service obligations, necessary capital expenditure program requirements and ongoing operating costs and working capital needs, although no assurance can be given in this regard. The Company's future financial and operating performance, ability to service or refinance its debt and ability to comply with the covenants and restrictions contained in its debt agreements (see “Covenant Restrictions” below) will be subject to future economic conditions, including conditions in the credit markets, and to financial, business and other factors, many of which are beyond the Company's control, and will be substantially dependent on the selling prices and demand for the Company's products, raw material and energy costs, and the Company's ability to successfully implement its overall business and profitability strategies.

The Company has entered into agreements to sell, on a revolving basis, certain trade accounts receivable to third party financial institutions. Transfers under these agreements meet the requirements to be accounted for as sales in accordance with the *Transfers and Servicing* topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "Codification"). The loss on sale is not material and is included in Other (Income) Expense, Net on the Condensed Consolidated Statement of Operations. The following table summarizes the activity under these programs for the six months ended June 30, 2020 and 2019, respectively:

	Six Months Ended June 30,	
In millions	**2020**	**2019**
Receivables Sold and Derecognized	$ 1,357.1	$ 1,410.2
Proceeds Collected on Behalf of Financial Institutions	1,318.0	1,077.2
Net Proceeds Received From (Paid to) Financial Institutions	30.7	(3.6)
Deferred Purchase Price at June 30[a]	9.7	5.2
Pledged Receivables at June 30	260.7	124.0

[a] Included in Other Current Assets and represents a beneficial interest in the receivables sold to the financial institutions, which is a Level 3 fair value measure.

The Company participates in supply chain financing arrangements offered by certain customers and has entered into various factoring arrangements that also qualify for sale accounting in accordance with the *Transfers and Servicing* topic of the FASB Codification. For the six months ended June 30, 2020 and 2019, the Company sold receivables of approximately $151 million and $73 million, respectively, related to these factoring arrangements.

Receivables sold under all programs subject to continuing involvement, which consists principally of collection services, were approximately $600 million and $562 million as of June 30, 2020 and December 31, 2019, respectively.

Covenant Restrictions

Covenants contained in the Third Amended and Restated Credit Agreement dated as of January 1, 2018, the Amended and Restated Term Loan Agreement dated as of January 1, 2018 (collectively, the "Credit Agreement") and the Indentures may, among other things, limit the ability to incur additional indebtedness, restrict the ability of the Company to dispose of assets, incur guarantee obligations, prepay other indebtedness, repurchase shares, pay dividends and make other restricted payments, create liens, make equity or debt investments, make acquisitions, modify terms of the indentures under which the Notes are issued, engage in mergers or consolidations, change the business conducted by the Company and its subsidiaries, and engage in certain transactions with affiliates. Such restrictions, together with disruptions in the credit markets, could limit the Company's ability to respond to changing market conditions, fund its capital spending program, provide for unexpected capital investments or take advantage of business opportunities.

Under the terms of the Credit Agreement, the Company must comply with a maximum Consolidated Total Leverage Ratio covenant and a minimum Consolidated Interest Expense Ratio covenant. The Third Amended and Restated Credit Agreement, which contains the definitions of these covenants, was filed as an exhibit to the Company's Form 8-K filed on January 2, 2018.

The Credit Agreement requires that the Company maintain a maximum Consolidated Total Leverage Ratio of less than 4.25 to 1.00. At June 30, 2020, the Company was in compliance with such covenant and the ratio was 3.02 to 1.00.

The Company must also comply with a minimum Consolidated Interest Expense Ratio of 3.00 to 1.00. At June 30, 2020, the Company was in compliance with such covenant and the ratio was 8.54 to 1.00.

As of June 30, 2020, the Company's credit was rated BB+ by Standard & Poor's and Ba1 by Moody's Investor Services. Standard & Poor's and Moody's Investor Services' ratings on the Company included a stable outlook.

Capital Investment

The Company’s capital investment in the first six months of 2020 was $306.6 million compared to $158.3 million in the first six months of 2019. The capital investments were primarily due to planned asset upgrades at the U.S.-based mills, including the new CRB paper machine in Kalamazoo, MI discussed in "*Note 15 — Exit Activities,"* and continued investments made as part of the integration of acquisitions.

Environmental Matters

Some of the Company's current and former facilities are the subject of environmental investigations and remediations resulting from historical operations and the release of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations may be imposed in the future or for which indemnification claims may be asserted against the Company. Also, closures or sales of facilities may necessitate further investigation and may result in remediation at those facilities. The Company has established reserves for those facilities or issues where liability is probable and the costs are reasonably estimable.

For further discussion of the Company's environmental matters, see "*Note 9 - Environmental and Legal Matters*" in the Notes to Condensed Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from these estimates, and changes in these estimates are recorded when known. The critical accounting policies used by management in the preparation of the Company's condensed consolidated financial statements are those that are important both to the presentation of the Company's financial condition and results of operations and require significant judgments by management with regard to estimates used.

The Company's most critical accounting policies, which require significant judgment or involve complex estimations, are described in GPHC's Form 10-K for the year ended December 31, 2019.

The Company performed its annual goodwill impairment tests as of October 1, 2019. The Company concluded that all reporting units with goodwill have a fair value that exceeds their carrying value, and thus goodwill was not impaired. The Foodservice and Australia reporting units had fair values that exceed their respective carrying values by 32% and 17%, respectively, whereas all other reporting units exceeded by more than 50%. The Foodservice and Australia reporting units had goodwill totaling $43.0 million and $14.1 million, respectively at June 30, 2020. While the Company does not believe that the impact on the business to date of the COVID-19 pandemic has triggered the need to perform an impairment test on goodwill, the Company will continue to assess the impact on its business.

NEW ACCOUNTING STANDARDS

For a discussion of recent accounting pronouncements impacting the Company, see "*Note 1 - General Information*" in the Notes to Condensed Consolidated Financial Statements.

BUSINESS OUTLOOK

Total capital investment for 2020 is expected to be approximately $625 million.

The Company also expects the following in 2020:

- Depreciation and amortization expense of approximately $460 million, excluding approximately $6 million of pension amortization and $26 million of accelerated depreciation related to exit activities.

- Pension plan contributions between $10 million and $20 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For a discussion of certain market risks related to the Company, see Part II, "*Item 7A, Quantitative and Qualitative Disclosure about Market Risk*", in GPHC's Form 10-K for the year ended December 31, 2019. There have been no significant developments with respect to derivatives or exposure to market risk during the first six months of 2020. For a discussion of the Company's Financial Instruments, Derivatives and Hedging Activities, see GPHC's Form 10-K for the year ended December 31, 2019 and " *Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition, Liquidity and Capital Resources*."

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management has carried out an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as amended. Based upon such evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2020 that has materially affected, or is likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to a number of lawsuits arising in the ordinary conduct of its business. Although the timing and outcome of these lawsuits cannot be predicted with certainty, the Company does not believe that disposition of these lawsuits will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. For more information see "*Note 9 - Environmental and Legal Matters*" in the Notes to Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

The Company's financial results could be adversely impacted by global events outside the Company's control, such as the current COVID-19 pandemic.

As a result of the current COVID-19 pandemic, there could be unpredictable disruptions to the Company's operations that could reduce its future revenues and negatively impact the Company's financial condition. The COVID-19 pandemic may result in supply chain and transportation disruptions to and from our facilities, and affected employees could impact the Company's ability to operate its facilities and distribute products to its customers in a timely fashion. In addition, the COVID-19 pandemic has resulted in extreme volatility and disruptions in the capital and credit markets as well as widespread furloughs and layoffs for employees. This volatility and loss of employment may negatively impact consumer buying habits, which could adversely affect the Company's financial results.

Other than as noted above, there have been no material changes from the risk factors previously disclosed in GPHC's Form 10-K for the year ended December 31, 2019.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company purchases shares of its common stock from time to time pursuant to the 2019 share repurchase program announced on January 28, 2019. Management is allowed to purchase up to $500 million of the Company's issued and outstanding common stock per the 2019 program.

During the second quarter of 2020, the Company purchased shares of its common stock through a broker in the open market as follows:

Issuer Purchases of Equity Securities

Period (2020)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Program [(a)]
April 1, through April 30,	2,053,671	$ 12.47	54,768,005	23,381,865
May 1, through May 31,	—	$ —	54,768,005	21,572,073
June 1, through June 30,	568,612	$ 13.37	55,336,617	21,768,832
Total	2,622,283			

(a) Based on the closing price of the Company's common stock at the end of each period.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification required by Rule 13a-14(a).
31.2	Certification required by Rule 13a-14(a).
32.1	Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).

SIGNATURES

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

GRAPHIC PACKAGING HOLDING COMPANY
(Registrant)

/s/ STEPHEN R. SCHERGER Stephen R. Scherger	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	July 21, 2020
/s/ CHARLES D. LISCHER Charles D. Lischer	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	July 21, 2020

Exhibit 31.1

CERTIFICATION

I, Michael P. Doss certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Graphic Packaging Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael P. Doss

Michael P. Doss,
President and Chief Executive Officer
(Principal Executive Officer)

July 21, 2020

Exhibit 31.2

CERTIFICATION

I, Stephen R. Scherger certify that:

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

/s/ Stephen R. Scherger

Stephen R. Scherger Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

July 21, 2020

Exhibit 32.1

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

The undersigned hereby certifies that, to my knowledge, the Quarterly Report on Form 10-Q for the period ended June 30, 2020 of Graphic Packaging Holding Company (the “Company”) filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael P. Doss

Name: Michael P. Doss,
Title: President and Chief Executive Officer

July 21, 2020

Exhibit 32.2

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

The undersigned hereby certifies that, to my knowledge, the Quarterly Report on Form 10-Q for the period ended June 30, 2020 of Graphic Packaging Holding Company (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen R. Scherger

Name: Stephen R. Scherger
Title: Executive Vice President and Chief Financial Officer
July 21, 2020