RIVERWOOD HOLDING INC
Form S-4
May 02, 2003

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As filed with the Securities and Exchange Commission on May 2, 2003

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

RIVERWOOD HOLDING, INC.

(Exact name of registrant as specified in its charter)

Delaware	**2631**	**58-2205241**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

**814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Edward W. Stroetz, Jr., Esq.
Secretary
Riverwood Holding, Inc.
814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Paul S. Bird, Esq. **Debevoise & Plimpton** **919 Third Avenue** **New York, New York 10022** **(212) 909-6000**	**Jill B.W. Sisson, Esq.** **General Counsel and Secretary** **Graphic Packaging International Corporation** **4455 Table Mountain Drive** **Golden, Colorado 80403** **(303) 215-4600**	**W. Dean Salter, Esq.** **Holme Roberts & Owen LLP** **1700 Lincoln Street, Suite 4100** **Denver, Colorado 80203** **(303) 861-7000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and the satisfaction or waiver of all other conditions to the merger of Graphic Packaging International Corporation, or Graphic, with and into a wholly owned subsidiary of the registrant pursuant to the Agreement and Plan of Merger, dated as of March 25, 2003, or the merger agreement, attached as Annex A to the proxy statement/prospectus forming part of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, $.01 par value	85,062,998 shares	Not Applicable	$430,418,770	$34,821
Series A Junior Participating Preferred Stock purchase rights(3)	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(1) Represents the maximum number of shares of the registrant's common stock that the registrant may be required to issue in the merger, calculated as the product of (a) 85,062,998, which is the estimated maximum number of shares of Graphic that may be cancelled in the merger, multiplied by (b) the exchange ratio of 1.0000 share of registrant common stock for each share of Graphic common stock.

(2) Estimated solely for the purposes of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended, or the Securities Act, and calculated pursuant to Rule 457(f) under the Securities Act. Pursuant to Rule 457(f)(1) under the Securities Act, the proposed maximum aggregate offering price of the registrant's common stock was calculated based upon (a) the market value of shares of Graphic common stock to be exchanged in the merger, determined in accordance with Rule 457(c), as the product of (i) $5.06, the average of the high and low prices per share of Graphic common stock outstanding as of April 30, 2003, as reported on the New York Stock Exchange, and (ii) 85,062,998, the estimated maximum number of shares of Graphic common stock that may be cancelled in the merger.

(3) Each share of common stock will have associated with it one right to purchase a share of the registrant's Series A Junior Participating Preferred Stock.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

GRAPHIC PACKAGING INTERNATIONAL CORPORATION

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Riverwood Holding, Inc., or Riverwood, and Graphic Packaging International Corporation, or Graphic, have agreed on a merger transaction involving the two companies. In order to complete the merger, Graphic's stockholders must approve the merger agreement. Coors family stockholders holding 13,481,548 shares of Graphic's outstanding common stock and all of Graphic's outstanding 10% Series B convertible preferred stock, or the convertible preferred stock (entitled to vote separately as a class and to cast a total of 24,242,424 votes with the holders of Graphic common stock) have entered into a voting agreement. These shares represent approximately 65.1% of the combined voting power of

Graphic's capital stock and 100% of the voting power of the convertible preferred stock as of March 25, 2003. The voting agreement requires these stockholders to vote their shares of Graphic common and convertible preferred stock in favor of the merger agreement and the transactions contemplated by the merger agreement and to convert the convertible preferred stock into Graphic common stock. The executive officers and directors of Graphic have also advised that they intend to vote their shares in favor of the merger. Graphic is sending you this proxy statement/prospectus to ask Graphic stockholders to vote in favor of the merger agreement.

If the merger agreement is approved by Graphic stockholders and the merger consummated, the combined company, named , will be a new publicly traded paperboard packaging company. Riverwood will apply to have the combined company's stock listed on the New York Stock Exchange. Immediately before the effective time of the merger, Riverwood will complete a 15.21-to-one stock split of its common stock. As a Graphic stockholder, you will be entitled to receive one share of common stock of the combined company in exchange for each share of Graphic common stock that you own. After the merger, Graphic stockholders will own approximately 42.5% of the combined company's common stock, and Riverwood stockholders will own the remaining approximately 57.5% of the combined company's common stock, each calculated on a fully diluted basis.

All stockholders are invited to attend the special meeting. **Your participation at the special meeting, in person or in proxy, is very important.** Even if you only own a few shares, Graphic wants your shares to be represented at the special meeting. The merger of Graphic with Riverwood cannot be completed without the approval of the holders of two-thirds of the combined voting power of Graphic's capital stock (including the votes to which the holder of the convertible preferred stock is entitled) and the holder of two-thirds of the outstanding shares of the convertible preferred stock, voting as a separate class.

Whether or not you plan to attend the special meeting, please take the time to vote by completing, signing, dating and returning the enclosed proxy card in the enclosed postage-prepaid envelope. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote "FOR" approval of the merger. If you fail to return your card, the effect will be a vote against the merger. Each proxy is revocable and will not affect your right to vote in person in the event you attend the special meeting.

The special meeting will take place on , 2003, at a.m. Mountain Time, at , .

This document is a prospectus of Riverwood relating to the issuance of shares of the combined company's common stock to be issued in connection with the merger and a proxy statement for Graphic to use in soliciting proxies for its meeting. It contains answers to frequently asked questions beginning on page 1 and a summary description of the merger beginning on page 4, followed by a more detailed discussion of the merger and related matters. **You should also consider the matters discussed**

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under "RISK FACTORS" commencing on page 19 of the enclosed proxy statement/prospectus. We urge you to review the entire document carefully.

/s/ JEFFREY H. COORS

Jeffrey H. Coors
President and Chief Executive Officer
Graphic Packaging International Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated , 2003, and is first being mailed to stockholders on or about , 2003.

Graphic Packaging International Corporation
4455 Table Mountain Drive
Golden, Colorado 80403

Notice of Special Meeting of Stockholders
To Be Held on , 2003

To the Stockholders of
Graphic Packaging International Corporation:

Notice is hereby given that a special meeting of stockholders of Graphic Packaging International Corporation will be held on , 2003, at a.m. Mountain Time, at , , for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated as of March 25, 2003, by and among Riverwood Holding, Inc., Riverwood Acquisition Sub LLC, and Graphic Packaging International Corporation; and

2. To transact other business as may properly be presented at the special meeting or any adjournments of the special meeting.

Graphic will not be able to complete the merger unless its stockholders approve the merger agreement.

Stockholders of Graphic of record at the close of business on , 2003 are entitled to vote at the special meeting and any adjournment of the special meeting.

Whether or not you expect to attend the special meeting in person, please mark, sign, date and return the accompanying proxy in the return envelope provided. No postage is necessary if mailed in the United States. Any person giving a proxy has the power to revoke it at any time, and stockholders who are present at the special meeting may withdraw their proxies and vote in person.

By Order of the Board of Directors,

/s/ JILL B.W. SISSON

Jill B.W. Sisson,
General Counsel and Secretary

Golden, Colorado
, 2003

PLEASE EXECUTE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY, WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE SPECIAL MEETING.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q:

What am I being asked to vote upon?

A:

You are being asked to approve the merger agreement entered into among Graphic Packaging International Corporation, or Graphic, Riverwood Holding, Inc., or Riverwood, and Riverwood Acquisition Sub LLC, or Acquisition Sub.

Q:

When is the special meeting?

A:

Graphic's special meeting of stockholders will take place on , 2003, at a.m. Mountain Time, at , .

Q:

What will happen in the merger?

A:

In the merger, Graphic will merge into Acquisition Sub, a wholly owned subsidiary of Riverwood. Riverwood and Acquisition Sub, as successor to Graphic, together after the merger are referred to collectively in this proxy statement/prospectus as the combined company. Graphic stockholders will own approximately 42.5% of the shares of the combined company common stock after the merger, calculated on a fully diluted basis. Riverwood stockholders will own the remaining approximately 57.5% of the combined company common stock after the merger, calculated on a fully diluted basis.

Q:

Why are Riverwood and Graphic proposing the merger?

A:

The boards of directors of Riverwood and Graphic believe that the merger will result in operating efficiencies, potential increased revenues and enhanced stockholder value for the combined company. Specifically, the boards of directors of Riverwood and Graphic believe that the merger will:

- create a premier value added paperboard packaging company serving the beverage, food and consumer products industries;
- increase integration and scale to provide a total customer solution;
- provide enhanced growth opportunities;
- provide the opportunity to achieve significant operating synergies;
- create an experienced management team drawn from both Riverwood and Graphic; and
- result in greater access to capital than either company has separately.

Q:

What will I receive in the merger for my Graphic stock?

A:

If the merger is completed, as a Graphic stockholder, you will receive one share of common stock of the combined company in exchange for each share of Graphic common stock that you own. Immediately before the effective time of the merger, Riverwood will complete a 15.21-to-one stock split of its common stock and the holder of Graphic's 10% Series B convertible preferred stock, or the convertible preferred stock, will convert that stock into Graphic common stock.

Q:

Does the Graphic board of directors support the merger?

A:

Yes. The Graphic board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement are fair and in the best interests of Graphic and its stockholders and that the merger agreement is advisable. The Graphic board of directors, by unanimous vote of the directors voting, has approved the merger agreement and the transactions contemplated by the merger agreement and recommends that the Graphic stockholders vote "FOR" approval of the merger agreement.

For a more detailed description of the background and reasons for the merger, see "The Proposed Merger" beginning on page 39.

Q:

Will Graphic's shares of common stock continue to be traded on the New York Stock Exchange after the merger is completed?

A:

No, but the shares of the combined company that you receive in the merger will be. Riverwood will apply for listing of the combined company common stock on the New York Stock Exchange, or NYSE, under the ticker symbol " ." If the merger is completed, Graphic's shares of common stock will no longer be listed for trading on the NYSE.

Q:

Will I be able to trade the combined company common stock that I receive in connection with the merger?

A:

Yes. The shares of the combined company's common stock issued in connection with the merger will be freely tradable, unless you are an affiliate of Graphic. Generally, persons who are deemed to be affiliates of Graphic must comply with Rule 145 under the Securities Act of 1933 if they wish to sell or otherwise transfer any of the shares of combined company common stock received in connection with the merger. You will be notified if you are an affiliate of Graphic.

Q:

Are there risks associated with the merger that I should consider in deciding how to vote?

A:

Yes. There are risks associated with all business combinations, including this merger. In particular, you should be aware that the exchange ratio determining the number of shares of the combined company's stock that Graphic stockholders will receive is fixed and will not change as the market price of shares of Graphic common stock fluctuates in the period before the merger. Accordingly, the value of the shares of combined company common stock that you as a Graphic stockholder will receive in the merger in return for your shares of Graphic common stock may be either less than or more than the current fair market value of the shares of Graphic common stock that you currently hold. There are also a number of other risks that are discussed in this proxy statement/prospectus. Please read with particular care the more detailed description of the risks associated with the merger under "Risk Factors" on pages 19 to 34.

Q:

When do Riverwood and Graphic expect to complete the merger?

A:

Riverwood and Graphic expect to complete the merger as quickly as possible once all the conditions to the merger, including obtaining the required approval of Graphic stockholders at the special meeting, are fulfilled. Fulfilling some of these conditions, such as required regulatory approvals, is not entirely within their control. Riverwood and Graphic hope to complete the merger in the third quarter of 2003.

Q:

What will happen at the special meeting?

A:

At the special meeting, holders of Graphic common stock and convertible preferred stock will vote on whether to approve the merger agreement. Riverwood and Graphic cannot complete the merger without the approval of the holders of the two-thirds of the combined voting power of Graphic's capital stock (including the votes to which the holder of the convertible preferred stock is entitled) and the holder of two-thirds of the outstanding shares of the convertible preferred stock, voting as a separate class. Certain members of the Coors family, certain Coors family trusts and a Coors family foundation that are parties to a voting agreement with Riverwood described herein, or the Coors family stockholders, hold approximately 65.1% of the combined voting power of Graphic's capital stock and 100% of the voting power of the convertible preferred stock as of March 25, 2003. The voting agreement requires these stockholders to vote their shares of Graphic common and convertible preferred stock in favor of the merger agreement.

Q:

What do I need to do to vote?

A:

Mail your signed and dated proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. In order to assure that Graphic obtains your vote, please follow the voting instructions on your proxy card even if you currently plan to attend the special meeting in person. The Graphic board of directors recommends that Graphic's stockholders vote "FOR" the approval of the merger agreement.

Q:

Can I dissent and require appraisal of my shares of Graphic common stock?

2

A:

No. Holders of Graphic's common stock are not entitled to dissenters' rights under Colorado law in connection with the merger. The holder of the convertible preferred stock has waived any dissenters' rights under Colorado law to which it may be entitled in connection with the merger.

Q:

Should I send in my Graphic stock certificates now?

A:

No. After the merger is completed, the exchange agent for the merger will send written instructions to Graphic stockholders that explain how to exchange Graphic stock certificates for combined company stock certificates. The exchange agent will also send a letter of transmittal that must be executed by Graphic stockholders in order to obtain combined company stock certificates. Please do not send in any stock certificates until you receive these written instructions and the letter of transmittal.

Q:

How do I vote my shares of Graphic common stock if they are held in the name of a bank, broker or other fiduciary?

A:

Your bank, broker or other fiduciary will vote your shares of Graphic common stock with respect to the merger agreement only if you provide written instructions to them on how to vote, so it is important that you provide them with instructions. If you do not provide them with instructions, under the rules of the NYSE, they will not be authorized to vote your shares. If you wish to vote in person at the special meeting and hold your shares of Graphic common stock in the name of a bank, broker or other fiduciary, you must contact your bank, broker or other fiduciary and request a legal proxy. You must bring this legal proxy to the special meeting in order to vote in person. Shares of Graphic common stock held by a broker, bank or other fiduciary that are not voted because the beneficial owner has not provided instructions to the broker, bank or other fiduciary will have the same effect as a vote "against" the merger agreement.

Q:

May I change my vote even after returning a proxy card?

A:

Yes. If you are a record holder, you can change your vote by:

- completing, signing and dating a new proxy card and returning it by mail so that it is received before the special meeting;
- notifying Graphic's corporate secretary before the special meeting that you have revoked your proxy; or
- attending the special meeting and voting in person.

If your shares of Graphic common stock are held in the name of a bank, broker or other nominee and you have directed such person(s) to vote your shares of Graphic common stock, you should instruct such nominee to change your vote or bring an account statement or letter from the nominee indicating that you are the beneficial owner of the shares on , 2003, the record date for voting.

Q:

What if I do not vote, or abstain from voting, or do not instruct my broker to vote my shares of Graphic common stock?

A:

If you do not vote, it will have the same effect as a vote against the merger agreement. Abstentions and broker non-votes will also have the effect of votes against the merger agreement.

If you sign your proxy card but do not indicate how you want to vote, your shares of Graphic common stock will be voted "FOR" approval of the merger agreement.

Q:

Where can I find more information about Riverwood and Graphic?

A:

Business and financial information about Riverwood and Graphic is contained in this proxy statement/prospectus. You can also find more information about Riverwood and Graphic from various sources described under "Where You Can Find More Information" on page 197.

SUMMARY

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger agreement and the transactions contemplated by the merger agreement fully and for a more complete description of the legal terms of the merger agreement, you should carefully read this entire document and the documents to which we refer you. See "Where You Can Find More Information" on page 197.

In this proxy statement/prospectus, the following terms have the meanings as set forth below:

"Acquisition Sub"	Riverwood Acquisition Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of Riverwood.
"amended and restated registration rights agreement"	The amended and restated registration rights agreement, dated as of March 25, 2003, among Riverwood, current stockholders of Riverwood and the Coors family stockholders.
"combined company," "we,"	Riverwood and Acquisition Sub, as successor to Graphic, together following

"us," and "our"	the merger.
"convertible preferred stock"	Graphic's 10% Series B convertible preferred stock.
"Coors family stockholders"	The members of the Coors family (including Jeffrey H. Coors, President, Chief Executive Officer and a director of Graphic, and William K. Coors, also a director of Graphic), certain Coors family trusts and a Coors family foundation that are parties to a voting agreement with Riverwood described herein.
"GPC"	Graphic Packaging Corporation, a Delaware corporation and a wholly owned subsidiary of Graphic Packaging Holdings, Inc., which is a wholly owned subsidiary of Graphic.
"Graphic"	Graphic Packaging International Corporation, a Colorado corporation.
"merger"	The merger of Graphic with and into Acquisition Sub, with Acquisition Sub surviving as a wholly owned subsidiary of Riverwood.
"merger agreement"	The agreement and plan of merger, dated as of March 25, 2003, among Riverwood, Acquisition Sub and Graphic.
"RIC"	Riverwood International Corporation, a Delaware corporation and a wholly owned subsidiary of RIC Holding.
"RIC Holding"	RIC Holding, Inc., a Delaware corporation and a wholly owned subsidiary of Riverwood.
"Riverwood"	The registrant, Riverwood Holding, Inc., a Delaware corporation, and its subsidiaries.
"stockholders agreement"	The stockholders agreement, dated as of March 25, 2003, as amended by an amendment no. 1, dated as of April 29, 2003, among Riverwood, certain of its current stockholders and the Coors family stockholders.
"voting agreement"	The voting agreement, dated as of March 25, 2003, among Riverwood and the Coors family stockholders.

THE COMPANIES (see page 89 to 144)

Riverwood Holding, Inc.
814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000
Internet address: www.riverwood.com

Riverwood is a Delaware corporation that manufactures paperboard packaging and paperboard for beverage and consumer products companies. Riverwood currently is privately owned, and its common stock does not trade on any stock exchange, Nasdaq or the OTC Bulletin Board. After the merger, Riverwood will change its name to "   ." Riverwood will apply to have the combined company's common stock listed on the New York Stock Exchange, or NYSE, under the symbol "   ." The listing will take effect at the effective time of the merger.

Riverwood Acquisition Sub LLC
814 Livingston Court
Marietta, Georgia 30067
(404) 644-3000

Acquisition Sub is a recently formed Delaware limited liability company that is a wholly owned subsidiary of Riverwood. At the time of the merger, Acquisition Sub will have conducted no business other than in connection with the merger agreement. After the merger of Graphic with and into Acquisition Sub, Acquisition Sub will be the surviving entity.

Graphic Packaging International Corporation
4455 Table Mountain Drive
Golden, Colorado 80403
(303) 215-4600
Internet address: www.graphicpkg.com

Graphic is a Colorado corporation that manufactures packaging products used by consumer product companies as primary packaging for their end-use products. Graphic's common stock trades on the NYSE under the symbol "GPK."

THE PROPOSED MERGER (see page 39)

Under the terms of the proposed merger, Graphic will merge with and into Acquisition Sub, a wholly owned subsidiary of Riverwood, with Acquisition Sub continuing as the surviving company.

The merger agreement is attached as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement carefully and fully as it is the legal document that governs the merger.

RECOMMENDATION OF THE BOARD OF DIRECTORS OF GRAPHIC (see page 45)

The Graphic board of directors, by unanimous vote of the directors voting, has approved the merger and believes that the merger agreement and the transactions contemplated by the merger agreement are in the best interests of Graphic and its stockholders. Accordingly, it recommends that Graphic stockholders vote "FOR" approval of the merger agreement.

REASONS FOR THE MERGER (see pages 43 to 54)

The boards of directors of Riverwood and Graphic believe that the merger will result in operating efficiencies, potential increased revenues and enhanced stockholder value for the combined company.

WHAT GRAPHIC STOCKHOLDERS WILL RECEIVE IN THE MERGER (see page 39)

Graphic stockholders will receive one share of combined company common stock for each share of Graphic common stock they hold.

TREATMENT OF GRAPHIC STOCK OPTIONS AND RESTRICTED STOCK (see page 69)

Except as noted below, each outstanding and unexercised option or right to purchase shares of Graphic common stock granted under the Graphic benefit plans will be assumed by the combined company and converted into an option or a right to purchase, as applicable, shares of the combined company common stock. The number of shares of the combined company common stock underlying the new combined company option will equal the number of shares of Graphic common stock for which the corresponding Graphic option was exercisable. The per share exercise price of each new combined company option will equal the exercise price of the corresponding Graphic option.

Except as noted below, at the effective time of the merger, each outstanding restricted share of Graphic common stock granted under a Graphic benefit plan will be converted into one share of combined company common stock with the same terms, conditions and restrictions as were applicable to the restricted shares under the applicable Graphic benefit plan.

Options and restricted shares held by employees with change in control agreements and employees party to new employment agreements with the combined company will be treated differently. See "Interests of Certain Persons in the Merger" on page 64.

GRAPHIC STOCKHOLDER VOTES REQUIRED

Approval of the merger agreement at the Graphic special meeting requires the affirmative votes of (i) the holders of two-thirds of the combined voting power of Graphic's capital stock (including the votes to which the holder of Graphic convertible preferred stock is entitled) and

(ii) the holder of two-thirds of the outstanding shares of Graphic convertible preferred stock, voting as a separate class.

On the record date, the Coors family stockholders, in the aggregate, owned or had the right to vote 13,481,548 shares of Graphic common stock and all of the votes able to be cast by the holder of Graphic's convertible preferred stock (including the 24,242,424 votes which the holder of the convertible preferred is entitled to cast with the holders of Graphic common stock). In the aggregate, these shares represent approximately 65.1% of the combined voting power of Graphic capital stock and 100% of the outstanding voting power of Graphic convertible preferred stock as of March 25, 2003. Also on the record date, other directors and executive officers of Graphic owned and had the right to vote 321,520 shares of Graphic common stock, which shares represent approximately 0.6% of the combined voting power of Graphic capital stock as of March 25, 2003.

VOTING AGREEMENT (see page 80)

Riverwood and the Coors family stockholders have entered into a voting agreement with respect to the shares owned by the Coors family stockholders. Under the voting agreement, the Coors family stockholders have agreed to vote all of their shares of Graphic common stock and Graphic convertible preferred stock in favor of the merger agreement and against any business combination with a third party. The Grover C. Coors Trust, or the Trust, also has agreed to convert all of its shares of Graphic convertible preferred stock into Graphic common stock immediately before the effective time of the merger, in exchange for a conversion payment by Riverwood equal to the estimated present value, calculated using a discount rate of 8.5%, of the dividends payable to the convertible preferred stock from the effective time of the merger through the first date on which Graphic could have redeemed the convertible preferred stock. The amount of this conversion payment is estimated to be approximately $19.7 million, assuming that the closing of the merger occurs on July 1, 2003.

If the merger agreement is terminated under circumstances entitling Riverwood to receive a termination fee, each Coors family stockholder (other than the Adolph Coors Foundation) will be obligated to pay to Riverwood additional consideration in the event of the consummation of any business combination between Graphic and a third party within two years of the termination of the merger agreement. Furthermore, if Riverwood has increased the merger consideration in response to a superior proposal received by Graphic from a third party, each of the Coors family stockholders (other

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than the Adolph Coors Foundation) has agreed to waive any right to receive 50% of its respective share of such additional merger consideration.

The voting agreement is attached as Annex B to this proxy statement/prospectus.

OWNERSHIP OF THE COMBINED COMPANY AFTER THE MERGER

Immediately following completion of the merger, the combined company will have approximately 204 million fully diluted shares of common stock, of which Graphic stockholders will own approximately 42.5% and Riverwood stockholders will own approximately 57.5%.

CONDITIONS TO THE COMPLETION OF THE MERGER (see page 76)

Riverwood's and Graphic's respective obligations to complete the merger are subject to the satisfaction or, to the extent legally permissible, the waiver of the following conditions:

- the approval of the merger agreement by the Graphic stockholders;
- the absence of any law, order or injunction prohibiting completion of the merger in the United States or European Union;
- the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
- the approval for listing by the NYSE of the combined company common stock to be issued in the merger, subject to official notice of issuance;
- the Securities and Exchange Commission, or SEC, having declared effective the Riverwood registration statement, of which this proxy statement/prospectus is a part;

the entry into definitive financing agreements, and the receipt of funds thereunder, sufficient to repay or redeem the existing indebtedness of Riverwood, Graphic and their subsidiaries that is required to be repaid in connection with the completion of the merger;

the receipt by Graphic of an opinion of its tax counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code;

material accuracy, as of the closing, of the representations and warranties made by the parties and material compliance by the parties with their respective obligations under the merger agreement; and

neither party having suffered any change that would reasonably be expected to have a material adverse effect on that party.

In addition, Riverwood's obligation to complete the merger is subject to the satisfaction or, to the extent legally permissible, the waiver of the following conditions:

all outstanding shares of the convertible preferred stock having been converted into Graphic common stock; and

no event having occurred which would trigger a distribution under the Graphic stockholder rights plan.

TERMINATION OF MERGER AGREEMENT (see page 77)

Right to Terminate. The merger agreement may be terminated at any time before the completion of the merger in any of the following ways:

by mutual written consent of Riverwood and Graphic;

by either Riverwood or Graphic:

if the merger has not been completed by October 31, 2003 or, if the conditions to closing relating to antitrust or other governmental approvals of the merger have not been

satisfied but all other conditions to closing are satisfied or are capable of being satisfied, December 31, 2003; except that a party may not terminate the merger agreement if the cause of the merger not being completed is that party's failure to fulfill its obligations under the merger agreement;

if a governmental authority or a court in the United States or European Union permanently enjoins or prohibits the completion of the merger, except that a party may not terminate the merger agreement if the cause of the prohibition is a result of that party's failure to fulfill its obligations under the provision of the merger agreement that, among other requirements, requires each party to use its reasonable best efforts to obtain government approvals for the completion of the merger agreement and the transactions contemplated by the merger agreement; or

if Graphic's stockholders fail to approve the merger agreement;

by Riverwood:

if Graphic has breached in any material respect any of its representations or warranties, or has failed to perform in any material respect any of its covenants or obligations under the agreement and such breach:

would result in the failure of certain closing conditions to the merger being satisfied; and

is incapable of being cured by or remains uncured at October 31, 2003 (or December 31, 2003, if the termination date is extended); or if Graphic's board of directors either withdraws or changes its recommendation in a manner adverse to Riverwood, or fails to call the Graphic special meeting to vote on the merger by August 25, 2003; or

by Graphic:

if Riverwood has breached in any material respect any of its representations or warranties, or has failed to perform in any material respect any of its covenants or obligations under the merger agreement and such breach:

would result in the failure of certain closing conditions to the merger being satisfied; and

is incapable of being cured by or remains uncured at October 31, 2003 or December 31, 2003, if applicable; or

if Graphic's board of directors (upon the recommendation of a majority of the Graphic independent directors) authorizes Graphic to enter into a binding written agreement concerning a transaction that Graphic's board of directors has determined in accordance with the merger agreement is a superior proposal, except that Graphic cannot terminate the merger agreement for this reason unless:

Graphic provides Riverwood with written notice that it intends to enter into such an agreement, attaching the most current version of such agreement or a description of its material terms;

Riverwood, within five business days of receiving such notice from Graphic, does not make an offer that the board of directors of Graphic determines is at least as favorable to the Graphic stockholders as the superior proposal Graphic received from the third party; and

Graphic pays Riverwood the fees and expenses described below in "Termination Fees and Expenses Payable by Graphic" at or before such termination.

Termination of the merger agreement also terminates certain obligations under the voting agreement.

Termination Fees and Expenses. Graphic has agreed to pay Riverwood a termination fee of $30 million plus reimbursement of up to $3 million in expenses (at or by the time Graphic sends a notice of termination to Riverwood, and not later than one business day after the receipt by Graphic of a notice of termination from Riverwood), if the merger agreement is terminated:

by Riverwood because the board of directors of Graphic withdraws or changes its recommendation in a manner adverse to Riverwood, or Graphic fails to call or hold the special meeting of stockholders by August 25, 2003, unless the special meeting has not occurred because the SEC has failed to declare effective Riverwood's registration statement for the shares to be issued by the combined company in connection with the closing of the merger;

by Riverwood or Graphic because of the failure of Graphic's stockholders to approve the merger agreement, unless this failure occurs because the Coors family stockholders do not vote in accordance with the voting agreement (see "Voting Agreement" above);

by Riverwood or Graphic because the merger has not been completed on or before October 31, 2003 (or, if the date for completion of the merger has been extended, December 31, 2003), and, at the time of termination:

Graphic's stockholders have not approved the merger agreement, unless this failure has occurred because the Coors family stockholders have not cast their votes in accordance with the voting agreement; and

a third party has made an offer or proposal for, or an announcement of any intention with respect to, a transaction that would constitute a business combination involving Graphic; or

by Graphic because Graphic's board of directors has authorized Graphic to enter into a written agreement for a superior proposal by a third party and Riverwood has not, within five business days of notice from Graphic, made an offer that the board of directors of Graphic determines is at least as favorable as the superior proposal Graphic has received from the third party.

If the merger agreement is terminated under certain circumstances entitling Riverwood to receive a termination fee from Graphic, the Coors family stockholders may be required to make certain payments to Riverwood. See "Voting Agreement" on page 80.

EFFECTS OF THE MERGER ON THE RIGHTS OF GRAPHIC STOCKHOLDERS (see page 187)

If the merger is completed, the combined company will be governed by a new certificate of incorporation and by-laws. Forms of the certificate of incorporation and by-laws have been filed by Riverwood as exhibits to the registration statement of which this proxy statement/prospectus is a part. The proposed certificate of incorporation and by-laws of the combined company differ from Graphic's current articles of incorporation, as amended, and amended and restated by-laws. In addition, while Graphic is presently governed by Colorado corporate law, the combined company will be governed by Delaware corporate law.

RELATED AGREEMENTS (see pages 80 to 86)

In connection with the proposed merger, Riverwood, certain of its current stockholders and the Coors family stockholders have entered into a stockholders agreement relating to nominees for the combined company's board of directors, class allocation, committee membership and other matters. In addition, Riverwood, its current stockholders and the Coors family stockholders have entered into an amended and restated registration rights agreement, providing those stockholders with the right to request registration of their combined company common stock or participate in registered offerings by the combined company under certain circumstances. Finally, Riverwood and certain of its current

stockholders have entered into a side letter with respect to board observation, information rights and other matters. Each of these agreements has been filed by Riverwood as an exhibit to the registration statement of which this proxy statement/prospectus is a part.

INTERESTS OF CERTAIN PERSONS IN THE MERGER (see page 64)

When you consider the Graphic board of directors' recommendation that you vote in favor of approval of the merger agreement, you should be aware that Graphic executive officers and directors may have interests in the merger that may be different from, or in addition to, yours.

These interests include:

- a payment by Riverwood to the Trust in consideration for the conversion by the Trust of its convertible preferred stock in connection with the merger. Conversion of the convertible preferred stock is a condition to Riverwood's obligation to complete the merger. One of the trustees of the Trust, William K. Coors, is a director of Graphic and another of the trustees, Jeffrey H. Coors, is a director and officer of Graphic;
- amended employment agreements between Graphic and Jeffrey H. Coors and David W. Scheible, which will take effect at the effective time of the merger;
- vesting of restricted stock units issued to Jeffrey H. Coors under a salary continuation plan upon the effective time of the merger;
- change in control payments to three of Graphic's executive officers, Luis E. Leon, Jill B.W. Sisson and Marsha C. Williams;
- acceleration of certain option and restricted stock vesting and deferred compensation payouts to executive officers with change in control agreements;
- service of three current Graphic directors on the combined company's board of directors; and
- indemnification by the combined company of past and present directors and officers of Graphic.

Graphic's board of directors was aware of these interests and considered them in making its recommendation.

MERGER FINANCING (see page 59)

Riverwood and Graphic currently expect to enter into the following financing transactions in connection with the merger:

- The closing of new combined senior secured credit facilities for the combined company of approximately $1.6 billion of term loan and revolving credit commitments. These new senior secured credit facilities are referred to in this document as the "new credit facilities."
- The offer and sale by the combined company of approximately $850 million of new senior notes and/or senior subordinated notes. These new senior notes and/or senior subordinated notes are referred to in this document as the "new notes."
- The repayment in full of all outstanding amounts under each of RIC and GPC's existing senior secured credit facilities and the termination of all commitments under those facilities.
- The consummation of tender offers and consent solicitations for all outstanding $10\,^5/_8\%$ senior notes due 2007 and $10^7/_8\%$ senior subordinated notes due 2008 of RIC, expected to close concurrently with the merger.
- The consummation of an anticipatory tender offer for all outstanding $8^5/_8\%$ senior subordinated notes due 2012 of GPC, made in anticipation of the change of control offer called for by the indenture governing such notes and expected to close concurrently with the merger.

REGULATORY APPROVALS (see page 57)

The merger is subject to antitrust laws. On April 11, 2003, each of Riverwood and the Trust completed its initial filings under applicable antitrust laws with the United States Department of Justice and the United States Federal Trade Commission. Riverwood and Graphic are not permitted to complete the merger until the applicable waiting periods associated with those filings, including any extension of those waiting periods, have expired or been terminated and applicable clearances have been obtained. If the Department of Justice does not make a second request, the waiting period will expire on May 12, 2003. Riverwood and Graphic also may be required to obtain applicable foreign antitrust approvals, which may not be obtained before completion of the merger. In addition, the reviewing agencies or governments, states or private persons may challenge the merger at any time before or after its completion. Riverwood and Graphic have not yet obtained any of the governmental or regulatory approvals required to complete the merger.

Riverwood and Graphic are not permitted to complete the merger unless the regulatory conditions to completion of the merger are satisfied.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER (see page 55)

The merger is intended to qualify as a reorganization for United States federal income tax purposes. Accordingly, it is expected that the exchange of Graphic common stock for the combined company's common stock in the merger will not result in the recognition of gain or loss for United States federal income tax purposes.

However, this proxy statement/prospectus does not address all tax consequences that may be relevant to persons who exchange Graphic common stock for the combined company's common stock in the merger. In particular, this proxy statement/prospectus does not address any of the tax consequences associated with:

- the exercise of options to purchase Graphic common stock before the effective time of the merger;
- the exchange of options to purchase Graphic common stock for options to purchase combined company common stock in the merger;
- the exchange of restricted Graphic common stock for restricted combined company common stock in the merger;
- the conversion of the convertible preferred stock into Graphic common stock and the receipt of the conversion payment; or
- participation in the merger by persons who are subject to special rules under the Code such as those persons referred to on page 55 of this proxy statement/prospectus.

Any person who may exchange Graphic common stock for combined company common stock in the merger is urged to carefully read the discussion under "Material Federal Income Tax Consequences of the Merger" beginning on page 55, and to consult his or her tax advisor with respect to the tax consequences of participating in the merger.

LISTING OF THE COMBINED COMPANY COMMON STOCK

Riverwood will file an application to have the combined company's common stock listed on the NYSE under the ticker symbol "   ."

DISSENTERS' RIGHTS (see page 58)

Holders of Graphic common stock are not entitled to dissenters' rights under Colorado law in connection with the merger.

The Trust, the sole holder of the convertible preferred stock, has waived any dissenters' rights it may have in connection with the merger.

ACCOUNTING TREATMENT OF THE MERGER (see page 54)

Riverwood will account for the merger under the purchase method of accounting for business combinations under accounting principles generally accepted in the United States of America.

OPINIONS OF GRAPHIC'S FINANCIAL ADVISORS

Opinion of Credit Suisse First Boston LLC Regarding the Merger (see page 46)

In making its determination with respect to the merger agreement and the transactions contemplated by the merger agreement, Graphic's board of directors relied upon, among other factors, the opinion of Credit Suisse First Boston LLC, or Credit Suisse First Boston, its financial advisor with respect to the merger. The Graphic board received an oral opinion on March 24, 2003, which was subsequently confirmed in a written opinion dated March 25, 2003, from Credit Suisse First Boston to the effect that, as of that date and based on and subject to the assumptions, limitations, and qualifications described in its opinion, the exchange ratio was fair to the holders of Graphic common stock, other than the Coors family stockholders, from a financial point of view. The opinion, which is attached as Annex C to this proxy statement/prospectus, sets forth the procedures followed, assumptions made, matters considered and limitations on the review undertaken in connection with the opinion.

Opinion of Morgan Stanley & Co. Incorporated Regarding the Conversion of the Convertible Preferred Stock (see page 51)

In making its determination with respect to the conversion of the convertible preferred stock and the payment by Riverwood in consideration of such conversion, an independent committee of Graphic's board of directors relied upon, among other factors, the opinion of Morgan Stanley & Co. Incorporated, or Morgan Stanley, the independent committee's financial advisor regarding the conversion of the convertible preferred stock. The independent committee received an oral report and a written opinion dated March 24, 2003 from Morgan Stanley to the effect that, as of such date and based upon and subject to the assumptions and considerations in its opinion, the consideration to be paid to the Trust for such conversion pursuant to the voting agreement, representing an amount equal to the present value, calculated using a discount rate of 8.5%, of the future dividends payable to the convertible preferred stock from the effective time of the merger through the first date as of which Graphic could have redeemed the convertible preferred stock, was fair from a financial point of view to Graphic. The opinion, which is attached as Annex D to this proxy statement/prospectus, sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinion.

LEGAL PROCEEDINGS REGARDING THE MERGER (see page 63)

On April 2, 2003, two separate lawsuits were filed in the District Court of Jefferson County in Colorado on behalf of purported classes of Graphic's stockholders against Graphic, Graphic's directors and Riverwood, alleging that Graphic's directors breached their fiduciary duties to the stockholders of Graphic and that Riverwood aided and abetted the alleged breach. The complaints, which Riverwood and Graphic believe to be without merit, seek damages and to enjoin the merger.

RISK FACTORS (see page 19)

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, you should carefully consider the factors discussed in the section entitled "Risk Factors," beginning on page of this proxy statement/prospectus in deciding whether to vote in favor of the merger agreement.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

Riverwood and Graphic are providing the following financial data to assist you in your analysis of the financial aspects of the proposed merger. Riverwood derived the Riverwood summary historical financial data, with the exception of net income (loss) per common share before extraordinary item and cumulative effect of change in accounting principle and weighted average shares outstanding, from the consolidated financial statements of Riverwood as of and for each of the years ended December 31, 1998 through 2002. Graphic derived the Graphic summary historical financial data from the consolidated financial statements of Graphic as of and for each of the years ended December 31, 1998 through 2002. The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes included elsewhere in this proxy statement/prospectus. The historical results included below and elsewhere in this proxy statement/prospectus are not indicative of the future performance of Riverwood, Graphic or the combined company.

RIVERWOOD SUMMARY HISTORICAL FINANCIAL DATA

The following table sets forth certain of Riverwood's historical consolidated financial information. The selected consolidated financial information, with the exception of net income (loss) per common share before extraordinary item and cumulative effect of change in accounting principle and weighted average shares outstanding, at December 31, 2000, 1999 and 1998 and for the years ended December 31, 1999 and 1998 has been derived from Riverwood's audited consolidated financial statements that are not included in this proxy statement/prospectus. The selected consolidated financial information, with the exception of net income (loss) per common share before extraordinary item and cumulative effect of change in accounting principle and weighted average shares outstanding, at December 31, 2002 and 2001 and for the years ended December 31, 2002, 2001 and 2000 has been derived from Riverwood's audited consolidated financial statements and the related notes included elsewhere in this proxy statement/prospectus. You should read the following selected consolidated financial information in conjunction with "Information About Riverwood Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 97 and Riverwood's consolidated financial statements and related notes included elsewhere in this proxy statement/prospectus.

	Years Ended December 31,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
Statement of Operations Data:					
Net sales	$ 1,247,314	$ 1,201,613	$ 1,192,362	$ 1,174,665	$ 1,196,221
Cost of sales(a)	984,771	953,901	930,786	938,800	1,001,394
Selling, general and administrative	117,335	116,510	112,200	114,402	112,117
Research, development and engineering	5,227	5,111	4,554	4,078	5,570
Impairment loss					15,694
Restructuring (credit) charge			(2,600)		25,580
Gain on sale of investment(b)			(70,863)		
Other (income) expense, net	(631)	18,825	4,731	1,798	11,973
Income from operations(a)(b)(c)	140,612	107,266	213,554	115,587	23,893
Interest income	1,350	944	848	889	1,274
Interest expense	147,407	158,910	181,285	179,197	178,030
(Loss) income before income taxes and equity in net earnings of affiliates	(5,445)	(50,700)	33,117	(62,721)	(152,863)
Income tax (benefit) expense	(4,664)	6,627	3,009	3,936	(617)
(Loss) income before equity in net earnings of affiliates	(781)	(57,327)	30,108	(66,657)	(152,246)
Equity in net earnings of affiliates	1,028	993	3,356	7,110	8,157

Income (loss) before extraordinary item and cumulative effect of a change in accounting principle(a)(b)(c)	247	(56,334)	33,464	(59,547)	(144,089)
Extraordinary loss on early extinguishment of debt, net of tax of $0(d)	(11,509)	(8,724)	(2,117)		
(Loss) income before cumulative effect of a change in accounting principle	(11,262)	(65,058)	31,347	(59,547)	(144,089)
Cumulative effect of a change in accounting principle net of tax of $0(e)		(499)			
Net (loss) income(a)(b)(c)(d)(e)	$ (11,262)	$ (65,557)	$ 31,347	$ (59,547)	$ (144,089)
Income (loss) per common share before extraordinary item and cumulative effect of change in accounting principle:					
Basic	$ .03	$ (7.44)	$ 4.42	$ (7.88)	$ (19.05)
Diluted	.03	(7.44)	4.35	(7.88)	(19.05)
Weighted average shares outstanding:					
Basic	7,564,594	7,568,177	7,563,717	7,556,842	7,562,596
Diluted	7,695,735	7,568,177	7,684,664	7,556,842	7,562,596
Other Data:					
Depreciation and amortization	$ 133,840	$ 137,143	$ 143,541	$ 142,597	$ 146,515
Additions to property, plant and equipment(f)	56,042	57,297	62,062	66,018	48,551
Balance Sheet Data:					
Cash and cash equivalents	$ 13,757	$ 7,369	$ 18,417	$ 14,108	$ 13,840
Total assets (a)	1,957,672	2,001,096	2,094,433	2,343,771	2,405,342
Total debt	1,522,360	1,541,164	1,532,789	1,748,237	1,698,028
Total shareholders' equity(a)	125,575	196,715	277,038	260,277	324,510

Notes:

(a) During the fourth quarter of 2002, Riverwood changed its method of determining the cost of inventories from the last-in, first-out, or LIFO, method to the first-in, first-out, or FIFO, method. Prior to 2002, the majority of Riverwood's operations used the LIFO method of valuing inventory. Riverwood has concluded that the FIFO method will result in a better measurement of current inventory costs with revenues because Riverwood's operations have realized and expect to continue to realize cost reductions in its manufacturing operations. Riverwood applied this change by retroactively restating its financial statements as required by Accounting Principles Board Opinion No. 20, "Accounting Changes," which resulted in an increase to the accumulated deficit as of January 1, 1998 of approximately $6.8 million (see note 27 in the notes to Riverwood's consolidated financial statements included in this proxy statement/prospectus).

(b) On October 3, 2000, Riverwood, along with its joint venture partner, completed the sale of the jointly-held subsidiary Igaras for approximately $510 million, including the assumption of $112 million of debt. Riverwood recognized a gain of approximately $70.9 million in connection with the sale (see note 6 in the notes to Riverwood's consolidated financial statements included in this proxy statement/prospectus).

(c) Net (loss) income for the years ended December 31, 2000 and 1998 included a (credit) charge for the global restructuring program, which was focused in the Riverwood European operations, of $(2.6) million and of $25.6 million, respectively.

(d) Net (loss) income for the years ended December 31, 2002, 2001 and 2000 included an extraordinary loss on early extinguishment of debt of $11.5 million, $8.7 million, and $2.1 million, respectively, net of applicable tax (see note 20 in the notes to Riverwood's consolidated financial statements included in this proxy statement/prospectus).

(e) Net loss for the year ended December 31, 2001 included a charge of $0.5 million, net of tax, for the cumulative effect of a change in accounting principle for derivatives.

(f) Includes amounts invested in packaging machinery and capitalized interest.

GRAPHIC SUMMARY HISTORICAL FINANCIAL DATA

The following table sets forth certain of Graphic's historical consolidated financial information. The selected consolidated financial information at December 31, 2000, 1999 and 1998 and for the years ended December 31, 1999 and 1998 has been derived from Graphic's audited consolidated financial statements that are not included in this proxy statement/prospectus. The selected consolidated financial information at December 31, 2002 and 2001 and for the years ended December 31, 2002, 2001 and 2000 has been derived from Graphic's audited consolidated financial statements and the related notes included elsewhere in this proxy statement/prospectus. You should read the following selected consolidated financial data in conjunction with "Information About Graphic Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 129 and Graphic's consolidated financial statements and related notes thereto included elsewhere in this proxy statement/prospectus.

	Years Ended December 31,				
	2002	**2001**	**2000**	**1999**	**1998**
	(in thousands, except per share data)				
Statement of Operations Data:					
Net sales(1)	$ 1,057,843	$ 1,112,535	$ 1,102,590	$ 850,155	$ 691,777
Cost of goods sold	930,581	960,258	963,979	721,350	567,533
Gross profit	127,262	152,277	138,611	128,805	124,244
Selling, general and administrative expense	64,620	62,874	61,134	73,357	68,248
Goodwill amortization(6)		20,649	20,634	13,276	7,785
Asset impairment and restructuring charges		8,900	5,620	7,813	21,391
Operating income	62,642	59,854	51,223	34,359	26,820
Gain from sale of businesses and other assets(2)		3,650	19,172	30,236	
Interest expense	(44,640)	(52,811)	(82,071)	(34,240)	(16,616)
Income (loss) from continuing operations before income taxes, extraordinary item and cumulative effect of change in accounting principle	18,002	10,693	(11,676)	30,355	10,204
Income tax (expense) benefit	(7,035)	(4,257)	4,678	(11,945)	(4,751)
Income (loss) from continuing operations before extraordinary item and cumulative effect of change in accounting principle	10,967	6,436	(6,998)	18,410	5,453
Income from discontinued operations, net of tax(3)				9,181	15,812
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	10,967	6,436	(6,998)	27,591	21,265
Extraordinary loss on early extinguishment of debt, net of tax	(9,617)			(2,332)	
Income (loss) before cumulative effect of change in accounting principle	1,350	6,436	(6,998)	25,259	21,265
Cumulative effect of change in goodwill accounting, net of tax(6)	(180,000)				
Net income (loss)	(178,650)	6,436	(6,998)	25,259	21,265
Preferred stock dividends declared	(10,000)	(10,000)	(3,806)		
Net income (loss) attributable to common stockholders	$ (188,650)	$ (3,564)	$ (10,804)	$ 25,259	$ 21,265
Net income (loss) from continuing operations before extraordinary item and cumulative effect of change in accounting principle per common share:					
Basic	$ 0.03	$ (0.11)	$ (0.37)	$ 0.65	$ 0.19
Diluted	0.03	(0.11)	(0.37)	0.64	0.19

	Years Ended December 31,				
Weighted average shares outstanding:					
Basic	32,715	31,620	29,337	28,475	28,504
Diluted	34,065	31,620	29,337	28,767	29,030
Other Data:					
Depreciation(4)	$ 61,165	$ 58,757	$ 62,460	$ 43,008	$ 29,746
Capital expenditures(4)	27,706	31,884	30,931	75,858	51,572

15

	At December 31,				
	2002	2001	2000	1999	1998
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 28,626	$ 6,766	$ 4,012	$ 15,869	$ 26,196
Working capital	46,112	22,403	36,640	(107,224)	152,544
Working capital, excluding current maturities of debt	49,544	59,776	95,282	292,776	238,844
Total assets	1,020,866	1,229,335	1,332,518	1,643,171	846,022
Total debt	478,331	525,759	640,672	1,021,097	275,881
Total shareholders' equity(5)	307,038	497,648	515,151	423,310	447,955

(1) Net sales in 2002 and 2001 are from folding carton sales. Net sales from folding cartons, as opposed to sales of flexible packaging and other businesses disposed of in prior periods, totaled $1,071.9 million in 2000, $691.3 million in 1999, and $468.3 million in 1998.

(2) Graphic disposed of two businesses and several non-core assets during the periods presented (in thousands):

Pre-tax Gains:	
2001:	
Other Assets	$ 3,650
2000:	
Malvern Plant	$ 11,365
Other Assets	7,807
Total	$ 19,172
1999:	
Flexible Plants	$ 22,700
Solar Business	7,536
Total	$ 30,236

(3) Discontinued operations include the spin-off of CoorsTek, Inc. and the sale of the assets of Golden Aluminum Company.

(4) Excludes the discontinued operations of CoorsTek and Golden Aluminum for the years ended December 31, 1999 and 1998.

(5) Includes $100 million of convertible preferred stock issued in 2000.

(6) Graphic adopted SFAS No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002, and discontinued the amortization of its goodwill in accordance with the new rules.

16

SUMMARY UNAUDITED CONDENSED PRO FORMA COMBINED FINANCIAL INFORMATION

The following summary unaudited condensed pro forma combined financial information was prepared using the purchase method of accounting with Riverwood treated as the acquirer for accounting purposes. The table below presents summary financial information from the unaudited condensed pro forma combined financial statements as of and for the year ended December 31, 2002 included in this proxy statement/prospectus. The unaudited condensed pro forma combined statement of operations is presented as if the merger and related financing transactions had occurred on January 1, 2002. The unaudited condensed pro forma combined balance sheet presents the combined financial position as of December 31, 2002 assuming that the merger and related financing transactions took place on that date.

The unaudited condensed pro forma combined financial statements are based on estimates and assumptions set forth in the notes to such statements, which are preliminary and have been made solely for the purpose of developing such pro forma information. The unaudited condensed pro forma combined financial statements are not necessarily indicative of the financial position or operating results of the combined company that would have been achieved had the merger and related financing transactions been consummated as of the dates indicated, nor are they necessarily indicative of future financial position or operating results of the combined company. This information should be read in conjunction with the unaudited condensed pro forma combined financial statements and related notes and the historical financial statements and the related notes thereto included in this proxy statement/prospectus.

Combined Company
Summary Unaudited Condensed Pro Forma Combined Financial Information
(in thousands, except per share data)

		Summary Unaudited Condensed Pro Forma Combined Year Ended December 31, 2002
Statement of Operations Information		
Net sales	$	2,252,305
Operating income		184,754
Income before extraordinary item and cumulative effect of change in accounting principle		28,577
Income per basic and diluted share before extraordinary item and cumulative effect of change in accounting principle	$	0.14
Balance Sheet Information		
Cash and cash equivalents	$	42,383
Working capital, excluding current maturities of debt		255,003
Total assets		3,224,078
Total debt		2,228,315
Total shareholders' equity	$	508,959

17

COMPARATIVE PER SHARE INFORMATION

The following table presents historical per share data for Riverwood and Graphic individually and on a pro forma basis after giving effect to the merger. The merger has been accounted for using the purchase method of accounting. The combined pro forma per share data of the combined company was derived from the Unaudited Condensed Pro Forma Combined Financial Statements as presented beginning on page 145. The assumptions related to the preparation of the Unaudited Condensed Pro Forma Combined Financial Statements are described beginning at page 145. The data presented below should be read in conjunction with the historical consolidated financial statements of Graphic and with the historical consolidated financial statements of Riverwood presented elsewhere in this proxy statement/prospectus. See "Information About Riverwood Financial Statements," on page 120 and "Information About Graphic Financial Statements," on page 143.

The pro forma data below is presented for informational purposes. You should not rely on the pro forma amounts as being indicative of the operating results or financial position of the combined company that would have actually occurred had the merger taken place at or before the periods presented, or the future operating results or financial position of the combined company.

	Graphic Historical	Riverwood Historical(1)	Combined Pro Forma	Equivalent Pro Forma(2)
Income (loss) per common share before extraordinary item and cumulative effect of change in accounting principle				
Year ended December 31, 2002				
Basic	$ 0.03	$ 0.03	$ 0.14	$ 0.14
Diluted	$ 0.03	$ 0.03	$ 0.14	$ 0.14
Book value per common share as of December 31, 2002	$ 9.17	$ 16.61	$ 2.55	$ 2.55
Cash dividends declared per common share				
Cash dividends declared per preferred share	$ 10.00			

(1) Historical Riverwood per share amounts do not give effect to the 15.21-to-one stock split in conjunction with the merger.

(2) Equal to combined pro forma, as share exchange ratio is one-to-one.

PER SHARE MARKET PRICE INFORMATION (see page 18)

The closing price per share of Graphic common stock on Tuesday, March 25, 2003, the last trading day before announcement of the execution of the merger agreement, was $4.98.

There is no established public trading market for the Class A common stock or the Class B common stock of Riverwood. In connection with the merger, Riverwood will apply to have the combined company common stock listed on the NYSE thereby establishing a public trading market.

RISK FACTORS

Stockholders of Graphic voting in favor of the merger agreement will be choosing to invest in the combined company's common stock and to combine the business of Graphic with that of Riverwood. In deciding whether to vote in favor of the merger, you should consider the following risks related to the merger and to the combined company's business. You should carefully consider these risks along with the other information included in this proxy statement/prospectus.

RISKS RELATING TO THE MERGER

The market value of the shares of the combined company's common stock that you receive in the merger may be less than the current value of your shares of Graphic common stock.

If the merger is completed, each share of Graphic common stock will be converted into one share of the combined company's common stock. Immediately before the effective time of the merger, Riverwood will complete a 15.21-to-one stock split of its common stock. The exchange ratio is a fixed ratio that will not be adjusted as a result of any increase or decrease in the market price of shares of Graphic common stock. The value of the combined company common stock that you receive in the merger will depend on the public trading price of combined company common stock after the merger. The combined company common stock will not trade publicly until the merger is completed. As a result, at the time of the Graphic special meeting, you will not know the market value of the combined company common stock that you will receive in the merger. The market price of the combined company common stock you will receive in the merger may be less than the market price of Graphic common stock on the date of this proxy statement/prospectus or on the date of the Graphic special meeting.

If the combined company fails to realize the anticipated benefits of the merger, stockholders may receive lower returns than they expect.

The success of the merger will depend, in part, on the ability of the combined company to realize the anticipated growth opportunities and synergies from combining the business of Graphic with that of Riverwood. Integrating two companies with the size and complexity of Riverwood and Graphic will be a challenging task that will require substantial time, expense and effort from the combined company's management. If management's attention is diverted or there are any difficulties associated with integrating Riverwood and Graphic, there could be a material adverse effect on the combined company's operating results and the value of its common stock. Even if the combined company is able to successfully combine the two business operations, it may not be possible to realize the full benefits of the integration opportunities between mills and carton plants, the purchasing synergies and the other benefits that are currently expected to result from the merger, or realize these benefits within the time frame that is currently expected. The benefits of the merger may be offset by operating losses relating to changes in raw materials prices, or in industry conditions, or by risks and uncertainties relating to the combined company's business prospects, adverse pricing conditions, or an increase in operating or other costs or other difficulties. If the combined company fails to realize the anticipated benefits of the merger, holders of its stock may receive lower returns than they expect.

If we are unable to implement our business strategies, particularly our strategy to develop and deliver new products, our business and financial condition could be adversely affected.

The combined company's future results of operations will depend in significant part on the extent to which we can implement our business strategies successfully.

Our business strategies as a combined company will include:

- growing revenues through existing and expanded relationships with customers;
- continuing development of the beverage and consumer packaging businesses;
- developing and delivering of new products;
- maintaining low-cost converting operations and mill systems;
- continuing cost reduction initiatives through the application of total quality systems and Six Sigma methodologies;
- achieving the synergies we hope to obtain as a result of the merger; and
- hiring and retaining the employees needed to implement these strategies.

We may not be able to fully implement our strategies or realize the anticipated results of our strategies. Our strategies are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control.

The market value of the combined company's common stock could decline if large amounts of its common stock are sold following the merger.

Historically, Riverwood has been operated primarily as a global paperboard and beverage packaging company and Graphic has been operated primarily as a North American consumer products packaging and folding carton company. Following the merger, the combined company will operate an expanded business balanced between these elements. Current stockholders of Riverwood and Graphic may not wish to continue to invest in the additional operations of the combined company, or for other reasons may wish to dispose of some or all of their interests in the combined company. If, following the merger, large amounts of the combined company's common stock are sold, the price of its common stock could decline.

The principal stockholders of Riverwood and Graphic before the completion of the merger are party to an amended and restated registration rights agreement, pursuant to which such stockholders may require the combined company to conduct a registered secondary offering or offerings after the completion of the merger. The terms and conditions applicable to such requests are further described on page 87. Sales pursuant to a registered offering under the amended and restated registration rights agreement are exempted from the transfer restrictions applicable under the stockholders agreement and the other Riverwood stockholders side letter. Riverwood's common stock is not currently publicly traded and Riverwood's currently outstanding shares of common stock will not be registered under the Securities Act of 1933, as amended, or the Securities Act, in connection with the merger. However, current holders of Riverwood stock will be able to sell the combined company stock into the public markets after the completion of the merger under applicable securities law exemptions from registration, and consistent with those stockholders' obligations under the transfer restrictions in the stockholders agreement, further described on page 86, and in the other Riverwood stockholders side letter, further described on page 86.

Graphic stockholders receiving combined company common stock in the merger will have no limits on the transfer of their shares, other than those transfer restrictions described on page 86 applicable to the Coors family stockholders, pursuant to the stockholders agreement, and Securities Act limitations further described on page 86 applicable to persons who are deemed to be "affiliates" of Graphic.

Riverwood, Graphic and the Trust may be unable to obtain the regulatory approvals required to complete the merger or, in order to do so, the combined company may be required to comply with material restrictions or conditions.

The merger is subject to review by the United States Department of Justice and United States Federal Trade Commission under the HSR Act. Under this statute, Riverwood and the Trust are required to make pre-merger notification filings and await the expiration or early termination of statutory waiting periods before completing the merger. On April 11, 2003, each of Riverwood and the Trust completed its initial HSR Act filing. The Department of Justice may make a request for additional information and other documentary material in connection with the merger. Such a request would effectively extend the waiting period for the merger under the HSR Act from May 12, 2003 until 30 days after both parties substantially comply with the request for additional information. Complying with a request for additional information or material under the HSR Act can take a significant amount of time. The merger may also be subject to review by the governmental authorities of various foreign jurisdictions under the antitrust laws of those jurisdictions. Riverwood and Graphic have not yet obtained any of the governmental or regulatory approvals required to complete the merger.

The reviewing authorities may not permit the merger at all or may impose restrictions or conditions on the merger that may seriously harm the combined company if the merger is completed. These conditions could include a complete or partial license, divestiture, spin-off or the holding separate of assets or businesses. Any delay in the completion of the merger could diminish the anticipated benefits of the merger or result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the transaction. Riverwood and Graphic also may be required to agree to restrictions or conditions imposed by antitrust authorities in order to obtain regulatory approval, and these restrictions or conditions could harm the combined company's operations. No additional stockholder approval is expected to be required for any decision by Graphic, after the special meeting, to agree to any terms and conditions necessary to resolve any regulatory objections to the merger.

In addition, during or after the statutory waiting periods, and even after completion of the merger, governmental authorities could seek to block or challenge the merger as they deem necessary or desirable in the public interest. In addition, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. Graphic, Riverwood or the combined company may not prevail, or may incur significant costs, in defending or settling any action under the antitrust laws.

Graphic's stock price and business may be adversely affected if the merger is not completed.

If the merger is not completed, the price of Graphic common stock may decline to the extent that the current market price of Graphic common stock reflects a market assumption that the merger will be completed. In addition, Graphic's business and operations may be harmed to the extent that there is customer and employee uncertainty surrounding the future direction of Graphic's business and strategy on a stand-alone basis. Completion of the merger is subject to several closing conditions, including obtaining requisite regulatory and stockholder approvals, and Graphic may be unable to obtain such approvals on a timely basis or at all. If the merger is not completed, Graphic would not derive the strategic benefits expected to result from the merger, such as creating a more complete and balanced product mix and providing economies of scale in purchasing. Graphic also will be required to pay significant costs incurred in connection with the merger, including legal, accounting and a portion of the financial advisory fees, whether or not the merger is completed. Moreover, under specified circumstances described in "The Merger Agreement Termination of Merger Agreement" beginning on page 77 of this proxy statement/prospectus, Graphic may be required to pay Riverwood a termination

fee of $30 million, plus reimbursement of up to $3 million in Riverwood expenses, in connection with the termination of the merger agreement.

Changes in Graphic's, Riverwood's or the combined company's credit ratings could adversely affect the costs and expenses of the combined company.

The combined company will initially be highly leveraged, with a significant amount of debt. Riverwood currently has more debt and a lower credit rating than Graphic. Although Riverwood and Graphic intend to refinance all of their existing debt, enter into a new credit facility and offer and sell new senior notes and/or senior subordinated notes in connection with the merger, the new facility and the new notes will not reduce the total amount of debt assumed by the combined company. In addition, holders of Graphic's current senior subordinated notes are not required to accept Graphic's offer to repurchase the notes, so that some existing noteholders may keep their notes after an offer to repurchase. Any downgrade in the credit ratings of Graphic, Riverwood or the combined company associated with the merger could adversely affect the ability of the combined company to borrow and result in more restrictive borrowing terms, including increased borrowing costs, more restrictive covenants and the extension of less open credit. This in turn could affect the combined company's internal cost of capital estimates and therefore operational decisions. Before the announcement of the merger, Graphic had a corporate/senior implied rating of Ba3 from Moody's Investors Service, Inc. or Moody's, and BB from Standard and Poor's, Inc., or Standard and Poor's, with a stable outlook. Riverwood had a corporate/senior implied rating of B2 from Moody's and B from Standard and Poor's with a stable outlook. Moody's and Standard and Poor's announced on March 26, 2003 that they would review Riverwood's long-term debt ratings for possible upgrades and Graphic's long-term debt ratings for possible downgrade. The credit rating of the combined company following the proposed merger may be different than the historical ratings of Riverwood or Graphic. The ultimate impact of the merger on the combined company's credit ratings cannot be predicted. See the first two risk factors under " Risks Related to the Combined Company's Business" below for additional information on the combined company's proposed debt.

The combined company's proposed certificate of incorporation, by-laws, stockholder rights plan and Delaware law may discourage takeovers and business combinations that our stockholders might consider in their best interests.

Provisions in the combined company's proposed restated certificate of incorporation and amended and restated by-laws, as well as provisions of Delaware corporate law, may delay, defer, prevent or render more difficult a takeover attempt which is not approved by the combined company's board of directors but which the combined company's stockholders might consider in their best interests. These provisions include:

- authorization of the issuance of preferred stock, the terms of which may be determined at the sole discretion of the board of directors;
- establishment of a classified board of directors with staggered, three-year terms;
- provisions giving the board of directors sole power to set the number of directors;
- limitation on the ability of stockholders to remove directors;
- prohibition on stockholders from calling special meetings of stockholders;
- establishment of advance notice requirements for stockholder proposals and nominations for election to the board of directors at stockholder meetings; and

requirement that the holders of at least 75% of outstanding common stock approve the amendment of the combined company's by-laws and provisions of the combined company's certificate of incorporation governing:

the classified board,

the liability of directors, and

the elimination of stockholder actions by written consent.

Most of these provisions are included in Graphic's current governing documents. These provisions may prevent the combined company's stockholders from receiving the benefit from any premium to the market price of combined company common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of the combined company common stock if they are viewed as discouraging takeover attempts in the future.

The combined company's proposed restated certificate of incorporation and amended and restated by-laws may also make it difficult for stockholders to replace or remove the combined company's management. These provisions may facilitate management entrenchment that may delay, defer or prevent a change in control, which may not be in the best interests of the combined company's stockholders.

The combined company's proposed stockholder rights plan may also have anti-takeover effects. The stockholder rights plan will be designed to protect the combined company's stockholders in the event of unsolicited offers to acquire the combined company and other coercive takeover tactics that, in the opinion of the combined company's board of directors, could impair the board's ability to represent stockholder interests. The stockholder rights plan might render an unsolicited takeover more difficult or less likely to occur, even though such a takeover might offer the combined company's stockholders the opportunity to sell their stock at a price above the prevailing market price and may be favored by the combined company's stockholders. Graphic's existing stockholder rights plan has similar features, except that the Coors family stockholders were exempted from application of the plan.

In addition, Section 203 of the General Corporation Law of the State of Delaware may limit the ability of an interested stockholder to engage in business combinations with the combined company. An interested stockholder is defined to include persons owning 15% or more of the outstanding voting stock without the prior approval of the board of directors of the combined company. Graphic is currently governed by the Colorado Business Corporation Act, which does not contain such limitations.

A few significant stockholders may influence or control the direction of the combined company's business. If the ownership of the combined company common stock continues to be highly concentrated, it may limit the ability of you and other stockholders to influence significant corporate decisions.

Following the completion of the merger, Clayton, Dubilier & Rice Fund V Limited Partnership, or the CDR fund, and EXOR Group S.A., or Exor, will beneficially own approximately 17% and 17%, respectively, and the Coors family stockholders will own approximately 30% of the shares of the combined company common stock, each calculated on a fully diluted basis. As a result, the CDR fund, Exor and the Coors family stockholders will exercise significant influence over matters requiring stockholder approval. As further described on page 82, Riverwood has entered into a new stockholders agreement that will become effective upon the completion of the merger, pursuant to which the CDR fund, Exor and the Coors family stockholders will have the right to designate for nomination for election, in the aggregate, three members of the combined company's board of directors immediately following the completion of the merger. In addition, the parties to the stockholders agreement have

agreed to nominate Stephen M. Humphrey for election to the board for so long as he is Chief Executive Officer of the combined company. The designation rights are subject to reduction based on specified reductions in share ownership percentages, as described in "Material Terms of Related Agreements Stockholders Agreements" on page 82. The concentrated holdings of the CDR fund, Exor and the Coors family stockholders and the presence of their designees on the combined company's board of directors may result in a delay or the deterrence of possible changes in control of the combined company, which may reduce the market price of the combined company common stock. The interests of the stockholder parties to the stockholders agreement may conflict with the interests of the other stockholders.

Certain of Graphic's officers and directors have conflicts of interest that may have influenced them to approve the merger agreement and the transactions contemplated by the merger agreement.

Certain of Graphic's officers and directors participate in arrangements that provide them with interests in the merger that are different from, or in addition to yours. The board of directors of Graphic was aware of these interests and considered them in approving the merger agreement and the transactions contemplated by the merger agreement. Graphic's stockholders should consider, however, whether these interests may have influenced these officers and directors to approve the merger agreement and the transactions contemplated by the merger agreement. You should read more about these interests under the section entitled "Interests of Certain Persons in the Merger" beginning on page 64.

RISKS RELATING TO THE COMBINED COMPANY'S BUSINESS

The combined company will have substantial existing debt and may incur substantial additional debt, which could adversely affect our financial health and our ability to obtain financing in the future and react to changes in our business.

As of March 31, 2003, Riverwood had an aggregate principal amount of approximately $ million of outstanding debt and stockholders' equity of approximately $ million. As of March 31, 2003, Graphic had an aggregate principal amount of approximately $487.5 million of outstanding debt and stockholders' equity of approximately $305.6 million. As of December 31, 2002, on a pro forma as adjusted basis after giving effect to the merger and the financing transactions we expect to undertake in connection with the completion of the merger as described on page 59 and the application of the net proceeds therefrom, the combined company would have had an aggregate principal amount of approximately $2.2 billion of outstanding debt and stockholders' equity of approximately $509 million. We may incur substantial debt in the future.

Our substantial debt could have important consequences to our stockholders. Because of our substantial debt:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired in the future;

- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;

- we will be exposed to the risk of increased interest rates because certain of our borrowings will be at variable rates of interest; and

- our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited, and we may be more vulnerable to a downturn in general economic conditions or our business or be unable to carry out capital spending that is necessary or important to our growth strategy and productivity improvement programs.

In addition, although the parties currently intend to refinance RIC's existing senior notes and senior subordinated notes and to comply with GPC's obligation to offer to purchase its existing senior subordinated notes triggered by the merger, the success of such a refinancing will depend on market conditions at or near the effective time of the merger. We cannot assure you that market conditions at that time will permit the refinancing on the terms described on page 59 or on other terms and conditions acceptable to Riverwood and Graphic.

The agreements and instruments governing the combined company's debt will contain restrictions and limitations that could significantly impact our ability to operate our business and adversely affect our stockholders.

Our new senior secured credit facilities are expected to contain covenants that will restrict our ability to:

- dispose of assets;

- incur additional indebtedness;
- incur guarantee obligations;
- prepay other indebtedness or amend other debt instruments;
- pay dividends;
- create liens on assets;
- enter into sale and leaseback transactions;
- make investments, loans or advances;
- make acquisitions;
- engage in mergers or consolidations;
- change the business conducted by us; and
- engage in certain transactions with affiliates.

In addition, under our new senior secured credit facilities, we expect to be required to comply with financial covenants, comprised of consolidated debt to EBITDA and interest coverage ratio requirements, as well as limitations on the amount of capital expenditures. Our ability to comply with these covenants in future periods will depend on our ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond our control, and will be substantially dependent on the selling prices for our products, raw material and energy costs, our success at implementing cost reduction initiatives and our ability to successfully implement our overall business strategy.

As further described on page 62, we also intend to issue approximately $850 million of new senior notes and/or senior subordinated notes, or the new notes, in connection with the merger. We expect that the indenture or indentures governing the new notes will also contain restrictive covenants.

These covenants are expected to include limitations on:

- incurrence of indebtedness, including guarantees;
- dividends, investments and certain other restricted payments;
- restrictions on distributions and transfers from subsidiaries;

mergers, consolidations and asset sales;

affiliate transactions; and

liens (which, in the case of any senior subordinated notes, would be limited in applicability to liens securing *pari passu* or subordinated indebtedness).

To the extent that any of GPC's existing senior subordinated notes remain outstanding following the merger, we will also remain subject to the restrictive covenants contained in the indenture for those notes. Our ability to comply with the covenants and restrictions contained in our new senior secured credit facilities and our note indentures may be affected by economic, financial and industry conditions beyond our control. The breach of any of these covenants or restrictions could result in a default under either our new secured credit facilities or our note indentures that would permit the applicable lenders or noteholders, as the case may be, to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. In any such case, we may be unable to make any borrowings under our new senior secured credit facilities and may not be able to repay the amounts due under our new senior secured credit facilities and our notes. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

The combined company's ability to generate the significant amount of cash needed to pay interest and principal amounts on our debt depends on many factors beyond our control.

Our ability to make scheduled payments or to refinance our obligations with respect to our debt will depend on our financial and operating performance which, in turn, is subject to prevailing economic and competitive conditions and to the following financial and business factors, some of which may be beyond our control:

operating difficulties;

increased operating costs;

increased raw material and energy costs;

decreased demand for our products;

market cyclicality;

product prices;

the response of competitors;

regulatory developments;

failure to realize the anticipated benefits of the merger; and

delays in implementing strategic projects.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to further reduce or delay capital expenditures, sell assets or seek to obtain additional equity capital, or to restructure our debt. In the future, our cash flow and capital resources may not be sufficient for payment of interest on and principal of our debt, and such alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. If required, we cannot be sure as to the timing of such sales or the proceeds that we could realize therefrom.

The combined company will be dependent on key customers and strategic relationships, and the loss of or reduced sales to key customers or changes in these relationships could result in decreased revenues, impact the combined company's cash flows and harm our financial position.

The combined company's success will depend upon its relationships with the key customers of Riverwood and Graphic, including Kraft Foods, Inc., General Mills, Coors Brewing Company, Anheuser-Busch, Miller Brewing Company, Pepsi-Cola and Coca-Cola's independent bottling network. Graphic's top ten customers accounted for approximately 66% of its gross sales in 2002, and Riverwood's top 10 customers accounted for over 50% of its gross sales in 2002.

From time to time the combined company's contracts with its customers will come up for renewal. We cannot predict the eventual terms or whether terms will be reached for new contracts with the combined company's key customers. In addition, Riverwood's and Graphic's contracts typically do not require customers to purchase any minimum level of products and many of the combined company's contracts will permit customers to obtain price quotations from its competitors, which the combined company would have to meet to retain their business.

The loss of one or more key customers or strategic relationships, or a declining market in which these customers reduce orders or request reduced prices, would result in decreased revenues, negatively impact the combined company's cash flows and harm its financial condition. For example, Riverwood was notified by Coca-Cola Enterprises, or CCE, in the fourth quarter of 2002 that CCE would not renew its supply contract with Riverwood and Riverwood expects its volumes may be negatively impacted. We cannot assure you that the combined company would be able to enter contracts with new customers to replace any key customers or strategic relationships that are lost or reduced.

The combined company will face intense competition and, if it is unable to compete successfully against other manufacturers of paperboard or folding cartons, it could lose customers and its revenues may decline.

Riverwood and Graphic currently are, and the combined company will be, subject to strong competition in most of their markets. The combined company's primary competitors in one or more of its segments will include Caraustar Industries, Inc., Field Container Company, L.P., Gulf States Paper Corporation, International Paper Company, MeadWestvaco Corporation, Packaging Corporation of America, R.A. Jones Co, Inc., Rock-Tenn Company and Smurfit-Stone Container Corporation. In addition, companies not currently in direct competition with Riverwood or Graphic may introduce competing products in the future.

A relatively small number of large competitors hold a significant portion of the folding carton segment of the fiber-based product packaging industry. The combined company's competitors in this segment will include Caraustar Industries, Inc., Field Container Company, L.P., Gulf States Paper Corporation, MeadWestvaco Corporation, Rock-Tenn Company and Smurfit-Stone Container Corporation.

There are only two major producers in the United States of coated unbleached kraft paperboard, or CUK board, MeadWestvaco Corporation, or MeadWestvaco, and Riverwood. The combined company will face significant competition in the CUK board business segment from MeadWestvaco, as well as from other manufacturers of packaging machines. Like Riverwood, MeadWestvaco is an integrated provider of CUK board that manufactures and converts CUK board, designs and places packaging machines with customers, and sells CUK board in the open market. Our highly leveraged nature could limit our ability to respond to market conditions or to make necessary or desirable capital expenditures as effectively as our competitors. In addition, we could experience increased competition if there are new entrants in the CUK board market segment.

In the beverage multiple packaging industry, cartons made from CUK board compete with plastics and corrugated packaging for packaging glass or plastic bottles, cans and other primary containers. Plastics and corrugated packaging generally provide lower-cost packaging solutions.

In the consumer products business, Riverwood's cartonboard sales are affected by competition from MeadWestvaco's CUK board and from other substrates: solid bleached sulfate and recycled clay-coated news and, internationally, white lined chip board and folding boxboard. Folding cartonboard grades compete based on price, strength and printability. CUK board has generally been priced in a range that is higher than recycled clay-coated news and lower than solid bleached sulphate board. There are a large number of suppliers of paperboard for folding carton applications, which are subject to significant competitive and other business pressures. Suppliers of paperboard in these markets compete primarily on the basis of quality, service and price.

Our net sales and profitability could be adversely affected by intense pricing pressures.

The competition in all of our business areas is driven by intense pricing pressures. The installation of state-of-the-art equipment by manufacturers has intensified the competitive pricing in the industry. The combined company will face pricing pressure in connection with long-term contract renewals and when bidding on new business. Even in strong markets, price pressures may emerge as competitors attempt to gain a greater market share by lowering prices. Competition in the various markets in which the combined company will participate comes from companies of various sizes, many of which are larger and have greater financial and other resources than the combined company will have, and thus can better withstand adverse economic or market conditions.

Both Riverwood and Graphic have pursued cost-cutting efforts in recent years, and the combined company will continue these efforts. If the combined company's facilities are not as cost efficient as those of its competitors, or if its competitors otherwise are able to offer lower prices, the combined company may lose customers to its competitors, which would negatively impact its revenues, cash flows and financial condition.

The combined company's ability to generate cash flows is subject to price weaknesses and variability.

The combined company's financial performance will depend in significant part on the selling prices that we realize for our carrierboard, cartonboard and containerboard products, and folding cartons.

Our cash flow is influenced by sales volume and selling prices for our products. In its coated board business segment, Riverwood has historically experienced moderate cyclical pricing for its cartonboard, which is principally sold in the open market to independent converters. Depressed selling prices for open market cartonboard could have a significant negative impact on the combined company's cash flow. Also, under agreements Riverwood has with a number of major converters, Riverwood is restricted in its ability to raise the selling prices of its cartonboard. This could negatively impact the combined company's margins if we were to experience increases in our costs due to inflation or

otherwise. In addition, competitive factors may adversely affect prices for our carrierboard in the future, which would have a negative impact on our margins.

Riverwood's containerboard business segment operates in markets that historically have experienced significant fluctuations in sales. For market reasons, Riverwood elected to take linerboard, CUK board and medium market-related downtime at its U.S. mills of 32 days, or approximately 18,000 tons, during 2002. The downtime resulted in underabsorbed fixed costs of approximately $3.7 million for 2002. The downtime resulted from a number of factors, but principally a weak containerboard market. As a result of expected down time during 2003, Riverwood estimates the impact on earnings at Riverwood's U.S. mills in 2003 to be approximately $1.0 million related to underabsorption of fixed costs. Depressed selling prices for Riverwood's open market containerboard products have had, and in the future could have, a significant negative impact on the combined company's net sales and cash flow. In addition, competitive factors may adversely affect containerboard prices in the future, which would have a negative impact on our margins.

Markets may not be able to absorb our entire CUK board production, which may negatively impact the combined company's financial condition and results of operations.

Riverwood's West Monroe and Macon mills have a current combined annual production capacity of approximately 1.2 million gross tons of CUK board. As a combined company, we expect to continue to sell a significant portion of our additional CUK board production in open markets. We may not be able to sell additional CUK board output in these markets without experiencing price reductions.

The combined company's reliance on only two mills for the entire CUK board production could adversely affect our operating results and financial condition.

All of Riverwood's, and after the merger the combined company's, CUK board will be produced at what are currently Riverwood's West Monroe and Macon mills. Any prolonged disruption in production due to labor difficulties, equipment failure or destruction of or material damage to either facility, could have a material adverse effect on our net sales, margins and cash flows. The proceeds of property and business interruption insurance may not be adequate to repair or rebuild our facilities in such event or to compensate us for losses incurred during the period of any such disruption.

The combined company's results from operations and financial condition will be dependent upon our costs, including the cost of energy and raw materials.

Energy, including natural gas, fuel oil and electricity, will represent a significant portion of the combined company's manufacturing costs. Riverwood has entered into fixed price natural gas contracts designed to mitigate the impact of future energy cost increases for its natural gas requirements for its two U.S. mills through and including October 2003, and will continue to evaluate its hedge position. Graphic also has entered into fixed price natural gas contracts for its Kalamazoo mill through and including December 2003. We believe that higher energy costs will negatively impact the combined company's results for 2003. Since negotiated contracts and the market largely determine our pricing, we are limited in our ability to pass through to our customers any energy or other cost increases that we may incur in the future. As such, our operating margins and profitability may be adversely affected by rising energy or other costs.

The primary raw materials that will be used in the manufacture of the combined company's products are pine pulpwood, hardwood and recycled fibers, including old corrugated cardboard, or OCC, used in the manufacture of paperboard, and various chemicals used in the coating of CUK board. These materials are purchased in highly competitive, price sensitive markets. These raw

materials have in the past, and may in the future, demonstrate price and demand cyclicality. OCC pricing, in particular, tends to be very volatile.

With the October 1996 sale of Riverwood's timberlands, Riverwood now relies on private land owners and the open market for all of its pine pulpwood, hardwood and recycled fiber requirements, except for CUK board clippings from its converting operations. Under the terms of the sale of those timberlands, Riverwood and the buyer, Plum Creek Timber Company, L.P., or Plum Creek, entered into a 20-year supply agreement in 1996, with a 10-year renewal option, for the purchase, at market-based prices, of a majority of Riverwood's West Monroe mill's requirements for pine pulpwood and residual chips, as well as a portion of its needs for hardwood at the West Monroe mill. An assignee of Plum Creek supplies residual chips to Riverwood pursuant to the supply agreement. If the supply agreement were terminated, Riverwood may not be able to find an alternative, comparable supplier or suppliers capable of providing its pine pulpwood and hardwood needs on terms or in amounts satisfactory to it. Significant increases in the cost of pine pulpwood, hardwood or recycled fiber, to the extent not reflected in prices for Riverwood's products, could have a material adverse effect on our margins and income from operations.

Graphic also relies on open market purchases for its recycled paper fiber needs. Graphic's gross profit in 2002 was impacted by significant increases in the price of recycled paper fiber, its Kalamazoo mill's primary raw material. Future price increases may adversely impact the combined company's profits. The primary sources of recycled paper fiber that are used by the Kalamazoo board mill currently and will be used by the combined company following the merger OCC, newsprint, and box cuttings all increased in price during 2002, with a total increase of approximately $4.0 million compared to 2001. OCC prices peaked in June 2002 at $120 per ton; however, OCC prices had declined to $55 per ton in December 2002. Because OCC prices have returned to lower per ton levels, we expect less of an impact in 2003 from fiber prices at the Kalamazoo board mill. Raw material costs are likely to continue to fluctuate based upon supply and demand.

The combined company may not adequately protect its intellectual property and proprietary rights, which could harm its future success and competitive position.

The combined company's future success and competitive position depend in part upon its ability to obtain and maintain certain proprietary technologies used in its value added products, particularly those incorporating the Composipac®, Micro-Rite®, Fridge Vendor® and Z-Flute® technologies. Riverwood and Graphic protect their intellectual property rights relating to these and other technologies through a combination of patent, trade secret, trademark, copyright law and confidentiality agreements. Failure to protect our existing intellectual property rights may result in the loss of valuable technologies or may require the combined company to license other companies' intellectual property rights. It is possible that:

- any of the patents owned by the combined company may be invalidated, circumvented, challenged or licensed to others; and
- any of the combined company's pending or future patent applications may not be issued within the scope of the claims sought by it, if at all.

Further, others may develop technologies that are similar or superior to the combined company's technologies, duplicate its technologies or design around its patents, and steps taken by the combined company to protect its technologies may not prevent misappropriation of such technologies.

The combined company will be subject to environmental, health and safety laws and regulations, and costs to comply with such laws and regulations, or any liability or obligation imposed under such laws or regulations, could negatively impact the combined company's financial condition and results of operations.

The combined company will be subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, the investigation and remediation of contamination resulting from releases of hazardous substances, and the health and safety of employees. Capital expenditures may be necessary for the combined company to comply with such laws and regulations, including the United States Environmental Protection Agency's regulations mandating stringent controls on air and water discharges from pulp and paper mills, or the cluster rules. The combined company expects to spend approximately $22 million over the next three years to comply with the cluster rules. Any failure by the combined company to comply with environmental, health and safety laws or any permits and authorizations required thereunder could subject us to fines or sanctions. In addition, some of Riverwood's and Graphic's current and former facilities, and facilities at which each of Riverwood and Graphic disposed of hazardous substances, are the subject of environmental investigations and remediations resulting from releases of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations could be imposed in the future or for which indemnification claims could be asserted against us. We cannot predict with certainty future investigation or remediation costs or future costs relating to indemnification claims. Also, potential future closures of facilities may necessitate further investigation and remediation at those facilities.

The combined company's environmental liabilities and obligations may result in significant costs, which could negatively impact its financial condition and results of operations. For a more complete discussion of the environmental matters that will impact the combined company after the completion of the merger, please refer to "Information about Graphic Business Environmental Matters" on page 125 and to "Information about Riverwood Management's Discussion and Analysis of Financial Condition and Results of Operations Environmental and Legal Matters" on page 97 of this proxy statement/prospectus.

Loss of key management personnel could adversely affect the combined company's business.

Our future success will depend, in significant part, upon the service of Jeffrey H. Coors, who will be our Executive Chairman, Stephen M. Humphrey, who will be our President and Chief Executive Officer, and David W. Scheible, who will be our Executive Vice President of Commercial Operations. We have employment agreements with each of these executive officers. The loss of the services of one or more of these executive officers could adversely affect our future operating results because of their experience and knowledge of our business and customer relationships. We do not expect to maintain key person insurance on any of our executive officers.

Work stoppages and other labor relations matters may make it substantially more difficult or expensive for the combined company to manufacture and distribute its products, which could result in decreased sales or increased costs, either of which would negatively impact the combined company's financial condition and results of operations.

The combined company will be subject to risk of work stoppages and other labor relations matters because approximately 54.5% of its employees, located at 12 different plants, are unionized. Riverwood and Graphic have entered into 17 different union contracts, which the combined company will assume in connection with the merger. Three of the combined company's union contracts will expire by the end of 2003. We may not be able to successfully negotiate new union contracts covering the employees at

our various sites without work stoppages or labor difficulties. In addition, we cannot assure you that such events will not occur as a result of other factors. A prolonged disruption at any of our facilities due to work stoppages or labor difficulties could have a material adverse effect on our net sales, margins and cash flows. For example, Graphic experienced a labor dispute at its Kalamazoo board mill and carton plant from July 2002 to January 2003 in connection with the negotiation of a new labor contract. Direct, incremental costs associated with the labor dispute were approximately $4.5 million. In addition, if new union contracts contain significant increases in wages or other benefits, our margins would be adversely impacted.

Our operations outside the United States are subject to the risks of doing business in foreign countries.

Riverwood has, and after the merger the combined company will have, operating facilities in six foreign countries and sells products worldwide. For 2002, before intercompany eliminations, net sales of Riverwood products from operations outside the United States totaled approximately $337.0 million, representing approximately 27.0% of its net sales for such period. Graphic's net sales of products from operations outside the United States for 2002 totaled approximately $5.0 million, representing approximately 0.5% of its net sales for such period. As a result, the combined company will be subject to the following significant risks associated with operating in foreign countries:

- devaluations and fluctuations in currency exchange rates;
- export compliance;
- imposition of limitations on conversion of foreign currencies into U.S. dollars or remittance of dividends and other payments by foreign subsidiaries and difficulty repatriating funds;
- imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- hyperinflation in certain foreign countries; and
- imposition or increase of investment and other restrictions by foreign governments.

If any of the above events were to occur, our net sales and cash flows could be adversely impacted, possibly materially.

Foreign currency risks and exchange rate fluctuations could hinder the results of the combined company's operations, and the strength of the U.S. dollar could disadvantage us relative to our foreign competitors.

Our financial performance will be directly affected by exchange rates as a result of:

- translations into U.S. dollars for financial reporting purposes of the assets and liabilities of our foreign operations conducted in local currencies;
- gains or losses from foreign operations translated into U.S. dollars; and
- a strong U.S. dollar relative to the currencies of the foreign countries we sell in, which will have the effect of reducing our margins.

The combined company may be limited in the future in the amount of NOLs that we can use to offset income.

As of December 31, 2002, Riverwood had approximately $1.2 billion of U.S. federal income tax net operating loss carry-forwards, or NOLs, from prior taxable years. After the completion of the merger,

these NOLs generally may be used by the combined company to offset income earned in subsequent taxable years, but will expire between 2011 and 2022 if not used before that time.

Section 382 of the Code imposes an annual limitation on the amount of taxable income that can be offset by NOLs that are attributable to the period preceding an ownership change. If a corporation undergoes an ownership change, the amount of post-change income for each taxable year after the ownership change that can be offset by pre-change NOLs will be limited to the product of:

- the fair market value of the corporation's stock immediately before the ownership change (generally, for this purpose, excluding capital contributions made to the corporation during the two-year period ending on the date of the ownership change); and

the long-term tax-exempt rate for the month in which the ownership change occurs (4.58% for May 2003).

Any unused section 382 limitation for a taxable year will be carried forward and will increase the section 382 limitation for the next post-change year.

Generally, a corporation undergoes an ownership change if one or more 5-percent shareholders increase their percentage ownership of the corporation's stock, in the aggregate, by more than 50 percentage points over such shareholders' lowest percentage ownership at any time during the testing period (generally, the preceding three years). A 5-percent shareholder is generally a person who owns, directly or indirectly, at least 5 percent of the stock of the corporation at any time during the testing period. For this purpose, subject to special rules, shareholders who directly own less than 5 percent of a corporation's stock are aggregated and treated as a single 5-percent shareholder.

Pursuant to the above rules and based on the information known to Riverwood as of May , 2003, issuance of shares of the combined company stock to the Graphic stockholders in the merger, together with previous shifts in the ownership of Riverwood stock during the applicable testing period, will result in 5-percent shareholders having increased their percentage ownership of the combined company's stock by approximately 43 percentage points. Based on the above, Riverwood does not expect that the combined company will undergo an ownership change at the time of the merger. However, direct or indirect transfers of Riverwood stock after May , 2003, or the stock of the combined company after the completion of the merger, by one or more 5-percent shareholders (including pursuant to a registered offering of shares under the amended and restated registration rights agreement), or issuances or redemptions of Riverwood or the combined company stock, when taken together with the shift in ownership resulting from the merger, could result in an ownership change that would subject Riverwood's or the combined company's NOLs to a section 382 limitation. If the combined company undergoes an ownership change during the two-year period following the merger, it is possible that the receipt of the assets of Graphic pursuant to the merger would be treated as a capital contribution to the combined company, in which case the fair market value of the combined company used in determining the section 382 limitation would exclude value attributable to Graphic. Imposition of any section 382 limitation on Riverwood's or the combined company's NOLs could have an adverse effect on the anticipated future cash flow of the combined company. Any section 382 limitation resulting from an ownership change of the combined company will also apply to pre-merger NOLs of Graphic.

Terrorist attacks, such as those that occurred on September 11, 2001, and the current military action in Iraq have contributed to economic instability in the United States, and further acts of terrorism, bioterrorism, violence or war could affect the markets in which the combined company operates, its business operations, its expectations and other forward-looking statements contained in this proxy statement/prospectus.

Terrorist attacks or acts of war may cause damage or disruption to the combined company and its employees, facilities, information systems, security systems, vendors and customers, which could significantly impact the combined company's net sales, costs and expenses, and financial condition. The threat of terrorist attacks in the United States since September 11, 2001 continues to create many economic and political uncertainties. The potential for future terrorist attacks, the U.S. and international responses to terrorist attacks, and other acts of war or hostility may cause greater uncertainty and cause the combined company's business to suffer in ways that cannot currently be predicted. The military action taken by the United States and its allies against the government of Iraq could have a short or long term negative economic impact upon the financial markets and the combined company's business in general. Events such as those referred to above could cause or contribute to a general decline in equity valuations, which in turn could reduce the market value of your investment in the combined company. In addition, terrorist attacks, particularly acts of bioterrorism that directly impact the combined company's physical facilities or those of its suppliers or customers, or that involve the food or beverages that the combined company's customers produce, could have an impact on our sales, supply chain, production capability and costs and our ability to deliver our products to our customers.

The combined company may be subject to losses that might not be covered in whole or in part by existing insurance coverage. These uninsured losses could result in substantial liabilities to the combined company that would negatively impact its financial condition.

The combined company will carry comprehensive liability, fire and extended coverage insurance on all of its facilities, and other specialized coverages, with policy specifications and insured limits customarily carried for similar properties and purposes. There are certain types of risks and losses, however, such as losses resulting from wars or acts of God, that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the combined company could incur liabilities, lose capital invested in that property or lose the anticipated future revenues derived from the manufacturing activities conducted at a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any such loss could result in substantial liabilities to the combined company or adversely affect its ability to replace property or capital equipment that is destroyed or damaged, and the combined company's productive capacity may diminish.

FORWARD-LOOKING STATEMENTS

Riverwood and Graphic have made forward-looking statements in this proxy statement/prospectus that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of each company's management. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations of Riverwood, Graphic and the combined company. Forward-looking statements include the information in this proxy statement/prospectus, specifically, regarding:

- management forecasts;
- efficiencies and cost savings;
- income and margins;
- earnings per share;
- growth;
- economies of scale;
- combined operations;
- the economy;
- future economic performance;
- conditions to, and the timetable for, completing the merger;
- future acquisitions and dispositions;
- litigation;
- potential and contingent liabilities;
- management's plans;
- taxes;
- merger and integration-related expenses;

- product approvals and launches; and
- refinancing of existing debt.

These statements may be preceded by, followed by or include the words "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed in "Risk Factors" above and elsewhere in this proxy statement/prospectus, could affect the future results of Riverwood and Graphic, and of the combined company after the completion of the merger, and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

- the ability to provide low-cost, high-quality products and to become a single-source supplier;
- actions by customers and other third parties;
- the effect of political and economic conditions, inflation and interest rates worldwide; and
- the effect of changes in laws and regulations, including changes in accounting standards, trade, tax, price controls and other regulatory matters.

Market share estimates are based on third party information that may be or may become obsolete or inaccurate.

INFORMATION ABOUT THE SPECIAL MEETING AND VOTING

Graphic's board of directors is using this document to solicit proxies from the holders of Graphic common stock for use at the Graphic special meeting. Graphic is first mailing this proxy statement/prospectus and accompanying form of proxy to Graphic stockholders on or about , 2003.

MATTERS RELATING TO THE SPECIAL MEETING

Time and Place

The special meeting will take place on , 2003, at a.m. Mountain Time, at .

Purpose of the Special Meeting

The purpose of the special meeting is to vote on:

- the proposal to approve the merger agreement, and
- such other matters as may properly come before the special meeting, including the approval of any adjournment of the special meeting.

Record Date

The record date for shares entitled to vote is , 2003.

Outstanding Shares Held on Record Date

As of , 2003, there were approximately outstanding shares of Graphic common stock and 1,000,000 outstanding shares of the convertible preferred stock.

Shares Entitled to Vote

Shares of Graphic common stock and convertible preferred stock held at the close of business on the record date, , 2003, are entitled to vote at the special meeting. The Graphic common stock and the convertible preferred stock vote together as a class, with each share of common stock entitled to cast one vote, and the shares of convertible preferred stock entitled to cast a total of 24,242,424 votes. In addition, the shares of convertible preferred stock are entitled to vote separately as a class.

Quorum Requirement

A quorum of stockholders is necessary to hold a valid special meeting. The presence in person or by proxy at the special meeting of holders of a majority of the shares of Graphic common stock entitled to vote at the special meeting and a majority of the shares of convertible preferred stock entitled to vote at the special meeting is a quorum. Abstentions count as present for establishing a quorum.

VOTE NECESSARY TO APPROVE THE MERGER AGREEMENT

Approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the combined voting power of Graphic's capital stock (including the votes to which the holder of the convertible preferred stock is entitled) and the affirmative vote of the holder of two-thirds of the outstanding shares of convertible preferred stock, voting as a separate class.

Coors family stockholders holding 13,481,548 shares of Graphic's outstanding common stock and all of Graphic's outstanding convertible preferred stock (entitled to vote separately as a class and to cast a total of 24,242,424 votes with the holders of Graphic common stock) have entered into a voting agreement. These shares represent approximately 65.1% of the combined voting power of Graphic's capital stock (based on 33,703,676 shares of common stock outstanding as of March 25, 2003 plus the voting power of the convertible preferred stock) and 100% of the voting power of the convertible preferred stock as of March 25, 2003. The voting agreement requires these stockholders to vote their shares of Graphic common and convertible preferred stock in favor of the merger agreement. In addition, the executive officers and directors of Graphic have advised that they intend to vote their shares in favor of the merger agreement.

PROXIES

Voting Your Proxy

You may vote in person at the special meeting or by proxy. Graphic recommends that you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting.

Voting instructions are included on your proxy card. If you properly give your proxy and submit it to Graphic in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against, or abstain from voting on, any proposal submitted at the special meeting. The effect of not voting or abstaining will have the same effect as a vote against the merger agreement. Complete, sign, date, and return your proxy card in the enclosed envelope.

If you submit your proxy but do not make specific choices, your proxies will follow the recommendations of the board of directors and vote your shares:

- "FOR" approval of the merger agreement; and
- in its discretion as to any other business as may properly come before the special meeting.

Special Meeting Costs

Graphic will bear the cost of preparing, assembling, and mailing the Notice of Special Meeting of Stockholders, this proxy statement/prospectus, and proxies to its stockholders. Graphic will also reimburse brokers who are holders of record of common stock for their expenses in forwarding proxies and proxy soliciting material to the beneficial owners of such shares. In addition to the use of the mails, proxies may be solicited without extra compensation by directors, officers, and employees of Graphic by telephone, telecopy or personal interview.

Revoking Your Proxy

You may revoke your proxy before it is voted by:

- completing, signing and dating a new proxy card and returning it by mail so that it is received before the special meeting;
- notifying Graphic's corporate secretary in writing before the special meeting that you have revoked your proxy; or
- attending the special meeting and voting in person.

Voting in Person

If you plan to attend the special meeting and wish to vote in person, Graphic will give you a ballot to vote at the special meeting. However, if your shares are held in the name of your broker, bank, or other nominee, you must bring an account statement or letter from the nominee indicating that you are the beneficial owner of the shares on , 2003, the record date for voting.

Broker Non-votes

If your shares are registered in the name of a broker or other "street name" nominee, your votes will only be counted as to those matters actually voted. If you do not provide voting instructions (commonly referred to as "broker non-votes"), your shares will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be voted in favor of the proposal to approve the merger agreement. Shares not being voted as to a particular matter will be considered as abstentions. Under applicable Colorado law, abstentions and broker non-votes will have the effect of a vote against the proposal to approve the merger agreement.

OTHER BUSINESS; ADJOURNMENTS

Graphic is not aware of any other business to be acted upon at the special meeting. If, however, other matters are properly brought before the special meeting, or any adjourned meeting, your proxies will have discretion to vote or act on those matters according to their best judgment, including to adjourn the special meeting.

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. Any adjournments may be made from time to time by approval of the holders of shares representing a majority of the votes present in person or by proxy at the special meeting, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting. Graphic does not currently intend to seek an adjournment of the special meeting.

THE PROPOSED MERGER

GENERAL

Graphic's board of directors is using this proxy statement/prospectus to solicit proxies from the holders of Graphic common stock for use at the Graphic special meeting. Riverwood's board of directors and Riverwood's stockholders have approved the merger agreement.

Riverwood, Acquisition Sub and Graphic have entered into the merger agreement providing for the merger. Under the merger agreement, at the time specified in the agreement, Graphic will merge with and into Acquisition Sub, with Acquisition Sub to be the surviving entity. As a Graphic stockholder, you will be entitled to receive one share of common stock of the combined company in exchange for each share of Graphic common stock that you own.

At March 25, 2003, there were outstanding 33,703,676 shares of Graphic common stock and 1,000,000 shares of convertible preferred stock. At March 25, 2003, there were outstanding 7,054,930 shares of Riverwood Class A common stock and 500,000 shares of Riverwood Class B common stock. Immediately before the effective time of the merger, Riverwood will complete a 15.21-to-one stock split of its common stock and the holder of Graphic's convertible preferred stock will convert that stock into Graphic common stock. The combined company may issue up to 85,062,998 shares of combined company common stock to Graphic stockholders in the merger. After the effective time of the merger, stockholders of Graphic will own approximately 42.5%, in the aggregate, of all of the issued and outstanding shares of the combined company's common stock, and stockholders of Riverwood will own approximately 57.5%, in the aggregate, of the combined company's common stock, each calculated on a fully diluted basis.

There can be no assurance that the market price per share of combined company common stock after the merger will be equal to the market price per share of Graphic common stock before the merger, or that the marketability of combined company common stock will improve or remain consistent with the marketability of Graphic common stock before the merger.

GRAPHIC PROPOSAL

At the Graphic special meeting, holders of Graphic common stock and the holder of the convertible preferred stock will be asked to vote to approve the merger agreement.

THE MERGER WILL NOT BE COMPLETED UNLESS GRAPHIC'S STOCKHOLDERS APPROVE THE MERGER AGREEMENT.

BACKGROUND OF THE MERGER

Riverwood was acquired in 1996 by a group of investors, including private equity funds managed by Clayton, Dubilier & Rice, Inc., or CD&R, Exor, an international holding company of the Agnelli Group, Madison Dearborn Partners, LLC, Brown Brothers Harriman & Co., J.P. Morgan Partners LLC and others.

Graphic and Riverwood entered into a CUK folding boxboard supply contract in January 2000 and, as a result, senior management of each company began to develop a better understanding of the other company's business. The companies discussed potential joint projects for two new product offerings as well as areas of business cooperation during 2001, but none of these projects was consummated.

Beginning in early 2002, in part as a result of the consolidations in the packaging industry and in order to compete more effectively, Graphic began considering various strategic alternatives involving its business. During 2002, Graphic had discussions about possible business combinations with other

companies in the packaging industry. Following negotiations and the exchange of some business information, these discussions were terminated.

On May 3, 2002, Riverwood filed a registration statement with the SEC for an initial public offering of Riverwood common stock, and, during the summer of 2002, Riverwood was engaged in the registration process with the SEC.

In early July 2002, representatives of Graphic contacted representatives of Goldman, Sachs & Co. or Goldman Sachs, about exploring a potential acquisition of Riverwood by Graphic for a combination of cash and stock. Credit Suisse First Boston acted as financial advisor to Graphic, and Goldman Sachs, which had been working with Riverwood on the proposed offering, acted as financial advisor to Riverwood. In connection with these preliminary discussions, Graphic executed a confidentiality agreement with Riverwood.

On July 30, 2002, Luis E. Leon, Chief Financial Officer of Graphic, and David W. Scheible, Chief Operating Officer of Graphic, met with Stephen M. Humphrey, Chief Executive Officer of Riverwood, at CD&R's offices in New York. Representatives of Credit Suisse First Boston, on behalf of Graphic, and Goldman Sachs and CD&R, on behalf of Riverwood, also attended this meeting. At this meeting, each party presented a business overview and discussed the benefits and merits of a potential combination. In addition, representatives of Graphic discussed the structure and financing for an acquisition of Riverwood by Graphic. There were no further discussions on this proposed transaction.

During the remaining months of the summer and early fall of 2002, the U.S. capital markets continued to experience a decline in the demand for initial public offerings of stock. Following consultations with Goldman Sachs, Riverwood's stockholders and senior management initiated discussions with Graphic regarding a potential stock-for-stock exchange or merger of equals transaction, and Riverwood executed a confidentiality agreement with Graphic. On October 9, 2002, Jeffrey H. Coors, President and Chief Executive Officer of Graphic, and Messrs. Leon and Scheible met in Golden, Colorado with representatives of Goldman Sachs and representatives of Credit Suisse First Boston. At this meeting, the concept of a stock-for-stock merger between Graphic and Riverwood and a methodology for valuation were discussed.

From October 9, 2002 through the week of March 3, 2003, the financial advisors for both parties had numerous discussions regarding the potential valuation for any merger between Graphic and Riverwood and the relative contributions by each company to the combined entity.

During the remainder of October through January 2003, Messrs. Coors, Leon and Scheible on behalf of Graphic and assisted by representatives of Credit Suisse First Boston met with Mr. Humphrey and representatives of CD&R and Goldman Sachs to discuss the strategic and operating advantages of a potential transaction, as well as the potential terms of a transaction, including valuation and the corresponding allocation of ownership of the combined company between Graphic stockholders and Riverwood stockholders, executive officer positions and board of directors composition, the treatment of incentive and employment agreements, the treatment of the convertible preferred stock held by the Trust, the potential financing for the transaction and potential synergies and cost savings resulting from the proposed merger.

On November 18, 2002, at a special meeting, Graphic's board of directors discussed a potential transaction with Riverwood and the status of negotiations.

On December 9, 2002 at a regularly scheduled board meeting, Graphic's board of directors discussed strategic considerations with respect to the potential transaction and other potential strategic alternatives. An overview of a proposed merger was presented to the board at this meeting and the board discussed the proposal.

40

During the period from November 2002 through March 24, 2003, the Riverwood board of directors met on a regular basis in person and by conference telephone call with Mr. Humphrey, representatives of CD&R, Goldman Sachs and Debevoise & Plimpton, or Debevoise, Riverwood's legal advisor, to review and discuss the strategic rationale and the material terms of the proposed transaction.

By the end of December 2002, the boards of directors of both companies had determined that, based on preliminary contribution analyses prepared by the companies and their financial advisors, both companies should continue to explore the terms of a merger of equals transaction. The two companies also determined to begin a more extensive due diligence investigation of each other beginning in January 2003.

On January 8 and 9, 2003, Graphic and Riverwood, together with their financial advisors, held detailed company-to-company business review meetings at the Debevoise offices in New York. During the week of January 13, 2003, both companies made data rooms available, and due diligence investigations, including site visits, by financial, accounting, legal and other advisors for both companies began and continued through March 24, 2003.

On January 27, 2003, Graphic's board of directors held a meeting by telephone to discuss the potential transaction with Riverwood and the status of negotiations. Also on January 27, Mr. Coors visited Riverwood's Fiskeby board mill in Sweden to review and evaluate Riverwood's business operations there.

On February 10, 2003, at a regularly scheduled board meeting, Graphic's board of directors again discussed the proposed merger. This meeting included an extensive review and discussion of the transaction among the directors, as well as updates from Graphic's management on the strategic and business considerations relating to the transaction, the ongoing diligence review and the status of discussions between the parties. Messrs. Coors, Leon, Scheible and Jill B.W. Sisson, general counsel and secretary of Graphic, and Marsha C. Williams, vice president, human resources of Graphic, informed the Graphic board of various calls and meetings between Graphic and its advisors and Riverwood and its advisors that had occurred in late January and early February.

During the weeks of February 10 and 17, Riverwood's legal advisor provided drafts of the principal transaction documents to Holme Roberts & Owen LLP, the legal advisors to Graphic, and Davis Graham & Stubbs LLP, the legal advisors to the Coors family stockholders, including the merger agreement, voting agreement, stockholders agreement, registration rights agreement and related charter and by-law amendments. In providing a voting agreement to the Coors family stockholders, Riverwood's advisors indicated that Riverwood would require that the Coors family stockholders agree to support the proposed transaction and that the Trust convert its shares of the convertible preferred stock into Graphic common stock in connection with the merger.

Beginning in February and continuing through March 24, 2003, the parties, together with their respective legal and financial advisors, negotiated the principal terms of the transaction documents, including valuation and the proposed exchange ratio, and continued to conduct due diligence. The parties, together with their respective legal and financial advisors, also negotiated the composition of the board of directors and executive officers of the combined company, as well as other employee compensation and benefit matters, including amendments to the employment agreements of Messrs. Humphrey, Coors and Scheible and other Graphic employees. The negotiation of the merger agreement and other documents was handled primarily by Mr. Coors, Mr. Leon and Ms. Sisson, on behalf of Graphic, Mr. Humphrey, Daniel J. Blount, Chief Financial Officer of Riverwood, and representatives of CD&R on behalf of Riverwood, representatives of Riverwood's stockholders and representatives of the Coors family stockholders, together with each party's legal and financial advisors.

On February 25, 2003, Riverwood and Graphic, together with their legal and financial advisors, representatives of Riverwood's stockholders and the legal advisors to the Coors family stockholders met

to discuss valuation and other terms of the merger agreement, voting agreement, stockholders agreement and amended and restated registration rights agreement.

During the week of March 3, 2003, based on continuing valuation analyses by both companies' senior management teams and financial advisors, the parties determined that the proposed exchange ratio for the merger would reflect that 57.5% and 42.5% of the common stock of the combined company on a fully diluted basis would be held by Riverwood stockholders and Graphic stockholders, respectively.

On March 5, 2003, Graphic's board held a special meeting, during which the directors extensively discussed the status of the proposed transaction and the terms of the draft merger agreement. At that meeting, in response to Riverwood's request that the Trust convert its shares of the convertible preferred stock into Graphic common stock and Riverwood's offer to pay the Trust, in consideration of such conversion, an amount in cash equal to the estimated present value of the dividends payable on the convertible preferred stock from the effective time of the merger through the first date on which Graphic would have been able to redeem the convertible preferred stock, the members of the Graphic board not affiliated with the Coors family formed an independent committee, which retained Morgan Stanley as financial advisor to determine the fairness of the consideration proposed to be paid to the Trust.

During the weeks of March 10 and 17, 2003, representatives and senior management of Graphic and Riverwood, representatives of Riverwood's stockholders and representatives of the Coors family stockholders, together with their respective legal and financial advisors, continued to negotiate the definitive terms of the merger agreement, voting agreement, stockholders agreement and related transaction documents. On March 13, 2003, Graphic and Riverwood, along with their respective financial advisors, met in New York to conduct additional financial due diligence on each other's respective operations.

On March 24, 2003, Morgan Stanley made a presentation to an independent committee of the Graphic board of directors regarding the financial terms of the conversion payment to be made by Riverwood in consideration of the conversion of the convertible preferred stock, and delivered to the independent committee its oral opinion that, as of that date, based upon and subject to the factors and assumptions set forth in the Morgan Stanley fairness opinion, the consideration to be paid pursuant to the voting agreement to the Trust by Riverwood representing an amount equal to the present value, calculated at a discount rate of 8.5%, of the dividends payable to the convertible preferred stock from the effective time of the merger through the first date on which Graphic could have redeemed the convertible preferred stock, was fair to Graphic from a financial point of view. The independent committee then voted unanimously to approve the proposed terms for the conversion of the convertible preferred stock, including the 8.5% discount rate used to calculate the present value of future dividends. Morgan Stanley confirmed its oral opinion in a written fairness opinion delivered to the independent committee on March 24, 2003.

On March 24, 2003, Graphic's board of directors met to consider the merger agreement and the proposed transaction. At the meeting, Graphic's management, together with Graphic's financial and legal advisors, discussed the status of negotiations and the proposed terms of the transaction, the merger agreement and the other documents contemplated by the merger agreement. Credit Suisse First Boston made a presentation regarding the financial terms of the transaction and its valuation analyses of Graphic and Riverwood. Credit Suisse First Boston then delivered to the board its oral opinion that, as of that date, based upon and subject to the factors and assumptions set forth in the Credit Suisse First Boston fairness opinion, the exchange ratio in the merger was fair from a financial point of view to the holders of Graphic common stock other than the Coors family stockholders. Credit Suisse First Boston confirmed its oral opinion in a written fairness opinion delivered to the board on March 25, 2003.

After an extensive discussion, Graphic's board of directors, by unanimous vote of the directors, except for Mr. William K. Coors, who was not present at the meeting, and Mr. Jeffrey H. Coors, who abstained, determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement were fair to and in the best interests of Graphic and its stockholders. The board, by unanimous vote of the directors voting, voted to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, including an amendment to the Graphic rights agreement, and to recommend that Graphic's stockholders vote "for" the approval of the merger agreement.

On March 19 and 24, 2003, the Riverwood board of directors held special meetings to review the final terms of the proposed merger agreement, the voting agreement, the stockholders agreement, the amended employment agreement for Mr. Humphrey and other related transaction documents. Also present at the meetings were members of Riverwood's senior management team and representatives of Goldman Sachs and Debevoise. Mr. Humphrey presented his assessment of the proposed transaction. Members of Riverwood management and representatives of Debevoise presented the results of the due diligence investigation of Graphic and Debevoise reviewed the proposed merger agreement in detail. Goldman Sachs reviewed the financial terms of the proposed transaction. Thereafter, at the special meeting held on March 24, the members of the board of directors of Riverwood present at the meeting voted unanimously to approve the merger agreement and the other transaction documents. Stockholders of Riverwood holding a majority of the outstanding shares of Riverwood voting stock approved the merger agreement and the transactions contemplated by the merger agreement by written consent on March 24, 2003.

Following these meetings, representatives of Riverwood and Graphic met to finalize the transaction documents. On March 25, 2003, the merger agreement was executed by Graphic, Riverwood and Acquisition Sub, and the voting agreement, stockholders agreement, amended and restated registration rights agreement and other documents contemplated by the merger agreement, were executed by Riverwood, the Coors family stockholders and the other parties to those agreements.

Before the opening of trading on the NYSE on March 26, 2003, Riverwood and Graphic issued a joint press release announcing their execution of the merger agreement.

GRAPHIC'S REASONS FOR THE MERGER

On March 24, 2003, by unanimous vote of the directors voting, the Graphic board of directors determined that the merger is fair to and in the best interests of Graphic and its stockholders, approved and adopted the merger agreement and resolved to recommend that Graphic stockholders vote "FOR" approval of the merger agreement.

In reaching its decision, the Graphic board of directors considered a number of factors, including the following:

- The complementary product offerings of Riverwood and Graphic, which would create a premier value added paperboard packaging company with the ability to offer a comprehensive solution to existing customers of both companies;
- The attractive mix and margins of the combined company's complete product portfolio;
- Riverwood's history of strong customer relationships;
- The global opportunities available to Graphic as the result of Riverwood's existing operations;
- The potential for enhanced liquidity for stockholders;
- The opportunity to achieve significant operating synergies identified in connection with the merger, including reduced corporate overhead as a percentage of sales, purchasing synergies,

savings from board substitutions and the potential tax savings from Riverwood's net operating loss;

The opportunity for additional cost savings in the combined company, including more efficient usage of its facilities;

The ability of the combined company to be viewed by the marketplace in the same category as the largest paper and packaging companies;

The greater access to capital markets, which may result in interest cost savings to the combined company;

The oral presentation by, and written opinion dated March 25, 2003 of, Credit Suisse First Boston to the Graphic board of directors that, as of that date, based upon and subject to the assumptions, limitations and qualifications set forth in the written opinion, the exchange ratio in the merger was fair to Graphic stockholders other than the Coors family stockholders, from a financial point of view;

The independent committee's unanimous vote to approve the proposed terms for the conversion of the convertible preferred stock, including the 8.5% discount rate used to calculate the present value of future dividends;

The risks to Graphic of remaining as a stand-alone company, including pricing pressure, declining margins and competitive threats;

The other strategic alternatives available to Graphic, including other potential opportunities for acquisitions or strategic relationships;

The belief of Graphic's board and management that the terms of the merger agreement, including the parties' representations, warranties, covenants and conditions to their respective obligations, are reasonable;

The structure of the merger as a tax-free reorganization for United States federal income tax purposes;

The ability of the Graphic board to consider a superior acquisition proposal and to terminate the merger agreement in connection with such a proposal, subject to procedural requirements and the payment of a termination fee;

The board's understanding of current market and industry conditions;

That various senior officers of Graphic will serve in senior management positions of the combined company; and

That the Trust, the largest stockholder of Graphic, and the other Coors family stockholders had agreed to vote for approval of the merger agreement.

The Graphic board of directors also identified and considered a number of potentially negative factors in its deliberations concerning the merger, including but not limited to:

The risk that the merger might not be completed or that closing might be delayed;

The difficulty of integrating the management teams, business strategies and complex organizations of Graphic and Riverwood;

The risk that the identified synergies will not be fully attained within the expected time frame, or at all;

The substantial costs to be incurred in connection with the merger, including transaction expenses and costs related to integration of the two companies;

The initial highly leveraged financial position of the combined company;

The reliance of the combined company on a few major customers;

The risk that the merger could have an adverse effect on the combined company's relationships with its customers and employees;

The risk that, although Graphic has the right to terminate the merger agreement if a third party makes a superior proposal for a business combination with Graphic that is not matched by Riverwood, the termination fee of $30 million and expense reimbursement of up to $3 million payable by Graphic in such a situation would discourage such a proposal and limit Graphic's ability to pursue alternative transactions;

That the merger would be effected at a time when Graphic's stock was trading below its previous high levels and at a time before the company's strategic plans had been fully implemented and its expected benefits fully achieved; and

The other risks described in "Risk Factors" beginning on page 19.

After deliberation, the Graphic board of directors concluded that, on balance, the potential benefits of the merger to the Graphic stockholders outweighed these risks and potential disadvantages.

The foregoing discussion of the information and factors considered by the Graphic board of directors is not intended to be exhaustive, but includes the material factors considered by the Graphic board of directors. In reaching its decision to approve the merger and to recommend the merger to the Graphic stockholders, the Graphic board of directors did not view any single factor as determinative and did not find it necessary or practicable to assign any relative or specific weights to the various factors considered. Furthermore, individual directors may have given different weights to different factors.

RECOMMENDATION OF THE BOARD OF DIRECTORS OF GRAPHIC

THE GRAPHIC BOARD OF DIRECTORS RECOMMENDS THAT GRAPHIC STOCKHOLDERS VOTE "FOR" APPROVAL OF THE MERGER AGREEMENT.

In considering the recommendation of Graphic's board of directors with respect to the merger, you should be aware that some officers and directors of Graphic have interests in the merger that may be different from, or in addition to, the interests of Graphic stockholders generally. Graphic's board of directors was aware of these interests and considered them in approving the merger agreement and the transactions contemplated by the merger agreement. For more information on these interests, see "Interests of Certain Persons in the Merger" beginning on page 64.

In addition, you should be aware that the Coors family stockholders, who hold 13,481,548 shares of Graphic's outstanding common stock and all of the outstanding convertible preferred stock (entitled to vote separately as a class and to cast a total of 24,242,424 votes with the holders of Graphic common stock), have entered into a voting agreement, which requires these stockholders to vote their shares of Graphic common and convertible preferred stock in favor of the merger agreement. These shares represent approximately 65.1% of the combined voting power of Graphic's capital stock and 100% of the voting power of the convertible preferred stock as of March 25, 2003. Also, the executive officers and directors of Graphic have advised that they intend to vote their shares in favor of the merger agreement.

OPINIONS OF GRAPHIC'S FINANCIAL ADVISORS

Opinion of Credit Suisse First Boston LLC Regarding the Merger

Credit Suisse First Boston has acted as Graphic's exclusive financial advisor in connection with the merger. Graphic selected Credit Suisse First Boston based on Credit Suisse First Boston's experience, reputation and familiarity with Graphic's business and the business of Riverwood. Credit Suisse First Boston is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

In connection with Credit Suisse First Boston's engagement, Graphic requested that Credit Suisse First Boston evaluate the fairness, from a financial point of view, to the holders of Graphic common stock, other than the Coors family stockholders, of the exchange ratio set forth in the merger agreement. On March 24, 2003, at a meeting of the board of directors of Graphic held to evaluate the merger, Credit Suisse First Boston delivered an oral opinion, which was subsequently confirmed in a written opinion dated March 25, 2003, to the effect that, as of that date and based on and subject to the assumptions, limitations and qualifications described in its written opinion, the exchange ratio was fair to the holders of Graphic common stock, other than the Coors family stockholders, from a financial point of view.

The full text of Credit Suisse First Boston's written opinion, dated March 25, 2003, to the board of directors of Graphic, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached as Annex C to this proxy statement/prospectus. Holders of Graphic common stock are urged to read this opinion in its entirety.

Credit Suisse First Boston's opinion is addressed to the board of directors of Graphic and relates only to the fairness, from a financial point of view, to the holders of Graphic common stock, other than the Coors family stockholders, of the exchange ratio. Credit Suisse First Boston's opinion does not constitute a recommendation to any stockholder of Graphic as to how such stockholder should vote or act on any matter relating to the merger.

In arriving at its opinion, Credit Suisse First Boston:

- reviewed certain business and financial information relating to Graphic and Riverwood, as well as the merger agreement;
- reviewed certain other information, including financial forecasts, provided to or discussed with Credit Suisse First Boston by Riverwood and Graphic;
- met with the managements of Riverwood and Graphic to discuss the business and prospects of Graphic and Riverwood;
- relied upon the views of the managements of Riverwood and Graphic concerning the business, financial, operational and strategic benefits and implications of the merger, including financial forecasts provided to or discussed with Credit Suisse First Boston by Graphic and Riverwood relating to the synergistic values, tax benefits and operating cost savings expected to be achieved through the combination of operations of Graphic and Riverwood;
- considered certain financial and stock market data of Graphic and certain financial data of Riverwood and compared those data with similar data for other publicly held companies in businesses similar to Graphic and Riverwood; and
- considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which Credit Suisse First Boston deemed relevant.

In connection with Credit Suisse First Boston's review, Credit Suisse First Boston did not assume any responsibility for independent verification of any of the information and relied on it being complete and accurate in all material respects. With respect to the financial forecasts relating to Graphic, Credit Suisse First Boston assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of Graphic's management as to the future financial performance of Graphic. With respect to the financial forecasts relating to Riverwood and the cost savings, tax benefits and other potential synergies anticipated to result from the merger, Credit Suisse First Boston assumed that such forecasts (including adjustments thereto) represented reasonable estimates and judgments as to the future financial performance of Riverwood and as to such cost savings, tax benefits and other potential synergies (including the amount, timing and achievability thereof). Credit Suisse First Boston also assumed, with Graphic's consent, that all necessary regulatory and third party approvals and consents for the merger would be obtained without material delay or expense and without any limitation, restriction or condition being imposed that would have an adverse effect on the business of Graphic or Riverwood or the contemplated benefits of the merger and that the merger would be consummated in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement therein. In addition, Credit Suisse First Boston assumed, with Graphic's consent, that each outstanding share of Class A common stock of Riverwood and Class B common stock of Riverwood would be reclassified into and become 15.21 shares of Riverwood common stock immediately before the merger. Graphic has also informed Credit Suisse First Boston, and Credit Suisse First Boston assumed, that the merger will be treated as a tax-free reorganization for United States federal income tax purposes.

In addition, Credit Suisse First Boston was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Graphic or Riverwood, nor was Credit Suisse First Boston furnished with any such evaluations or appraisals. Credit Suisse First Boston's opinion was necessarily based upon the information available to Credit Suisse First Boston and financial, economic, market and other conditions as they existed and could be evaluated on the date of the merger agreement. Credit Suisse First Boston did not express any opinion as to what the actual value of the shares of combined company common stock would be when issued to the holders of the Graphic common stock pursuant to the merger or the prices at which such shares would trade at any time. Credit Suisse First Boston's opinion does not address any aspect or implication of the treatment of certain restricted shares of Graphic common stock held by executives of Graphic provided for in the merger agreement. In addition, Credit Suisse First Boston's opinion did not address the relative merits of the merger as compared to other transactions or business strategies that might be available to Graphic, nor did it address Graphic's underlying business decision to proceed with the merger.

In preparing its opinion to the board of directors of Graphic, Credit Suisse First Boston performed a variety of financial and comparative analyses, including those described below. The preparation of a fairness opinion is complex and is not readily susceptible to partial analysis or summary description. Accordingly, Credit Suisse First Boston believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

No company, transaction or business used in Credit Suisse First Boston's analyses as a comparison is directly comparable to Graphic, Riverwood or the proposed merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the merger or the other values of the companies, business segments or transactions being analyzed.

The estimates contained in Credit Suisse First Boston's analyses and the ranges of valuations resulting from any particular analysis are not necessary indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the

analyses. The analyses do not purport to be appraisals or to reflect the prices at which businesses actually may be sold.

Credit Suisse First Boston's opinion and financial analyses were among many factors considered by the board of directors of Graphic in its evaluation of the proposed merger and should not be viewed as determinative of the views of the board of directors of Graphic or the managements of Graphic or Riverwood with respect to the merger or the consideration to be received by the holders of Graphic common stock pursuant to the merger.

Summary of Financial Analyses

The following is a summary of the material financial analyses underlying Credit Suisse First Boston's opinion dated March 25, 2003, delivered to the board of directors of Graphic in connection with the merger. The financial analyses summarized below include information presented in tabular format. In order to fully understand Credit Suisse First Boston's financial analyses, the tables must be read together with the text of each summary. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Credit Suisse First Boston's financial analyses.

Comparable publicly traded company analysis. Credit Suisse First Boston analyzed the market values and trading multiples of Graphic and of selected publicly traded paper and packaging companies that Credit Suisse First Boston believed were reasonably comparable to Graphic and Riverwood. These comparable companies consisted of:

- Caraustar Industries, Inc.;
- Rock-Tenn Company;
- Sonoco Products Company;
- Bemis Company, Inc.;
- MeadWestvaco Corporation;
- Packaging Corporation of America; and
- Smurfit-Stone Container Corporation.

In examining these comparable companies, Credit Suisse First Boston calculated the enterprise value of each company as a multiple of its respective 1999, 2000, 2001, 2002 and projected calendar year 2003 earnings before interest expense, taxes, depreciation and amortization, or EBITDA. Credit Suisse First Boston also calculated the four-year historical average from 1999-2002 of these multiples. The enterprise value of a company is equal to the value of its fully-diluted common equity plus debt and the liquidation value of outstanding convertible preferred stock, if any, minus cash and the value of certain other assets, including minority interests in other entities. Except as otherwise noted herein, all historical data was derived from publicly available sources and all projected data was obtained from

Wall Street research reports. Credit Suisse First Boston's analysis of the comparable companies yielded the following multiple ranges:

Enterprise Value / EBITDA(1)

Year	Graphic	Average(2)	Median(2)
1999	9.9x	8.1x	7.1x
2000	4.8x	5.7x	5.9x
2001	6.1x	7.4x	7.6x
2002	6.9x	7.9x	8.1x
Historical Average	6.9x	7.3x	7.2x
2003(3)	6.8x	7.5x	7.4x

(1) All historical multiples based on end of year data with the exception of 2002, which is based on the March 20, 2003 closing stock price.

(2)

Average and median include Graphic.

(3)
2003 multiple based on 2002 enterprise value (based on March 20, 2003 stock price) and 2003 EBITDA estimate.

The average comparable company multiple of enterprise value to EBITDA was approximately 7.0x 7.5x for these periods. The results of this analysis were used to help determine inputs for the contribution and discounted cash flow analyses described below.

Contribution analysis. Credit Suisse First Boston analyzed the relative contributions of Graphic and Riverwood to the pro forma combined company for the year 2002 and projected year 2003 based on selected financial data, assuming no anticipated cost savings resulting from the merger, but including the effect of certain expenses and benefits that each respective party contributes. Credit Suisse First Boston analyzed the respective contributions of each company's projected EBITDA for 2003 based on estimates provided by the managements of Graphic and Riverwood (as adjusted by Graphic management). The implied percent of equity value in the table below denotes each respective company's share of pro forma equity based on its contribution to enterprise value, accounting for the debt contributed by each of Graphic and Riverwood, respectively:

	Multiple of EBITDA to Calculate Enterprise Value			
	7.0x		7.5x	
	Graphic Implied % of Equity Value	Riverwood Implied % of Equity Value	Graphic Implied % of Equity Value	Riverwood Implied % of Equity Value
2002:				
Base Case(1)	43.4%	56.6%	41.2%	58.8%
With JD Cahill Synergies(2)	45.0%	55.0%	42.7%	57.3%
With Labor Dispute Addback of $4.5mm(3)	45.3%	54.7%	42.9%	57.1%
With JD Cahill Synergies and Labor Dispute Addback(4)	46.8%	53.2%	44.3%	55.7%
2003:				
Base Case(1)	41.9%	58.1%	40.1%	59.9%
With JD Cahill Synergies(2)	43.5%	56.5%	41.6%	58.4%

(1)
For calculating the Base Case, this analysis includes the anticipated EBITDA (excluding synergies) and debt from the JD Cahill acquisition as if it occurred on 1/1/02 or 1/1/03 as applicable.

(2)
For calculating Graphic's EBITDA, this analysis includes anticipated synergies from the March 6, 2003 acquisition of JD Cahill Co.

(3)
For calculating Graphic's EBITDA, this analysis adds back the costs related to a labor dispute at the Kalamazoo mill in 2002, but excludes anticipated synergies from the March 6, 2003 acquisition of JD Cahill Co.

(4)
For calculating Graphic's EBITDA, this analysis adds back the costs related to a labor dispute at the Kalamazoo mill in 2002 and includes anticipated synergies from the March 6, 2003 acquisition of JD Cahill Co.

Pro forma financial impact. Using projections provided by the management of Graphic and Riverwood (as adjusted by Graphic management), Credit Suisse First Boston compared the projected earnings per share, or EPS, of Graphic for 2003 through 2007 on a stand-alone basis to the projected pro forma EPS for 2003-2007 of the combined company after the merger. This analysis showed that with anticipated cost savings, tax benefits and other potential synergies (as estimated by Graphic management), the merger would have the following effects:

	Standalone Graphic EPS	Pro Forma EPS for Combined Company	Accretion / (Dilution)
2003	$ 0.29	$ 0.42	43.1%
2004	0.31	0.50	58.6%
2005	0.35	0.62	78.3%
2006	0.38	0.70	84.5%
2007	0.41	0.77	87.7%

Discounted cash flow analysis. Credit Suisse First Boston performed a discounted cash flow, or DCF, analysis of the projected cash flows of Graphic for the fiscal years ending December 31, 2003 through December 31, 2012, using projections and assumptions provided by the management of Graphic. The DCFs for Graphic were estimated using discount rates ranging from 9.0% to 10.0%, based on estimates related to the weighted average costs of capital of Graphic, and terminal multiples of estimated EBITDA for Graphic's fiscal year ending December 31, 2012 ranging from 7.0x to 7.5x. Based on this analysis, Credit Suisse First Boston estimated an equity value of Graphic ranging from $444.0 million to $543.1 million and an implied equity value per share of Graphic common stock ranging from $5.12 to $6.26.

In addition, Credit Suisse First Boston performed a DCF analysis of the projected cash flows of Riverwood for the fiscal years ending December 31, 2003 through December 31, 2012, using projections and assumptions provided by the management of Riverwood as adjusted by Graphic management. The DCFs for Riverwood were estimated using discount rates ranging from 9.0% to 10.0%, based on estimates related to the weighted average costs of capital of Riverwood, and terminal multiples of estimated EBITDA for Riverwood's fiscal year ending December 31, 2012 ranging from 7.0x to 7.5x. Based on this analysis, Credit Suisse First Boston estimated an equity value of Riverwood ranging from $678.4 million to $919.2 million.

Based on these results, Credit Suisse First Boston derived Graphic's share of the equity value of the pro forma company ranging from 37.1% to 39.6% compared to the percent of equity value in the combined company for Graphic stockholders of 42.5%, as provided for in the merger.

Pro forma combined discounted cash flow analysis. Credit Suisse First Boston also performed a DCF analysis of the projected pro forma combined cash flows of the combined company for the fiscal years ending December 31, 2003 through December 31, 2012, using projections and assumptions provided by the management of Graphic and by the management of Riverwood (as adjusted by Graphic management), including cost savings, tax benefits and other potential synergies as estimated by Graphic management). The DCFs for the combined company were estimated using discount rates

ranging from 9.0% to 10.0%, based on estimates related to the weighted average costs of capital of the combined company, and terminal multiples of estimated EBITDA for the combined company's fiscal year ending December 31, 2012 ranging from 7.0x to 7.5x. Based on this analysis, Credit Suisse First Boston estimated an implied equity value per share of common stock of the combined company ranging from $6.96 to $8.78 compared to the implied equity value per share of Graphic common stock from the Graphic standalone DCF analysis ranging from $5.12 to $6.26.

Fee Arrangements

Graphic has agreed to pay Credit Suisse First Boston a fee that is customary for transactions of this nature, a significant portion of which is contingent on the merger. Credit Suisse First Boston also received a fee for rendering its opinion. Graphic also has agreed to reimburse Credit Suisse First Boston for its out-of-pocket expenses, including fees and expenses of legal counsel and any other advisor retained by Credit Suisse First Boston, and to indemnify Credit Suisse First Boston and related parties against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

Credit Suisse First Boston and its affiliates have in the past provided, and may in the future provide, investment banking and financial services to Riverwood and Graphic unrelated to the proposed merger, for which services Credit Suisse First Boston and its affiliates have received, and expect to receive, compensation. In addition, Credit Suisse First Boston or one or more of its affiliates has agreed to provide the combined company, or otherwise assist the combined company in obtaining, financing in connection with the merger. In the ordinary course of business, Credit Suisse First Boston and its affiliates may actively trade the debt and equity securities of Riverwood and Graphic for their own accounts and for the accounts of customers and, accordingly, may at any time hold long or short positions in those securities.

Opinion of Morgan Stanley & Co. Incorporated Regarding the Conversion of the Convertible Preferred Stock

Morgan Stanley was engaged in early March to provide a financial fairness opinion in connection with the proposed conversion payment by Riverwood to the holder of the convertible preferred stock in connection with the conversion of the convertible preferred stock to common stock, and entered into an engagement letter dated as of March 21, 2003. Morgan Stanley was selected by an independent committee of the Graphic board of directors to act as its financial advisor based on Morgan Stanley's qualifications, reputation and its knowledge of the business and affairs of Graphic. At the meeting of the independent committee on March 24, 2003, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing on March 24, 2003, that based upon and subject to the various assumptions and considerations set forth in the opinion, the conversion payment to be paid pursuant to the voting agreement, equal to the estimated present value, calculated using a discount rate of 8.5%, of the future dividend payments payable to the convertible preferred stock from the effective time of the merger through the first date as of which Graphic could have redeemed the convertible preferred stock, was fair from a financial point of view to Graphic.

The full text of the written opinion of Morgan Stanley, dated March 24, 2003, which sets forth, among other things, assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion, is attached as Annex D to this proxy statement/prospectus. Graphic stockholders are urged to, and should, read the opinion carefully and in its entirety. Morgan Stanley's opinion is directed to the independent committee of the board of directors of Graphic and addresses only the fairness of the consideration to be paid pursuant to the voting agreement from a financial point of view to Graphic as of the date of the opinion, does not address the underlying decision by any party to enter into the voting agreement, does not address the underlying decision by Graphic to enter into the merger agreement and does not address the fairness, from a financial point of view, of the exchange ratio or any other element of the merger. The summary of the opinion of Morgan Stanley set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

In connection with rendering its opinion, Morgan Stanley, among other things:

- reviewed certain publicly available documents and other information related to the convertible preferred stock;
- reviewed certain publicly available financial statements and other financial and operating data concerning Graphic;
- reviewed the draft merger agreement and voting agreement and certain related documents;
- reviewed the cost of capital, and reviewed the potential terms of a comparable security being issued by Graphic and the combined company; and
- considered such other factors and performed such other analyses as Morgan Stanley deemed appropriate.

In rendering its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information reviewed by it for the purposes of its opinion. Morgan Stanley did not make any independent valuation or appraisal of the assets and liabilities of Graphic, nor was it furnished with such appraisals. In addition, Morgan Stanley assumed that the conversion will be consummated in accordance with the terms set forth in the voting agreement. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of March 24, 2003.

The following is a brief summary of certain analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion letter dated March 24, 2003.

Analysis of convertible preferred stock terms. Morgan Stanley examined the terms of the convertible preferred stock and noted that the Trust, as the holder of the convertible preferred stock, was entitled to a cumulative quarterly dividend of $2.50 per share of convertible preferred stock, accrued daily and payable on the 15th day of the last month of each calendar quarter. In addition, Morgan Stanley noted that the first date as of which Graphic could redeem the convertible preferred stock is August 15, 2005.

Calculation of present value of preferred dividends. Morgan Stanley calculated the estimated present value of dividend payments payable on the convertible preferred stock from the estimated effective time of the merger through the first date as of which Graphic could have redeemed the convertible preferred stock. Morgan Stanley noted that, assuming an effective time of the merger of April 1, 2003, a change of 1% in the rate used to discount the dividend payments payable on the convertible preferred stock changed the estimated present value by approximately $250,000.

Cost of capital analysis. Morgan Stanley estimated the weighted average cost of capital for Graphic and the combined company. Morgan Stanley reviewed Riverwood's and Graphic's filings with the SEC to determine the capital structures and stated costs of debt financing of Riverwood and Graphic, respectively. In addition, Morgan Stanley estimated the potential market costs of equity and debt financing of Graphic and the combined company. Based on this information, Morgan Stanley estimated a weighted average cost of capital for Graphic of 5.3% and for the combined company of 5.3%. Morgan Stanley noted that the discount rate utilized in determining the amount of the conversion payment was greater than the estimated weighted average cost of capital of each of Graphic and the combined company.

Comparable security analysis. Morgan Stanley estimated the publicly-traded market value of a security with comparable terms to the convertible preferred stock as if such security had been issued by

each of Graphic and the combined company. Morgan Stanley compared the estimated publicly-traded market value of the convertible preferred stock with the sum of:

- the value of the underlying common stock of Graphic that would be issued to the holder of the convertible preferred stock upon the conversion; and

- the conversion payment to be made by Riverwood to the holder of the convertible preferred stock.

Morgan Stanley noted the sum of the value of the underlying common stock as of March 20, 2003 and the dividend prepayment was less than the estimated publicly-traded market value of the comparable security.

In connection with the review by the independent committee of the conversion payment to be made by Riverwood to the holder of the convertible preferred stock, Morgan Stanley performed a variety of financial and comparative analyses for purposes of its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Furthermore, Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley's view of the actual value of the convertible preferred stock or any component thereof or of Graphic.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Graphic.

Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as part of Morgan Stanley's analysis of the fairness of the consideration to be paid pursuant to the voting agreement and were conducted in connection with the delivery of the Morgan Stanley opinion to the independent committee. In addition, as described above, Morgan Stanley's opinion and presentation to the independent committee was one of many factors taken into consideration by the independent committee in making its decision to approve the proposed terms for the conversion of the convertible preferred stock, and the independent committee's recommendation was one of many factors taken into consideration by Graphic's board of directors in making its decision to approve the merger agreement. Consequently, the Morgan Stanley analyses as described above should not be viewed as determinative of the opinion of the independent committee with respect to the conversion payment to be made by Riverwood to the holder of the convertible preferred stock or of whether the independent committee would have been willing to agree to a different consideration. Morgan Stanley's opinion does not address the underlying decision by Graphic to enter into the merger agreement or the decision by any party to enter into the voting agreement. In addition, Morgan Stanley's opinion does not address the fairness, from a financial point of view, of the exchange ratio or any other element of the merger. In arriving at its opinion, Morgan Stanley was not authorized to and did not investigate any alternative transactions with respect to the convertible preferred stock.

Morgan Stanley was retained based upon Morgan Stanley's qualifications, experience and expertise. Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the ordinary course of its business, Morgan Stanley may from time to time trade in the securities or indebtedness of Riverwood and Graphic for its own account, the accounts of investment funds and other clients under the management of Morgan Stanley and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities or indebtedness.

Pursuant to the engagement letter, Morgan Stanley acted as financial advisor in connection with the conversion payment to be made by Riverwood to the holder of the convertible preferred stock and will receive a fee for its services. Pursuant to a separate engagement letter, Morgan Stanley was engaged to provide specific advice to Graphic's management related to valuation matters in connection with the proposed business combination between Riverwood and Graphic. Graphic also has agreed to reimburse Morgan Stanley for its expenses, including fees and expenses of legal counsel and other advisors incurred in performing its services. In the past, Morgan Stanley and its affiliates have provided financial advisory and financing services for Graphic and have received fees for the rendering of these services. An affiliate of Morgan Stanley is a director of Riverwood and Morgan Stanley has agreed to provide financial advisory or financing services to Graphic, the Trust or Riverwood in connection with financing arrangements for the merger or in the future. In addition, Graphic has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement and any related transactions.

RIVERWOOD'S REASONS FOR THE MERGER

In reaching its determination to approve the merger and the merger agreement, the Riverwood board of directors consulted with Riverwood management, legal counsel and accountants and was advised by Goldman Sachs, its financial advisor with respect to this transaction, and considered the short-term and long-term interests of Riverwood. In particular, the Riverwood board of directors considered the following material factors, among others, all of which it deemed favorable, in reaching its decision to approve the merger and the merger agreement:

- The complementary product offerings of Riverwood and Graphic, which would create a premier value added paperboard packaging company with the ability to offer a comprehensive solution to existing customers of both companies;
- The attractive mix and margins of the combined company's complete product portfolio;
- Graphic's history of strong customer relationships;
- The substantial synergies identified in connection with the merger;
- The opportunity for additional cost savings, creating increased opportunities for improvement in the combined organization and usage of its facilities;
- The attractive financing features, including becoming a publicly traded equity company, refinancing possibilities, better credit and the utilization of net operating losses; and
- The similar operating culture of both companies.

ACCOUNTING TREATMENT

The merger will be accounted for as a purchase by Riverwood under accounting principles generally accepted in the United States of America. Under the purchase method of accounting, the assets and liabilities of Graphic will be recorded, as of completion of the merger, at their respective fair values and added to those of Riverwood.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following discussion summarizes the material United States federal income tax consequences to a holder of Graphic common stock of the exchange of Graphic common stock for the combined company's common stock in the merger. This discussion is based on the Code, applicable Treasury regulations, publicly available administrative interpretations and court decisions, all as in effect on the date of this proxy statement/prospectus and all of which may change, possibly with retroactive effect.

Scope of Discussion

This discussion is included for general information purposes only and does not purport to be a complete technical analysis or listing of all potential tax consequences that may be relevant to a person who exchanges Graphic common stock for the combined company's common stock in the merger. This discussion only addresses the tax consequences to stockholders who hold Graphic common stock as a capital asset. This discussion does not address the tax consequences of the merger under state, local or foreign law and the discussion does not address any non-income tax consequences of the merger (such as estate or gift tax consequences). This discussion does not address all aspects of United States federal income taxation that may be important to a stockholder in light of that stockholder's particular circumstances. Accordingly, this discussion does not address any of the tax consequences associated with:

- the exercise of options to purchase Graphic common stock before the effective time of the merger;
- the exchange of options to purchase Graphic common stock for options to purchase combined company common stock in the merger;
- the exchange of restricted Graphic common stock for restricted combined company common stock in the merger; or
- the conversion of the convertible preferred stock into Graphic common stock and the receipt of the conversion payment.

This discussion also does not address the United States federal income tax consequences of the merger to a person who is subject to special rules under the Code, including but not limited to:

- a financial institution or insurance company;
- a tax-exempt organization, retirement plan or mutual fund;
- a dealer, broker or trader in securities;
- a foreign person;
- a person who holds its Graphic common stock as part of a hedge, appreciated financial position, straddle or conversion transaction; or
- a person who holds a beneficial interest in a partnership (or an entity taxed as a partnership), trust or estate that, in each case, owns Graphic common stock.

Each person who is considering exchanging Graphic common stock for the combined company's common stock in the merger is urged to consult his or her own tax advisor to determine the particular United States federal, state, local, and foreign income and other tax consequences of the merger that may be material to such person.

Tax Opinions

Graphic will receive an opinion from its tax counsel, Holme Roberts & Owen LLP, or HRO, dated as of the effective date of the registration statement of which this proxy statement/prospectus is a part, or the effective date opinion, to the effect that the merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that Riverwood and Graphic will each be a party to that reorganization within the meaning of Section 368(b) of the Code. It is a condition to the completion of the merger that Graphic receive a second opinion from HRO, dated as of the closing date of the merger, or the closing date opinion, confirming its effective date opinion.

HRO's effective date opinion and its closing date opinion regarding the tax consequences of the merger will each rely on:

- representations, warranties and covenants made by Riverwood, Acquisition Sub and Graphic in the merger agreement and in representation letters signed by authorized representatives of Riverwood, Acquisition Sub and Graphic, and

- specified assumptions, including assumptions that the merger will be consummated in the manner described in the merger agreement, that the merger will be valid under applicable state law, that the information contained in this proxy statement/prospectus will be accurate and complete, and that there will be no material changes in existing facts or in law.

If any of these representations, warranties, covenants or assumptions is inaccurate, HRO's effective date opinion or its closing date opinion, or both, may be invalid. If any of these representations, warranties or covenants cannot be given or if any of these assumptions cannot be made, HRO may not be able to provide its effective date opinion or its closing date opinion, or both. If HRO cannot provide its effective date opinion or its closing date opinion, or both, the merger cannot close unless Graphic and Riverwood waive the requirement that Graphic receive such opinion or opinions.

HRO's effective date opinion and its closing date opinion will neither bind the Internal Revenue Service, or IRS, nor preclude the IRS or the courts from adopting a contrary position. Neither Riverwood nor Graphic intends to obtain a ruling from the IRS regarding the tax consequences of the merger.

The following discussion assumes that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and that Riverwood and Graphic will each be a party to the reorganization within the meaning of Section 368(b) of the Code.

United States Federal Income Tax Consequences of the Exchange of Graphic Common Stock for the Combined Company's Common Stock in the Merger

For United States federal income tax purposes, the exchange of Graphic common stock for the combined company's common stock in the merger will not result in the recognition of gain or loss.

A holder of Graphic common stock will have a tax basis in the combined company common stock received in the merger equal to the tax basis of the Graphic common stock surrendered by that holder in the merger.

The holding period for shares of combined company common stock received by a holder of Graphic common stock in exchange for shares of Graphic common stock in the merger will include the holding period for the shares of Graphic common stock surrendered by that holder in the merger.

Backup Withholding and Information Reporting

A holder of Graphic common stock that receives combined company common stock from the exchange agent in connection with the exchange of Graphic common stock in the merger may be subject to backup withholding at the rate of 30%, unless the holder:

- is a corporation or other exempt recipient and, when required, establishes this exemption; or

- provides a correct taxpayer identification number, certifies that it is a United States person and is not currently subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules on account of a holder of Graphic common stock that exchanges such stock for combined company common stock in the merger generally will be creditable against the United States federal income tax liability of that holder if appropriate information is provided to the IRS. If a holder of Graphic common stock who exchanges such stock for combined company common stock in the merger does not provide the exchange agent with a correct taxpayer identification number or any other document or certification required by the IRS, such holder may be subject to penalties imposed by the IRS. A holder also will be subject to information reporting unless the holder is a corporation or other exempt recipient.

REGULATORY MATTERS RELATING TO THE MERGER

United States Antitrust

The merger is subject to review by the United States Department of Justice and United States Federal Trade Commission under the HSR Act. Under this statute, Riverwood and the Trust are required to make pre-merger notification filings and must await the expiration or early termination of statutory waiting periods before completing the merger. On April 11, 2003, each of Riverwood and the Trust completed its initial HSR Act filing. If the Department of Justice does not make a second request, the waiting period will expire on May 12, 2003. The Department of Justice may make a request for additional information and other documentary material in connection with the merger. Such a request would effectively extend the waiting period for the merger under the HSR Act until 30 days after both parties substantially comply with the request for additional information. Complying with a request for additional information or material under the HSR Act can take a significant amount of time. Riverwood and Graphic have not yet obtained any of the governmental or regulatory approvals required to complete the merger.

Expiration or termination of the waiting period under the HSR Act is a condition to completing the merger.

Other Jurisdictions

Riverwood and Graphic conduct operations in a number of foreign jurisdictions, and the merger may also be subject to review by governmental authorities under the antitrust laws of those jurisdictions. We recognize that some of these approvals, which are not required to be obtained under the merger agreement, may not be obtained before the completion of the merger and may impact the combined company's ability to conduct business in those jurisdictions. However, neither party is required to complete the merger if the companies have failed to obtain any governmental approval and such failure would reasonably be expected to have a material adverse effect on the combined company following the merger.

We cannot assure you that the governmental reviewing authorities will permit the applicable statutory waiting periods to expire, terminate the applicable statutory waiting periods or clear the

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merger at all or without restrictions or conditions that would have a material adverse effect on the combined company if the merger is completed. These restrictions and conditions could include a complete or partial license, divestiture, spin-off or the holding separate of assets or businesses. In addition, during or after the statutory waiting periods and clearance of the merger, and even after completion of the merger, either the Department of Justice, the Federal Trade Commission or another governmental authority could challenge or seek to block the merger under the antitrust laws, as it deems necessary or desirable in the public interest. Other competition agencies with jurisdiction over the merger could also initiate action to challenge or block the merger. In addition, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. Riverwood and Graphic cannot be sure that a challenge to the merger will not be made or that, if a challenge is made, Riverwood and Graphic will prevail.

DISSENTERS' RIGHTS

Common Stockholders

Under applicable provisions of Colorado law, holders of Graphic common stock are not eligible for dissenters' rights in connection with the merger.

Preferred Stockholder

The Trust, the sole holder of the convertible preferred stock, has entered into a voting agreement in connection with the merger, under which the Trust has agreed to vote its shares in favor of the merger agreement. See "Material Terms of Related Agreements Voting Agreement" on page 80. Under the voting agreement, the Trust has waived any dissenters' rights that it may have in connection with the merger.

RIGHTS AGREEMENT

Graphic entered into a rights agreement dated May 31, 2000, with Norwest Bank Minnesota N.A. (now known as Wells Fargo Bank Minnesota, N.A.) as rights agent. Under this agreement, Graphic effected a dividend distribution of stockholder rights that carry certain conversion rights in the event of a significant change in beneficial ownership of Graphic. One right is attached to each share of Graphic's common stock outstanding and is not detachable until such time as a person or group of affiliated or associated persons acquires beneficial ownership of 15% or more of Graphic's outstanding common stock. Such an acquisition is referred to in the rights agreement as a triggering event. Each right entitles each registered holder (excluding the acquiring person or group) to purchase from Graphic one-thousandth of a share of Series A junior participating preferred stock, par value $0.01 per share, at a purchase price of $42.00 per one-thousandth of a share. Registered holders receive shares of Graphic's common stock valued at twice the exercise price of the right upon exercise. Upon the occurrence of a triggering event, Graphic is entitled to exchange one share of its common stock for each right outstanding, or to redeem the rights at a price of $0.001 per right. The rights will expire on June 1, 2010.

In connection with the proposed merger, Graphic and the rights agent amended the terms of the rights agreement so that the execution and delivery of the merger agreement and voting agreement and the consummation of the transactions contemplated by the merger agreement will not constitute a triggering event. This means that holders of Graphic's common stock will not obtain the detachable rights in connection with the proposed merger.

Also, in anticipation of the proposed merger, Riverwood will adopt a stockholder rights plan. See "Description of the Combined Company's Capital Stock Stockholder Rights Plan" on page 194.

FEDERAL SECURITIES LAWS CONSEQUENCES; STOCK TRANSFER RESTRICTION AGREEMENTS

All shares of the combined company's common stock received by Graphic stockholders in the merger will be freely transferable, except that shares of combined company common stock received by persons who are deemed to be "affiliates" of Graphic under the Securities Act at the time of the Graphic special meeting may be resold by them only in transactions permitted by Rule 145 under the Securities Act or as otherwise permitted under the Securities Act. Persons who may be deemed to be an affiliate of Graphic for such purposes generally include individuals or entities that control, are controlled by or are under common control with, Graphic, as the case may be, and include directors, certain executive officers and principal stockholders of Graphic. These affiliates may resell the shares of combined company common stock they receive in the merger only:

- under an effective registration statement under the Securities Act covering the resale of those shares;
- in transactions permitted by Rule 145(d) under the Securities Act; or
- as otherwise permitted under the Securities Act.

Riverwood's registration statement on Form S-4, of which this proxy statement/prospectus is a part, does not cover the resale of shares of combined company common stock to be received in connection with the merger by persons who may be deemed to be affiliates of Graphic before the merger, and no person is authorized to make any use of this document in connection with any such sale. The merger agreement also requires that Graphic use reasonable best efforts to cause each affiliate to execute a written agreement to the effect that such persons will not offer, sell or otherwise dispose of any of the shares of combined company common stock issued to them in the merger in violation of the Securities Act or the related SEC rules and regulations promulgated thereunder. However, the Coors family stockholders, each of whom may be deemed to be an affiliate of Graphic, have entered into an amended and restated registration rights agreement with Riverwood and its current stockholders. The amended and restated registration rights agreement gives the Coors family stockholders the right, in certain instances, to demand registration of their shares of combined company common stock or to participate in registered offerings of shares by the combined company. See "Material Terms of Related Agreements Amended and Restated Registration Rights Agreement" on page 87.

STOCK EXCHANGE LISTING; DELISTING AND DEREGISTRATION OF GRAPHIC COMMON STOCK

It is a condition to the merger that the shares of the combined company's common stock issuable in the merger be approved for listing on the NYSE, subject to official notice of issuance. If the merger is completed, Graphic common stock will cease to be listed on the NYSE and its shares will be deregistered under the Securities Exchange Act of 1934, as amended.

MERGER FINANCING

Refinancing Transactions

Riverwood and Graphic currently expect to enter into the following financing transactions in connection with the merger:

- The closing of new senior secured credit facilities for the combined company providing for approximately $1.6 billion of term loan and revolving credit commitments. These new senior secured credit facilities are referred to in this proxy statement/prospectus as the "new credit facilities".

- The offer and sale by the combined company of approximately $850 million of new senior notes and/or senior subordinated notes. These new senior notes and/or senior subordinated notes are referred to in this proxy statement/prospectus as the "new notes".

- The repayment in full of all outstanding amounts under each of RIC and GPC's existing senior secured credit facilities and the termination of all commitments under those facilities.

- The consummation of tender offers and consent solicitations for all outstanding $10^{5}/_{8}$% senior notes due 2007 and $10^{7}/_{8}$% senior subordinated notes due 2008 of RIC, expected to close concurrently with the merger.

- The consummation of anticipatory tender offers and consent solicitations for all outstanding $8^{5}/_{8}$% senior subordinated notes due 2012 of GPC, made in anticipation of the change of control offer called for by the indenture governing such notes and expected to close concurrently with the merger.

The foregoing financing transactions are referred to in this document as the "refinancing".

Although Riverwood and Graphic currently intend to refinance Riverwood's existing senior notes and senior subordinated notes and Graphic's existing senior subordinated notes, the completion of such a refinancing on terms acceptable to Riverwood and Graphic will depend on market conditions at or near the effective time of the merger.

Sources and Uses of Funds

Riverwood and Graphic currently expect that approximately $2.2 billion will be required to consummate the merger and related transactions (including the refinancing). Approximately $1.3 billion is expected to be drawn under the new credit facilities in connection with the merger and related transactions, and approximately $850 million aggregate principal amount of new notes are expected to be issued. With the borrowings under the new credit facility and the proceeds from the issuance and sale of the new notes, and assuming that substantially all of GPC's existing senior subordinated notes are tendered for purchase, Riverwood and Graphic expect that approximately $1.2 billion aggregate principal amount of existing senior and senior subordinated notes of RIC and GPC will be redeemed, repurchased or otherwise repaid, and all outstanding amounts under RIC's and GPC's existing senior secured credit facilities (estimated to be approximately $750 million at the time of the merger) will be repaid. A portion of those proceeds will also be used to pay transaction fees and expenses in connection with the merger and related transactions. Any of GPC's existing senior subordinated notes that are not tendered for purchase are expected to remain outstanding, and the amount of funds required to consummate the merger and related transactions may be reduced as a result.

New Credit Facilities

Pursuant to letters dated March 24, 2003, JPMorgan Chase Bank, Deutsche Bank Trust Company Americas, Goldman Sachs Credit Partners L.P., Morgan Stanley Senior Funding, Inc., Citicorp North America Inc., Credit Suisse First Boston and certain of their affiliates have committed to provide, or arrange for a syndicate of lenders to provide, the new credit facilities, subject to certain conditions. RIC and GPC are expected to be co-borrowers under the new credit facilities. In the event that RIC and GPC are merged in connection with the merger or otherwise, the resulting entity would be the borrower under the new credit facilities. These co-borrowers, or this sole borrower, as the case may be, are referred to in this proxy statement/prospectus as the "borrower."

The new credit facilities are expected to provide for aggregate maximum borrowings of $1.6 billion under (1) a term loan facility providing for term loans in an aggregate principal amount of $1.2 billion in two tranches, consisting of Tranche A term loans and Tranche B term loans, and (2) a revolving credit facility, providing for up to $400 million in revolving loans to the borrower (including standby and commercial letters of credit) outstanding at any time. In connection with the consummation of the merger and the refinancing, and assuming that substantially all of GPC's existing senior subordinated notes are tendered for purchase, approximately $1.2 billion is expected to be drawn under the term loan facility and approximately $100 million is expected to be drawn under the revolving credit facility. Undrawn amounts under the revolving credit facility will be available on a revolving credit basis for general corporate purposes of the borrower and its subsidiaries.

Availability. The availability of the new credit facilities is expected to be subject to various conditions precedent including, but not limited to:

- the consummation of the transactions contemplated by the merger agreement;
- the repayment of each of RIC's and GPC's existing senior secured credit facilities;
- the agent banks' reasonable satisfaction with the terms of all material indebtedness of the combined company and its subsidiaries that remains outstanding after the effective time of the merger;
- the receipt of material government and third party consents and approvals;
- the absence of material pending or threatened litigation or proceedings;
- the senior secured indebtedness of the borrower being rated not less than B (with a stable outlook or better) by Standard & Poor's and B1 (with a stable outlook or better) by Moody's; and
- other conditions precedent typical of senior secured loans.

The commitments to provide the new credit facilities are also subject to, among other things, the absence of any material adverse change with respect to the combined company, the absence of any material disruption of or material adverse change in conditions in the financial, banking or capital markets that would materially impair the syndication of the new credit facilities, and the negotiation, execution and delivery of definitive financing documentation for the new credit facilities.

Maturity; Prepayments. The Tranche A term loans and the revolving credit facility are expected to mature in 2009. The Tranche B term loans are expected to mature in 2010. Amortization of the principal amount of the respective tranches of the term loan facility is expected to be on an installment schedule to be determined, with amortization of the Tranche A term loans over their term and with no substantial amortization of the Tranche B term loans until maturity.

Subject to certain exceptions, the new credit facilities are expected to be subject to mandatory prepayment and reduction in an amount equal to:

the net proceeds of (1) any U.S. receivables securitization program, (2) certain debt offerings by the combined company and its respective subsidiaries and (3) certain asset sales by the combined company and its subsidiaries; and

a portion of excess operating cash flow (as to be defined) for any fiscal year unless certain leverage ratio targets are met.

Security; Guaranty. The obligations of the borrower under the new credit facilities are expected to be guaranteed by the combined company and each existing or future domestic subsidiary of the combined company (other than the borrower). In addition, the new credit facilities and the guarantees thereunder are expected to be secured by security interests in and pledges of or liens on substantially all the material tangible and intangible assets of the borrower and the guarantors, including pledges of all the capital stock of each direct or indirect domestic subsidiary of the combined company and of up to 65% of the capital stock of each direct foreign subsidiary of the combined company.

Interest. At the borrower's election, the interest rates per annum applicable to the loans under the new credit facilities are expected to be a fluctuating rate of interest measured by reference to either (1) an adjusted London inter-bank offered rate, or LIBOR, plus a borrowing margin or (2) an alternate base rate, or ABR, plus a borrowing margin.

Fees. Subject to the consummation of the merger, Riverwood and Graphic are expected to agree to pay (or cause the borrower to pay) certain fees with respect to the new credit facilities, including (1) fees on the unused commitments of the lenders, (2) letter of credit fees on the aggregate face amount of outstanding letters of credit plus a fronting bank fee for the letter of credit issuing bank, (3) quarterly administration fees and (4) arrangement and other similar fees.

Covenants. The new credit facilities are expected to contain a number of covenants that, among other things, would limit or restrict the ability of the borrower and the guarantors to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make restricted payments, create liens, make equity or debt investments, make acquisitions, modify terms of the indentures under which the new notes are expected to be issued, engage in mergers or consolidations, change the business conducted by the borrower and its subsidiaries taken as a whole, make capital expenditures, or engage in certain transactions with affiliates. In addition, under the new credit facilities, the borrower is expected to be required to comply with specified financial ratios and tests, including a minimum interest expense coverage ratio, a maximum leverage ratio and maximum capital expenditures.

Events of Default. The new credit facilities are expected to contain customary events of default including non-payment of principal, interest or fees, failure to comply with covenants, inaccuracy of representations or warranties in any material respect, cross default to certain other indebtedness, loss of lien perfection or priority, material judgments and change of ownership or control.

New Notes

Riverwood and Graphic expect that the financing arrangements to be entered into in connection with the merger and the refinancing will include the offering and sale of approximately $850 million aggregate principal amount of new notes, which are currently expected to consist of senior notes and senior subordinated notes, in a private offering with registration rights, or in a public offering.

The following is a summary description of certain terms of the new notes and the indentures under which such new notes are expected to be issued, based on Riverwood's and Graphic's preliminary discussions with financing sources. The terms of the new notes and the indentures are under discussion. Accordingly, their definitive terms may vary materially from those described in the following summary.

RIC and GPC are expected to be co-issuers of the new notes. In the event that RIC and GPC are merged in connection with the merger or otherwise, the resulting entity would be the issuer of the new notes. These co-issuers, or this sole issuer, as the case may be, are referred to in this proxy statement/prospectus as the "issuer".

The new notes will mature after the maturity of our new credit facilities, and will bear interest at a fixed, market rate of interest to be determined at the time of their offering. With certain exceptions, the issuer will not have the right at its option to redeem the new notes during the first four to five years that they will be outstanding. Thereafter, the issuer may at its option redeem the new notes, in whole or in part, at certain redemption prices, together with accrued and unpaid interest, if any, to the date of redemption. These redemption prices will be calculated at a premium over the principal amount of the new notes, which will decline ratably to zero two years prior to the final maturity date. In addition, at any time during the first three years that the new notes are outstanding, the issuer will have the right, subject to certain requirements, to redeem a portion of the new notes with the cash proceeds of certain equity offerings by the issuer or its parents. This redemption price will be calculated at a premium over the principal amount to be redeemed.

The indentures are expected to provide that, upon the occurrence of certain events constituting a "change of control," unless the issuer has exercised any right to redeem the new notes, the issuer will

be required to offer to purchase the new notes from their holders at a price equal to 101% of the principal amount to be purchased. Under certain circumstances, the issuer also will be required to apply certain asset sale proceeds to an offer to purchase new notes, at a price equal to the principal amount to be purchased.

The new senior notes will be unsecured, general obligations of the issuer, and will rank *pari passu* with all senior indebtedness of the issuer. The new senior subordinated notes will be unsecured, general obligations of the issuer, and will be subordinated to all indebtedness under the new credit facilities and all other existing and future "senior indebtedness" (to be defined in the indenture for the new senior subordinated notes) of the issuer. The new notes may be guaranteed under certain circumstances by the parents of the issuer and certain subsidiaries of the issuer on an unsecured basis (and in the case of the new senior subordinated notes, also on a subordinated basis).

In addition, the indentures will contain certain negative covenants, including limitations on:

- incurrence of indebtedness, including guarantees;
- dividends, investments and certain other restricted payments;
- restrictions on distributions and transfers from subsidiaries;
- mergers, consolidations and asset sales;
- affiliate transactions; and
- liens (which, in the case of the new senior subordinated notes, would be limited in applicability to liens securing *pari passu* or subordinated indebtedness).

The indentures will also contain certain affirmative covenants, including financial and other reporting requirements, and certain default provisions.

The foregoing description of the proposed terms of the new notes and indentures represent the parties' current intention with respect to the refinancing of RIC's existing senior notes and senior subordinated notes and GPC's existing senior subordinated notes. The issuance of the new notes and refinancing of existing notes are dependent on market conditions at or near the effective time of the merger. We cannot assure you that market conditions at that time will permit the issuance of the new notes on the described terms or on other terms and conditions acceptable to Riverwood and Graphic. In addition, the refinancing of GPC's existing senior subordinated notes is dependent on the extent to which the holders of these notes accept the offer to purchase these notes in connection with the merger. Assuming that the combined company refinances all of the existing notes, total 2002 pro forma interest expense would be $155.6 million. See "Unaudited Condensed Pro Forma Combined Financial Statements" on page 144 and "Notes to Unaudited Condensed Pro Forma Combined Financial Statements" on page 147.

LEGAL PROCEEDINGS REGARDING THE MERGER

On April 2, 2003, two separate lawsuits were filed in the District Court of Jefferson County in Colorado on behalf of purported classes of Graphic's stockholders against Graphic, Graphic's directors and Riverwood, alleging that Graphic's directors breached their fiduciary duties to the stockholders of Graphic in connection with the proposed merger and that Riverwood aided and abetted the alleged breach. The complaints, which are encaptioned Robert F. Smith, On Behalf of Himself and All Others Similarly Situated v. Jeffrey H. Coors, *et al.*, and Harold Lightweis, On Behalf of Himself and All Others Similarly Situated v. Jeffrey H. Coors, *et al.*, and which Riverwood and Graphic believe to be without merit, seek damages and to enjoin the merger.

INTERESTS OF CERTAIN PERSONS IN THE MERGER

Certain of Graphic's directors and executive officers have interests in the merger as individuals in addition to, and that may be different from, their interests as stockholders. The Graphic board of directors was aware of these interests and considered them in its decision to approve the merger agreement.

CONVERSION PAYMENT BY RIVERWOOD TO THE HOLDER OF CONVERTIBLE PREFERRED STOCK

In connection with the merger, the Trust has agreed to convert all of its shares of convertible preferred stock into Graphic common stock just before the effective time of the merger. See "Material Terms of Related Agreements Voting Agreement" on page 80. The Trust is the sole holder of the convertible preferred stock. The 1,000,000 outstanding shares of convertible preferred stock are convertible into 48,484,848 shares of Graphic common stock.

In consideration for the Trust's conversion of the convertible preferred stock, Riverwood has agreed to pay the Trust, in cash, the estimated present value, calculated using a discount rate of 8.5%, of dividends payable to the Trust on the convertible preferred stock from the effective time of the merger through August 15, 2005, the first date on which Graphic could have redeemed the convertible preferred stock. While the exact amount that will be paid to the Trust by Riverwood depends upon the date of completion of the merger, Riverwood and Graphic currently anticipate that the payment in consideration of the conversion of the convertible preferred stock will be approximately $19.7 million. This amount assumes that the effective time of the merger will occur on July 1, 2003.

The trustees of the Trust are William K. Coors, Jeffrey H. Coors, John K. Coors, Joseph Coors, Jr., and Peter H. Coors. Jeffrey H. Coors is President and Chief Executive Officer and a director of Graphic. William K. Coors is a director of Graphic and is Jeffrey H. Coors' uncle.

NEW EMPLOYMENT AGREEMENTS WITH JEFFREY H. COORS AND DAVID W. SCHEIBLE

Jeffrey H. Coors, the President and Chief Executive Officer of Graphic and David W. Scheible, the Chief Operating Officer of Graphic each entered into a new employment agreement, dated as of March 25, 2003 with Graphic. Each of these employment agreements is to become effective at the completion of the merger and the term of each agreement is three years. The combined company will succeed to the rights and obligations of Graphic under these employment agreements following the effective time of the merger.

Mr. Coors, under this new employment agreement, will serve as the Executive Chairman of the board of the combined company during the term of his employment. He will receive an annual base salary of $555,000.

Mr. Scheible, under this new employment agreement, will serve as the Executive Vice President of Commercial Operations of the combined company. He will receive an annual base salary of $420,000.

Both Mr. Coors and Mr. Scheible, under the terms of their respective agreements, will participate in (1) short-term incentive plans existing from time to time and (2) other incentive plans as determined by the compensation and benefits committee of the combined company's board of directors. They will also participate in savings and retirement plans and welfare benefit plans sponsored by the combined company.

Under the terms of their respective employment agreements, at the effective time of the merger, Graphic will pay to Mr. Coors and Mr. Scheible the following compensation and benefits:

- all cash target amounts under Graphic's long-term incentive plans that have not previously been paid or have not expired, regardless of whether the performance targets for those plans have been achieved;

- immediate vesting of any options previously granted under Graphic's equity incentive plan or long-term incentive plans, with the choice of (1) converting such vested options to vested options to acquire the substituted, converted or new shares of the combined company which options would be immediately exercisable and remain exercisable for ten years from the date of completion of the merger or (2) cashing out the options; and

- shares of restricted stock of Graphic granted in December 2002 and shares of restricted stock of Graphic granted under Graphic's long-term incentive plans will be converted into restricted stock units representing the right to receive shares of the combined company, which will vest $^1/_3$ on each of the first three anniversaries of the merger. However, the restricted shares vest in full immediately if (1) the executive is terminated without cause, due to death, disability or retirement, or the executive terminates employment for good reason (as defined below); or (2) upon a change of control of the combined company.

If, during the term of their respective employment agreements, either Mr. Coors or Mr. Scheible is terminated without cause or terminates his employment for good reason (as defined below), he would be entitled to receive (in addition to accrued amounts), the following amounts and benefits:

- the greater of the amount of such executive's highest bonus under the combined company's bonus plan (or comparable Graphic bonus plan) and the annual bonus paid or payable to such executive under the combined company's short-term incentive plan or plans;
- a lump sum in cash equal to three times:
  - his highest annual base salary for any of the past three years;
  - an amount equal to his highest base salary during any of the past three years multiplied by the highest percentage payout of bonus under a short-term incentive plan paid or accrued during any of the past three years; and
  - the highest one-year cash equivalent amount of fringe benefits paid in any of the past three years;
- any benefits due under any supplemental executive retirement plan in accordance with the provisions of the plan, with the amount of benefits to be adjusted to reflect five additional years of service and five additional years of age (with such additional years of service to decrease by one for each year of employment following the merger);
- welfare benefits for the executive officer and his family for three years or, if earlier, until the executive officer receives such benefits through subsequent employment; and
- outplacement services for one year (with a cost not to exceed $15,000).

For purposes of these employment agreements, "good reason" means the termination of employment by the executive officer within 90 days following the occurrence of any of the following events without the executive's consent:

- material diminution of his title, responsibilities and duties;
- failure to pay compensation;
- failure to pay the gross-up described below;

- purported termination of employment otherwise than as expressly permitted by the agreement; or
- mandatory relocation, other than in connection with a promotion, of the executive's principal office to a location more than thirty-five miles from the location of such office as of the time of the merger.

If any payments that result from the merger or from the termination of the executive without cause or termination for good reason constitute an excess parachute payment (as defined under Section 280G(b)(2) of the Code), the executive will receive a full gross-up payment to compensate the executive for the amount of the tax owed.

Under the terms of their respective employment agreements, each of Mr. Coors and Mr. Scheible agrees that, during the term of his employment with the combined company and for a period of two years thereafter if his employment with the combined company is terminated for any reason before the end of the three year term, he will not:

- directly or indirectly own, manage, operate, lend money to or participate in the ownership, management, operation or control of, or be connected as a director, officer, employee, partner, consultant, agent or independent contractor with a business or organization in the printing and packaging business in a capacity that assists such competitor in a material respect in the printing and packaging business in the geographic areas where the combined company or any of its subsidiaries or affiliates operates;
- own a controlling interest in a business that competes in the printing or packaging business in the geographic areas where the combined company or any of its subsidiaries or affiliates operates; or
- solicit or interfere with the suppliers, customers or employees of the combined company or any of its subsidiaries or affiliates.

The employment agreements do provide, however, that neither Mr. Coors nor Mr. Scheible will be in violation of the foregoing by virtue of the fact that he owns 5% or less of the outstanding common stock of a corporation, if such stock is listed on a national securities exchange, is reported on Nasdaq or is regularly traded in the over-the-counter market by a member of a national securities exchange.

SALARY CONTINUATION AGREEMENT

On October 1, 1994, Graphic granted stock units to Jeffrey H. Coors, its President and Chief Executive Officer, in an amount approximately equal to Graphic's liability as of January 1, 1994 for the benefit due Mr. Coors under a salary continuation agreement. The stock units replace a cash liability of Graphic and tie his post-retirement benefit to stock value. The stock units are payable in full upon retirement at age 60 or after. The stock units are 50 percent vested at age 50 with 10 years of service and the remaining 50 percent vests in 5 percent increments between ages 51 and 60. 121,343 units were granted, with 85 percent vested at year-end 2002, and the market value at year-end 2002 was $594,095. These units will vest in full, according to their terms, at the effective time of the merger.

OTHER GRAPHIC EXECUTIVE EMPLOYMENT AGREEMENTS

Graphic is party to employment agreements, amended and restated as of January 10, 2003, with each of the following executive officers: Luis E. Leon, Jill B.W. Sisson and Marsha C. Williams.

At the effective time of the merger, because these executive officers' employment will be terminated at that time, the combined company will pay the executives (in addition to accrued amounts) the following compensation and benefits:

- a lump sum in cash equal to three times:
  - his or her highest annual base salary for any of the past three years;
  - an amount equal to his or her highest base salary during any of the past three years multiplied by the highest percentage payout of bonus under a short-term incentive plan paid or accrued during any of the past three years; and

the highest one-year cash equivalent amount of fringe benefits paid in any of the past three years;

any benefits due under any supplemental executive retirement plan, with the amount of benefits to be adjusted to reflect five additional years of service and five additional years of age;

three years of welfare benefits for the executive officer and his or her family, which benefits will be at least as favorable as those provided before termination or those provided to active executives following the executive's termination;

outplacement services for one year (not to exceed $15,000);

all cash target amounts under Graphic's long-term incentive plans that have not previously been paid or have not expired, regardless of whether the performance targets for those plans have been achieved;

immediate vesting of any options previously granted under Graphic's equity incentive plan or long-term incentive plans, with the choice of (1) converting such vested options to vested options to acquire the substituted, converted or new shares of the combined company which options would be immediately exercisable and remain exercisable for ten years from the date of completion of the merger; or (2) cashing out the options; and

the immediate lapsing of restrictions on restricted stock granted under Graphic's long-term incentive plan or granted in December 2002.

If any payments that result from the merger constitute a parachute payment (as defined under Section 280G(b)(2) of the Code), the executive officer will receive a full gross-up payment to compensate him or her for the amount of the tax owed.

The aggregate value of cash awards payable to these Graphic executive officers under these agreements will be approximately $13.6 million.

The aggregate value of equity-based awards payable to these Graphic executive officers under these agreements will be approximately $3.0 million, based on a Graphic common stock price of $4.98 per share on March 25, 2003.

EXECUTIVE BENEFIT PLANS

The merger will accelerate payments to executive officers and vesting of options and restricted stock granted to executive officers under various executive incentive plans, as provided by the terms of the Graphic employment agreements described above. These plans include the Graphic Executive Incentive Plan, Graphic Equity Incentive Plan, Graphic Long-term Incentive Plan 2000-2004, and Graphic Long-term Incentive Plan 2003-2005. In addition to those benefits, other executive and director plans provide benefits in connection with the merger.

Under the Graphic Equity Incentive Plan, options to purchase 1,414,494 shares and 557,295 restricted stock grants to employees of Graphic who do not have change in control agreements will be converted into options to acquire the same number of shares of combined company common stock and the same number of shares of restricted stock of the combined company, respectively. The merger will constitute a reorganization under these plans, not a change in control. Under the Graphic Executive Incentive Plan, the plan will terminate and prorated bonuses will be calculated and paid, if earned.

GRAPHIC DEFERRED COMPENSATION PLAN

In connection with the merger, distributions will be made under the deferred compensation plans according to the participant's initial elections and will be an obligation of the combined company.

GRAPHIC EQUITY COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

Non-employee directors of Graphic receive 20% of their annual compensation in the form of restricted stock and receive an option grant at the commencement of their service that vests over the term of their service. [At the completion of the merger, outstanding option grants for 38,348 shares under the equity compensation plan for non-employee directors will be converted into options to acquire shares of the combined company and will vest in full.]

COMBINED COMPANY BOARD OF DIRECTORS

Under the terms of the merger agreement, the board of directors of the combined company after the completion of the merger will consist of nine individuals. Three of these individuals, Jeffrey H. Coors, John D. Beckett and Harold R. Logan, Jr., are current directors of Graphic. Messrs. Beckett and Logan are Graphic independent directors.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

From and after the effective time of the merger, Riverwood has agreed that the combined company will indemnify and hold harmless all past and present directors, officers, employees and agents of Graphic and its subsidiaries before the completion of the merger for losses in connection with any action arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such at or before the effective time of the merger. The combined company will indemnify or advance expenses to such persons to the same extent such persons are indemnified or have the right to advancement of expenses under Graphic's articles of incorporation, bylaws and indemnification agreements, if any, on the date of the merger agreement, and to the fullest extent permitted by law.

Riverwood also has agreed that the combined company will include and cause to be maintained in effect in its certificate of incorporation and by-laws, for a period of six years after the completion of the merger, the current provisions regarding elimination of liability of directors, indemnification of officers, directors and employees and advancement of expenses contained in the articles of incorporation and bylaws of Graphic.

In addition, Riverwood has agreed that the combined company will cause to be maintained, for a period of six years after the completion of the merger, the current policies of directors' and officers' liability insurance and fiduciary liability insurance maintained by Graphic with respect to claims arising from facts or events that occurred at or before the effective time of the merger. The combined company may substitute policies of at least the same coverage and amounts containing terms and conditions which are, in the aggregate, no less advantageous to the insured. Such substitute policies must be issued by insurance companies having the same or better ratings and levels of creditworthiness as the insurance companies that have issued the current policies.

THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. This summary does not purport to describe all the terms of the merger agreement and is qualified by reference to the complete text of the merger agreement which is attached as Annex A to this proxy statement/prospectus and incorporated herein by reference. All stockholders of Graphic are urged to read the merger agreement carefully and in its entirety.

GENERAL

Under the merger agreement, Graphic will merge with and into Acquisition Sub, a wholly owned subsidiary of Riverwood, with Acquisition Sub continuing as the surviving company. Riverwood will change its name to "   ."

CLOSING MATTERS

Unless the parties agree otherwise, the completion of the merger will take place as promptly as practicable (but no later than the third business day) after all closing conditions have been satisfied or waived, unless the merger agreement has been terminated or another time or date is agreed to in writing by the parties. See " Conditions" below for a more complete description of the conditions that must be satisfied or waived before completion.

As soon as practicable after the satisfaction or waiver of the conditions to the merger, Riverwood and Graphic will file certificates of merger with the Delaware Secretary of State and the Colorado Secretary of State in accordance with the relevant provisions of the Delaware Limited Liability Company Act, the Colorado Business Corporation Act and the Colorado Corporations and Associations Act, and make all other required filings or recordings. The merger will become effective when the certificates of merger are filed or at such later time as Riverwood and Graphic agree and specify in the certificates of merger.

PRE-CLOSING STEPS; MERGER CONSIDERATION; TREATMENT OF STOCK OPTIONS AND RESTRICTED STOCK; BOARD AND MANAGEMENT

The merger agreement provides that, before the completion of the merger:

- Riverwood will restate its certificate of incorporation to reclassify its outstanding shares of capital stock, so that each outstanding share of its Class A common stock and Class B common stock will be converted to the right to receive 15.21 shares of a new single series of Riverwood common stock; and

- Riverwood will enter into a rights agreement, containing customary terms and conditions for a stockholder rights plan, and will designate an amount of shares of Riverwood preferred stock as Series A junior participating preferred stock, such shares to be reserved for issuance upon the exercise of the rights.

The merger agreement further provides that, at the completion of the merger:

- each share of Graphic common stock issued and outstanding immediately before the completion of the merger, together with the associated rights issued under the Graphic stockholder rights plan, but excluding shares of Graphic common stock owned by Riverwood, Graphic or any of their respective subsidiaries, will be converted, after the Riverwood stock split referred to above, into one share of combined company common stock and associated rights issued under the combined company stockholders rights plan;

- except as described below, each outstanding and unexercised option or right to purchase shares of Graphic common stock granted under the Graphic stock plans will be assumed by the combined company and converted into an option or a right to purchase, as applicable, shares of combined company common stock. The number of shares of combined company common stock

underlying the new combined company option will equal the number of shares of Graphic common stock for which the corresponding Graphic option was exercisable. The per share exercise price of each new combined company option will equal the exercise price of the corresponding Graphic option;

- except as described below, each Graphic restricted stock grant will be converted into a number of shares of combined company common stock equal to the number of Graphic shares subject to the award. Unless otherwise agreed to by Graphic and the holder of such restricted shares, the restricted shares of combined company stock will be subject to substantially the same terms, conditions and restrictions as were applicable under the Graphic benefit plan under which such restricted shares were granted;

- until successors are duly elected or appointed and qualified, the directors of the combined company will be Stephen M. Humphrey, Jeffrey H. Coors, G. Andrea Botta, John D. Beckett, Harold R. Logan, Jr., John R. Miller, Martin D. Walker, Kevin J. Conway and an additional designee who will be selected by the CDR fund; and

- the executive officers of the combined company will include Jeffrey H. Coors as the Executive Chairman of the board, Stephen M. Humphrey as the President and Chief Executive Officer, and David W. Scheible as the Executive Vice President of Commercial Operations.

For a further discussion of the treatment of Graphic stock options, restricted stock and other employee benefit plans under the merger agreement, see " Covenants Employee Matters" on page 74. For a further discussion of the treatment of the stock options and the restricted stock held by employees with change of control agreements and employees party to new employment agreements, see "Interests of Certain Persons in the Merger" beginning on page 64.

Holders of shares of Graphic common stock are not entitled to dissenters' rights in connection with the merger. Under the terms of the voting agreement, the holder of the convertible preferred stock has waived any dissenters' rights it may have in connection with the merger. See "The Proposed Merger Dissenters' Rights" on page 58.

EXCHANGE OF CERTIFICATES IN THE MERGER

Before the completion of the merger, Riverwood will appoint an exchange agent (which must be reasonably acceptable to Graphic) to handle the exchange of Graphic stock certificates for certificates representing shares of combined company common stock. Promptly after the completion of the merger, the exchange agent will send a letter of transmittal, which is to be used to exchange Graphic stock certificates for certificates representing shares of combined company common stock, to each former Graphic stockholder who holds one or more stock certificates. The letter of transmittal will contain instructions explaining the procedure for surrendering Graphic stock certificates. PLEASE DO NOT RETURN STOCK CERTIFICATES WITH THE ENCLOSED PROXY CARD.

Graphic stockholders who surrender their stock certificates, together with a properly completed letter of transmittal, will receive shares of combined company common stock into which the shares of Graphic common stock were converted in the merger. The combined company's common stock will be in uncertificated book-entry form unless a physical certificate is requested.

After the merger, each certificate that previously represented shares of Graphic common stock will only represent the right to receive the shares of combined company common stock into which those shares of Graphic common stock have been converted, except as otherwise described below.

Dividends or distributions declared with respect to the combined company's common stock with a record date that is 180 days or more after the completion of the merger will not be paid to any holder of any Graphic stock certificates until the holder surrenders the Graphic stock certificates in exchange for combined company common stock. Upon surrender, the combined company will pay to the holder, without interest, any dividends or distributions that have been declared after the effective time of the

merger on the shares of combined company common stock which the holder received upon conversion of Graphic common stock.

For a period of one year following the completion of the merger, holders of unsurrendered Graphic stock certificates will be entitled to vote at any meeting of the combined company's stockholders the number of shares of the combined company's common stock represented by such Graphic stock certificates.

After the completion of the merger, Graphic will not register any transfers of the shares of Graphic common stock.

Riverwood stockholders will not exchange their stock certificates in the merger.

LISTING OF COMBINED COMPANY STOCK

Riverwood has agreed to use its reasonable best efforts to cause the shares of combined company common stock to be issued in the merger and the shares of combined company common stock to be reserved for issuance upon exercise of the stock options exchanged for Graphic stock options to be approved for listing on the NYSE, subject to official notice of issuance, before the completion of the merger. Approval for listing on the NYSE of the shares of combined company common stock issuable to the Graphic stockholders in the merger, subject only to official notice of issuance, is a condition to the obligations of Riverwood and Graphic to complete the merger.

COVENANTS

Riverwood and Graphic have each undertaken certain covenants in the merger agreement, which, among other things, concern the conduct of their respective businesses between the date the merger agreement was signed and the completion of the merger. The following summarizes the more significant of these covenants:

No Solicitation

Graphic has agreed that Graphic, and each of its subsidiaries, officers or directors, will not, and will use reasonable best efforts to ensure that their respective employees, agents or representatives do not:

initiate, solicit, encourage or facilitate, including by way of furnishing information, any inquiries or the making of any proposal or offer with respect to a third party acquisition proposal (as defined below);

have any discussion with or provide any information or data to any person relating to an acquisition proposal;

engage in negotiations concerning an acquisition proposal;

knowingly facilitate any effort or attempt to make or implement an acquisition proposal; or

subject to Graphic's right to terminate the merger agreement under certain circumstances described in " Termination of Merger Agreement" if Graphic receives a superior proposal (as defined below), accept an acquisition proposal.

However, Graphic is permitted to take and disclose to its stockholders its position with respect to any acquisition proposal as may be required under the federal securities laws.

In addition, Graphic is permitted to engage in discussions and negotiations with, and provide information to, any person in response to an unsolicited acquisition proposal, if:

its meeting of stockholders to vote on the approval of the merger agreement has not occurred;

a majority of Graphic independent directors (as defined below) concludes in good faith that there is a reasonable likelihood that the acquisition proposal could result in a superior proposal;

before providing any information or data to any person in connection with an acquisition proposal, the proposing party first signs a confidentiality agreement with terms at least as stringent as the confidentiality provisions contained in the confidentiality agreements between Riverwood and Graphic; and

Graphic notifies and keeps Riverwood informed of the status and terms of the acquisition proposal and any discussions or negotiations relating to the acquisition proposal.

An "acquisition proposal" means any proposal or offer with respect to:

a merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Graphic;

any purchase or sale of the consolidated assets of Graphic and its subsidiaries, taken as a whole, having an aggregate value equal to 15% or more of the market capitalization of Graphic; or

any purchase or sale of, or tender offer or exchange offer for, 15% or more of the equity securities of Graphic.

A "superior proposal" means a bona fide written proposal made by a third party:

which is for the sale, lease, exchange, transfer or other disposition of substantially all of the assets of Graphic and its subsidiaries, or for the acquisition by the third party of all of the common stock of Graphic whether by merger, consolidation, share exchange, business combination, tender or exchange offer or otherwise;

that is otherwise on terms which a majority of Graphic's independent directors in good faith concludes, taking into account all relevant aspects of the proposal and the third party making the proposal, would, if consummated, result in a transaction that is more favorable to its stockholders, from a financial point of view, than the transactions contemplated by the merger agreement, and is reasonably capable of being completed; and for which all of the debt and equity financing required to consummate the proposed transaction is as fully and unconditionally committed, as evidenced by written commitments provided to the board of directors of Graphic, as the debt and equity financing required to consummate the merger with Riverwood under the merger agreement is at that time.

The "Graphic independent directors" are those Graphic directors who are not Coors family stockholders parties to the voting agreement with Riverwood described on page 80 or, to the extent such stockholders are trusts, are not the direct or indirect beneficiaries of any of those trusts.

Board of Directors' Covenant to Recommend

Graphic has agreed that its board of directors will recommend approval of the merger agreement to the Graphic stockholders. However, Graphic's board is permitted to withdraw or to modify or to qualify in a manner adverse to Riverwood this recommendation, before the Graphic special meeting, if either:

- its board of directors determines in good faith that not making such a change in its recommendation would violate the fiduciary duties owed by the board to Graphic's stockholders; or
- it has received an unsolicited bona fide acquisition proposal from a third party that a majority of Graphic independent directors conclude in good faith is a superior proposal.

Even if the board of Graphic withdraws, modifies or qualifies its recommendation of the merger, Graphic is still required to present the merger agreement for approval by the Graphic stockholders at the special meeting of its stockholders for consideration, unless the merger agreement is otherwise terminated. See " Termination of Merger Agreement" on page 77 for a discussion of Graphic's ability to terminate the merger agreement.

Before the execution of the merger agreement, and as a condition and inducement to Graphic's willingness to enter into the merger agreement, the stockholders of Riverwood approved by written consent the adoption of the merger agreement.

Operations of Riverwood and Graphic Pending Closing

Riverwood and Graphic have each undertaken a separate covenant that places restrictions on them and their respective subsidiaries until either the completion of the merger or the termination of the merger agreement. In general, Riverwood, Graphic and their respective subsidiaries are each required to conduct their respective businesses in the usual, regular and ordinary course in all material respects substantially in the same manner as conducted before the date of the merger agreement and to use their reasonable efforts to preserve intact their present lines of business and relationships with third parties. Each of them has agreed to restrictions that, except as required by law or expressly contemplated by the merger agreement, prohibit them and them respective subsidiaries from:

- declaring or paying dividends (except for dividends or distributions by wholly owned subsidiaries of each company, and in the case of Graphic, the declaration and payment of regular quarterly cash dividends to the holders of the convertible preferred stock);
- amending their respective certificates of incorporation, by-laws or other governing documents (except for, in the case of Riverwood, as contemplated by the merger agreement);
- making acquisitions of, or investments in, other entities;
- changing their respective accounting methods, except as required by changes in generally accepted accounting principles, or GAAP;
- making changes in their share capital, including, among other things, stock splits, combinations, or reclassifications, except for any transaction by a wholly owned subsidiary of Graphic or Riverwood, respectively, which remains a wholly owned subsidiary after the completion of the transaction;

repurchasing or redeeming their capital stock, except in the ordinary course of business in connection with each company's benefit plans, and for the redemption or exchange of rights in accordance with the Graphic rights agreement;

issuing, delivering or selling any shares of their capital stock or other equity interests, other than, among other exceptions, in connection with the exercise of options or other stock awards or stock option agreements, issuances by a wholly owned subsidiary of each company of capital stock to the subsidiary's parent or another wholly owned subsidiary of Graphic or Riverwood, respectively, issuance of common stock by Graphic in connection with the conversion of the convertible preferred stock (see "Conditions" below), and issuance of other specified equity interests by Riverwood and Graphic to certain of their employees;

disposing of assets, other than, among other exceptions, inventory in the ordinary course of business;

incurring debt, other than, under the credit facilities, indentures and other arrangements in existence on March 25, 2003;

making loans, advances, capital contributions or investments in any other entity except for pursuant to a legal obligation existing on March 25, 2003, or loans, advances, capital contributions or investments by each company to subsidiaries of that company or from subsidiaries of each company to that company;

increasing the compensation of directors, executive officers or employees or increasing employee benefits other than as required by an existing agreement, or, in the case of Graphic, regularly scheduled contributions to benefit plans, or, in the case of Riverwood, certain specifically contemplated changes to the benefit plans of management;

making, or changing any material tax election, settling or compromising any material tax liability or material claim for refund;

entering into any agreement or arrangement that would limit or restrict either company from competing in any line of business or geographic area if that resulting restriction would have a material adverse effect on the combined company and its subsidiaries after the merger; and

settling or compromising any material suit, action or claim.

Reasonable Best Efforts Covenant

Riverwood and Graphic have agreed to cooperate with each other and to use their reasonable best efforts to take all actions and do all things advisable or necessary under the merger agreement and applicable laws to complete the merger and the other transactions contemplated by the merger agreement.

Reasonable best efforts include (but are not limited to) taking actions necessary to resolve any objections or challenge any governmental entity may have to the contemplated transactions so as to permit their consummation.

Employee Matters

In the merger agreement, Riverwood and Graphic have agreed that, following the merger, Riverwood will:

for one year following the completion of the merger, provide compensation and employee benefits to continuing employees of each company at a level that is substantially comparable in the aggregate to the compensation and benefits provided to such individuals by Riverwood and Graphic, respectively, before the completion of the merger (excluding equity-based or long-term incentive plans or arrangements);

with certain exceptions, waive any pre-existing condition exclusions and waiting periods with respect to participation and coverage requirements applicable to continuing employees under any benefit plan of the combined company;

provide continuing employees with credit for any co-payments and deductibles paid before the completion of the merger (to the same extent such credit was given under the analogous benefit plan before completion of the merger) in satisfying any applicable deductible or out-of-pocket requirements under any benefit plan of the combined company;

with certain exceptions, grant to continuing employees after the merger full credit for service, eligibility, vesting, benefit accrual and determination of their level of benefits for their service under the benefit plans in which they participate after the merger, to the extent the combined company would recognize such service under the applicable benefit plan for similarly situated employees; and

honor and perform in accordance with their terms certain employment agreements between Graphic and its employees entered into before the merger.

OTHER COVENANTS AND AGREEMENTS

Expenses

Riverwood and Graphic have each agreed to pay their own costs and expenses incurred in connection with the merger and the merger agreement.

Other Covenants

The merger agreement contains certain other covenants, including covenants relating to cooperation between Riverwood and Graphic in the preparation of this proxy statement/prospectus and other governmental filings, public announcements, and certain tax matters.

REPRESENTATIONS AND WARRANTIES

The merger agreement contains substantially mutual representations and warranties, certain of which are qualified by material adverse effect, made by each of Riverwood and Graphic to the other. The representations and warranties relate to:

corporate existence, qualification to conduct business and corporate standing and power;

ownership of subsidiaries;

capital structure;

corporate authority to enter into, and carry out the obligations under, the merger agreement and enforceability of the merger agreement;

absence of any breach of the certificate of incorporation, by-laws, law or material agreements as a result of the merger;

governmental and regulatory approvals required to complete the merger;

filings with the SEC;

financial statements;

accuracy of information supplied for use in this proxy statement/prospectus;

board of directors approval;

required stockholder votes;

litigation;

compliance with laws;

absence of certain changes or events since December 31, 2002;

opinions of financial advisors;

- employee benefit plans;
- inapplicability of anti-takeover statutes;
- environmental matters;
- intellectual property matters;
- payment of fees to finders or brokers in connection with the merger agreement;
- tax matters;
- material contracts;
- labor matters;
- assets;
- real property;
- insurance;
- affiliate transactions; and
- sufficiency of disclosures.

The merger agreement also contains certain representations and warranties of Riverwood with respect to Acquisition Sub, including organization, authorization, absence of a breach of the organizational documents and no prior business activities.

CONDITIONS TO THE COMPLETION OF THE MERGER

Mutual Conditions

Riverwood's and Graphic's respective obligations to complete the merger are subject to the satisfaction or, to the extent legally permissible, the waiver of the following conditions:

- the approval of the merger agreement by the Graphic stockholders;
- the absence of any law, order or injunction prohibiting completion of the merger in the United States or European Union;
- the expiration or termination of the applicable waiting periods under the HSR Act;
- the approval for listing by the NYSE of the common stock to be issued in the merger, subject to official notice of issuance;
- the SEC having declared effective the Riverwood registration statement of which this proxy statement/prospectus is a part;
- the receipt of all other governmental and regulatory consents, approvals and authorizations necessary for the merger unless failure to obtain those consents or approvals would not reasonably be expected to have a material adverse effect on the combined company, taken as a whole;
- the receipt of all securities and blue sky permits and approvals necessary to consummate the merger;
- the entry into definitive financing agreements, and the receipt of funds thereunder, sufficient to repay or redeem the existing indebtedness of Riverwood, Graphic and their subsidiaries that is required to be repaid in connection with the completion of the merger, including senior secured financing of $1.6 billion on the terms set forth in a certain commitment letter, addressed

to Riverwood and Graphic from a syndicate of financial institutions including JPMorgan Chase Bank (or any alternate senior secured financing on terms and conditions reasonably acceptable to Riverwood and Graphic), and such other additional financing as may be required on terms and conditions reasonably acceptable to Riverwood and Graphic;

the receipt by Graphic of HRO's effective date opinion and HRO's closing date opinion (see discussion under "Material Federal Income Tax Consequences of the Merger Tax Opinions" beginning on page 56);

the representations and warranties of the other company contained in the merger agreement which are qualified as to material adverse effect being true and correct, as of the date of the merger agreement and as of the closing date of the merger, except to the extent that such representation or warranty speaks as of another date;

the representations and warranties of the other company which are not qualified as to material adverse effect being true and correct except where the failure to be true and correct, individually or in the aggregate, would not have a material adverse effect on the other party, as of the date of the merger agreement and as of the closing date of the merger as if they were made on that date, except to the extent that such representation or warranty speaks as of another date;

the other party having performed or complied with all agreements or covenants required to be performed by it under the merger agreement which are qualified as to material adverse effect and the other party having performed or complied in all material respects with all other material agreements or covenants required to be performed by it under the merger agreement (other

than such party's covenants regarding the issuance of securities, which will have been complied with in all respects), in each case, on or before the closing date; and

the other party and its respective subsidiaries not having suffered from any change that would reasonably be expected to have a material adverse effect on such party.

As used in the merger agreement, the term "material adverse effect" means with respect to either Riverwood or Graphic, as applicable, any event, change, circumstance or effect that is or is reasonably likely to be materially adverse to:

the business, financial condition or results of operations or prospects of such company and its subsidiaries, taken as a whole, other than any event, change, circumstance or effect relating:

to the economy or financial markets in general;

to changes in general in the industries in which such company operates (provided, however, that the effect of such changes will be included to the extent of, and in the amount of, any disproportionate impact on such company);

to changes in applicable law or regulations or in GAAP (provided, however, that the effect of such changes will be included to the extent of, and in the amount of, any disproportionate impact on such company); or

to the announcement of the merger agreement or the transactions contemplated by the merger agreement; or

the ability of such company to complete the transactions contemplated by the merger agreement.

Additional Conditions to Riverwood's Obligations

In addition, Riverwood's obligation to complete the merger is subject to the satisfaction or, to the extent legally permissible, the waiver of the following conditions:

all outstanding shares of the convertible preferred stock having been converted into Graphic common stock; and

no event having occurred which would trigger a distribution under Graphic's stockholder rights plan.

TERMINATION OF MERGER AGREEMENT

Right to Terminate

The merger agreement may be terminated at any time before the completion of the merger in any of the following ways:

by mutual written consent of Graphic and Riverwood;

by either Graphic or Riverwood:

if the merger has not been completed by October 31, 2003 or, if the conditions to closing relating to antitrust or other governmental approvals of the merger have not been satisfied but all other conditions to closing are satisfied or are capable of being satisfied, December 31, 2003; except that a party may not terminate the merger agreement if the cause of the merger not being completed is that party's failure to fulfill its obligations under the merger agreement;

if a governmental authority or a court in the United States or European Union permanently enjoins or prohibits the completion of the merger, except that a party may not terminate the merger agreement if the cause of the prohibition is a result of that party's failure to fulfill its obligations under the provision of the merger agreement which, among other requirements, requires each party to use its reasonable best efforts to obtain government approvals for the completion of the merger; or

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if Graphic's stockholders fail to approve the merger agreement.

by Riverwood:

if Graphic has breached in any material respect any of its representations or warranties, or has failed to perform in any material respect any of its covenants or obligations under the merger agreement and such breach:

would result in the failure of certain closing conditions to the merger being satisfied; and

is incapable of being cured by or remains uncured at October 31, 2003 (or December 31, 2003, if the termination date is extended); or

if Graphic's board of directors either withdraws or changes its recommendation in a manner adverse to Riverwood, or fails to call the Graphic special meeting to vote on the merger by August 25, 2003; or

by Graphic:

if Riverwood has breached in any material respect any of its representations or warranties, or has failed to perform in any material respect any of its covenants or obligations under the merger agreement and such breach:

would result in the failure of certain closing conditions to the merger being satisfied; and

is incapable of being cured by or remains uncured at October 31, 2003 or December 31, 2003, if applicable; or

if Graphic's board of directors (upon the recommendation of a majority of the Graphic independent directors, as defined above) authorizes Graphic to enter into a binding written agreement concerning a transaction that Graphic's board of directors has determined in accordance with the merger agreement is a superior proposal, except that Graphic cannot terminate the merger agreement for this reason unless:

Graphic provides Riverwood with written notice that it intends to enter into such an agreement, attaching the most current version of such agreement or a description of its material terms;

Riverwood, within five business days of receiving such notice from Graphic, does not make an offer that the board of directors of Graphic determines is at least as favorable to the Graphic stockholders as the superior proposal Graphic received from the third party; and

Graphic pays Riverwood the fee described in "Termination Fees Payable by Graphic" below at or before such termination.

Termination Fees Payable by Graphic

Graphic has agreed to pay Riverwood a termination fee of $30 million (at or before the time Graphic sends a notice of termination to Riverwood, and not later than one business day after the receipt by Graphic of a notice of termination from Riverwood), if the merger agreement is terminated:

by Riverwood because the board of directors of Graphic withdraws or changes its recommendation in a manner adverse to Riverwood, or fails to call or hold its stockholders' meeting by August 25, 2003 unless the special meeting has not occurred because the SEC has failed to declare effective Riverwood's registration statement for the shares to be issued to Graphic stockholders in connection with the closing of the transaction;

by Riverwood or Graphic because of the failure of Graphic's stockholders to approve the merger agreement, unless this failure occurs because the Coors family stockholders do not vote in accordance with the voting agreement (see "Material Terms of Related Agreements Voting Agreement" on page 80);

by Riverwood or Graphic because the merger has not been completed on or before October 31, 2003 (or, if the date for completion of the merger has been extended, December 31, 2003), and, at the time of termination:

Graphic's stockholders have not approved the merger agreement, unless this failure has occurred because the Coors family stockholders have not cast their votes in accordance with the voting agreement; and

a third party has made an offer or proposal for, or an announcement of any intention with respect to, a transaction that would constitute a business combination of the type described below involving Graphic; or

by Graphic, if Graphic's board of directors has authorized Graphic to enter into a written agreement for a superior proposal and Riverwood has not, within five business days of notice from Graphic, made an offer that the board of directors of Graphic determines is at least as favorable as the superior proposal Graphic has received from the third party.

A "business combination" for Graphic means:

a merger, reorganization, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving Graphic as a result of which:

Graphic's stockholders before the transaction in the aggregate cease to own at least 50% of the voting securities of the ultimate parent entity of the entity surviving or resulting from the transaction;

any person beneficially owns at least 40% of the voting securities of the ultimate parent entity of the entity surviving or resulting from the transaction; or

the individuals comprising the board of directors of Graphic before the transaction do not constitute a majority of the board of directors of the ultimate parent entity of the entity surviving or resulting from the transaction;

a sale, lease, exchange, transfer or other disposition of at least 40% of the assets of Graphic and its subsidiaries, taken as a whole, in a single transaction or series of transactions; or

the acquisition by a person of beneficial ownership of 40% or more of the common stock of Graphic (other than as an acquisition in which Graphic stockholders before the acquisition would beneficially own greater than 50% of the voting securities of such acquiring person after the completion of the transaction).

Expenses in the Event of Termination Fee

In the event Graphic is required to pay Riverwood a termination fee, Graphic will also be required to pay and reimburse Riverwood for all of its expenses up to a total amount of no more than $3 million.

Obligations in Event of Termination

In the event of termination as provided for above, the merger agreement will become void and of no further force and effect (except with respect to certain designated sections of the merger agreement) and there will be no liability on behalf of Riverwood or Graphic, except for liabilities arising from a willful breach of the merger agreement.

AMENDMENTS, EXTENSIONS AND WAIVERS

The merger agreement may be amended by the parties at any time before or after the Graphic special stockholders' meeting, except that any amendment after a stockholders' meeting, which requires approval by stockholders, may not be made without such approval.

At any time before the completion of the merger, the parties may, to the extent legally allowed, extend the time for the performance of any of the obligations or other acts of the other parties, waive any inaccuracies in the representations and warranties contained in the merger agreement, and waive compliance with any of the agreements or conditions contained in the merger agreement.

MATERIAL TERMS OF RELATED AGREEMENTS

VOTING AGREEMENT

Riverwood and the Coors family stockholders of Graphic have entered into a voting agreement, dated as of March 25, 2003, with respect to the shares owned by the Coors family stockholders or acquired during the term of the voting agreement. The following is a summary of the material terms of the voting agreement and is qualified by reference to the complete text of the agreement, which is attached as Annex B to this proxy statement/prospectus and incorporated herein by reference.

Voting of Shares

Each of the Coors family stockholders has agreed that, at any meeting of the stockholders of Graphic called to vote upon the merger and the merger agreement, each of them will vote all of the shares of common and convertible preferred stock owned by such stockholder in favor of the approval of the merger agreement. Each of the Coors family stockholders has further agreed that at any meeting of the stockholders of Graphic, each of them will vote all of the shares owned by such stockholder against:

- any other merger, consolidation, combination, sale or transfer of a material amount of assets, reorganization, recapitalization, dissolution, liquidation or winding up of or by Graphic;
- any amendment to Graphic's articles of incorporation or bylaws or other proposal or transaction that would delay, impede, frustrate, prevent or nullify the merger and the other transactions contemplated by the merger agreement; and
- any amendment to Graphic's articles of incorporation or bylaws or other proposal that would change the voting rights of the shares subject to the voting agreement other than in connection with the merger.

The Coors family stockholders, in aggregate, own 13,481,548 shares of Graphic's outstanding common stock and have the right to acquire an additional 946,939 shares of common stock upon exercise of currently exercisable options. The Trust owns all 1,000,000 shares of the outstanding convertible preferred stock, which are entitled to vote separately as a class and to cast a total of 24,242,424 votes with the holders of Graphic common stock in the vote on the merger agreement. In aggregate, the shares covered by the voting agreement represent approximately 65.1% of the combined voting power of Graphic's capital stock and 100% of the outstanding voting power of Graphic preferred stock as of March 25, 2003. In addition, the executive officers and directors of Graphic have advised that they intend to vote their shares in favor of the merger agreement.

No Solicitation

Each of the Coors family stockholders has agreed not to directly or indirectly solicit, encourage or facilitate an acquisition proposal (of the type described above under "The Merger Agreement Covenants" on page 71). The Coors family stockholders have agreed to inform Riverwood of any proposals or requests for information they receive with respect to any business combination.

Transfer Restrictions

Each of the Coors family stockholders has agreed not to transfer any of the shares owned by such Coors family stockholder, or grant any proxies or enter into any voting agreements with respect to such shares other than the voting agreement with Riverwood. There is an exception to the general prohibition on transfer for transfer of shares to other Coors family stockholders or to certain other affiliated parties, if the transferees agree to be bound by the terms of the voting agreement. The Coors

family stockholders also are prohibited from acquiring additional shares of Graphic stock except for other Coors family stockholder shares already subject to the voting agreement and acquisitions under employee benefit plans for Coors family stockholders who are employees of Graphic.

Irrevocable Proxy

Each of the Coors family stockholders has agreed to designate and appoint Jeffrey H. Coors and, in the case of his inability to act, William K. Coors, as the Coors family representative and attorney-in-fact to perform all acts required, authorized or contemplated by the voting agreement to be performed by any of the Coors family stockholders (including voting the shares of Graphic owned by such Coors family stockholder in the manner described above).

Conversion of Convertible Preferred Stock

Immediately before the completion of the merger, the Trust has agreed to convert all of the shares of convertible preferred stock held by the Trust into shares of Graphic common stock in accordance with the terms of such convertible preferred stock. Promptly after the conversion of such convertible preferred stock, Riverwood has agreed to pay to the Trust an amount equal to the present value, calculated using a discount rate of 8.5%, of the dividend payments payable on such convertible preferred stock from the date of the completion of the merger through August 15, 2005, the first date as of which Graphic could otherwise have redeemed the convertible preferred stock. While the exact amount that will be due depends upon the date of completion of the merger, Riverwood and Graphic currently anticipate that the amount of payment owed by Riverwood to the Trust upon the conversion of the convertible preferred stock will be approximately $19.7 million. This amount assumes that the completion of the merger will occur on July 1, 2003.

Additional Consideration

If the merger agreement is terminated under circumstances entitling Riverwood to receive the termination fee (see "The Merger Agreement Termination of Merger Agreement Termination Fees Payable by Graphic" on page 78), each Coors family stockholder (other than the Adolph Coors Foundation) will be obligated to pay to Riverwood an amount equal to such Coors family stockholder's pro rata share (based on the number of shares of Graphic common stock held by such stockholder on March 25, 2003, treating the convertible preferred stock on an as converted basis) equal to:

- 75% of the first $20 million of all profit (as defined below) earned by the Coors family stockholders, collectively; plus

- 50% of the next $40 million of all profit earned by the Coors family stockholders, collectively,

in each case from the consummation of any business combination that is consummated within two years of the termination of the merger agreement.

Furthermore, in the event that, before the completion of the merger, a superior proposal (as defined in "The Merger Agreement Covenants" on page 71) is made by a third party and, upon the completion of the merger, Riverwood has increased the amount of merger consideration payable over that set forth in the merger agreement, the Coors family stockholders (other than the Adolph Coors Foundation) have agreed that they will waive any right to receive 50% of any such additional merger consideration.

For purposes of the calculation above, "profit" from any business combination equals:

the aggregate consideration received by the Coors family stockholders pursuant to the business combination; plus

the fair market value (as defined below), determined as of the date of disposition, of all shares of the Coors family stockholders disposed of after the termination of the merger agreement and before the date that the business combination is consummated; minus

the fair market value of all shares of the Coors family stockholders, determined as of either March 24, 2003, or the day immediately before the date that Graphic first receives notice of or otherwise becomes aware of an acquisition proposal (as defined in "The Merger Agreement Covenants" on page 71), whichever date results in a lower fair market value.

The "fair market value" of:

securities listed on a national securities exchange is equal to the average closing price per share of such security for the ten trading days before the date of determination; and

consideration that is other than cash or securities listed on a national securities exchange will be determined by a nationally recognized independent investment banking firm in a manner further described in the voting agreement.

Waiver of Dissenters' Rights

Each of the Coors family stockholders has waived any dissenters' rights it may have in connection with the merger.

Termination

The voting agreement will automatically terminate if the merger agreement is terminated in accordance with its terms before the completion of the merger. If the voting agreement is terminated, its provisions will cease to have effect, except for the provisions described under " Additional Consideration" above.

Stockholder Capacity

The parties acknowledge that each of the Coors family stockholders executing the voting agreement is executing it solely in such Coors family stockholder's capacity as a record holder or beneficial owner of shares of Graphic common stock or convertible preferred stock and not in such person's capacity as an officer or director of Graphic.

STOCKHOLDERS AGREEMENTS

The following is a summary of the material terms of the stockholders agreement, and the other Riverwood stockholders side letter among Riverwood and the stockholder parties identified below, and is qualified by reference to the complete text of these agreements, copies of which have been filed with the SEC as exhibits to Riverwood's registration statement, of which this proxy statement/prospectus is a part. For information on how to obtain copies of the stockholders agreement, the other Riverwood stockholders side letter or other exhibits, see "Where You Can Find More Information" on page 197.

Certain individuals and entities that will be stockholders of the combined company after the completion of the merger and Riverwood have entered into the stockholders agreement, under which the parties thereto have made certain agreements regarding matters further described below, including the voting of their shares and the governance of the combined company. The parties to the stockholders agreement are the Coors family stockholders, the CDR fund, Exor and Riverwood. Certain other entities that will be stockholders of the combined company after the completion of the merger and Riverwood have entered into a Transfer Restrictions and Observation Rights Agreement, dated March 25, 2003, or the other Riverwood stockholders side letter, under which the parties thereto

have made certain agreements regarding matters further described below, including observation rights and restrictions on the transfer of combined company common stock. The parties to the other Riverwood stockholders side letter are Riverwood, The 1818 Fund II, L.P., HWH Investment Pte Ltd, J.P. Morgan Partners (BHCA), L.P., First Plaza Group Trust, Madison Dearborn Capital Partners, L.P. and Wolfensohn-River LLC. The stockholders agreement and the other Riverwood stockholders side letter will be effective immediately upon the completion of the merger.

Board of Directors

The stockholders agreement provides that the board of directors of the combined company will consist of nine members, classified into three classes. Each of the three classes will consist initially of three directors, the initial terms of which will expire, respectively, at the first, second and third annual meetings of stockholders following the completion of the merger.

Immediately after the effective time, the board of directors will consist of Jeffrey H. Coors (who will be Executive Chairman), Harold R. Logan, Jr. and John D. Beckett (who currently are Graphic directors), Stephen M. Humphrey, Kevin J. Conway, John R. Miller, Martin D. Walker and G. Andrea Botta (who currently are Riverwood directors) and an additional designee to be selected by the CDR fund.

The stockholder parties to the stockholders agreement have further expressed their intention that the board of directors of each of RIC and GPC, the principal operating entities of Riverwood and Graphic, respectively, before the completion of the merger, will have the same composition after the completion of the merger as the combined company's board of directors.

Designation Rights

The stockholders agreement provides that the Coors family representative, the CDR Fund and Exor will have the right, subject to requirements related to stock ownership, to designate a person for nomination for election to the board of directors. Each such director will be designated to that class of directors whose initial term expires at the third annual meeting of stockholders following the completion of the merger.

The Coors family representative is entitled to designate one person for nomination for election to the board for so long as the Coors family stockholders, in the aggregate, own at least 5% of the fully diluted shares of the combined company's common stock. The CDR fund will be entitled to designate one person for nomination for election to the board: (1) for so long as it owns at least 5% of the fully diluted shares of the combined company common stock, or (2) for so long as it owns less than 5% of such shares and certain stockholders of the combined company immediately before the completion of the merger continue to own, in the aggregate, at least 30% of such shares. Exor will be entitled to designate one person for nomination for election to the board for so long as it owns at least 5% of the fully diluted shares of the combined company common stock.

Pursuant to the stockholders agreement, at each meeting of the stockholders of the combined company at which directors of the combined company are to be elected, the combined company will recommend that the stockholders elect to the board of directors of the combined company the designees of the individuals designated by the Coors family representative, the CDR fund and Exor. In addition, for so long as Stephen M. Humphrey serves as the Chief Executive Officer of the combined company, the stockholders agreement provides that he will be nominated for election to the board at any meeting of the stockholders at which directors of his class are to be elected.

Independent Directors

The stockholders agreement further provides that each of the other directors, not designated in the manner described above, will be a combined company independent director (as defined below) designated for nomination by the nominating and corporate governance committee of the board. In the event that the Coors family representative, the CDR fund or Exor loses the right to designate a person to the board, such designee will resign immediately upon receiving notice from the nominating and corporate governance committee that it has identified a replacement director, and will resign in any event no later than 120 days after the designating person or entity loses the right to designate such designee to the board. At such time as Mr. Humphrey is no longer the Chief Executive Officer of the combined company, he will similarly resign upon receipt of notice from the nominating and corporate governance committee and, in any event, no later than 120 days after ceasing to serve as Chief Executive Officer.

A "combined company independent director" is a director who (1) is not an officer or employee of the combined company or any of its affiliates, (2) is not an officer or employee of any stockholder party to the stockholders agreement or, if such stockholder is a trust, a direct or indirect beneficiary of such trust and (3) meets the standards of independence under applicable law and the requirements applicable to companies listed on the NYSE.

Agreement to Vote for Directors; Vacancies

Each party to the stockholders agreement agrees to vote all of the shares owned by such stockholder in favor of Mr. Humphrey (for so long as he is the Chief Executive Officer of the combined company) and each of the parties' designees to the board, and to take all other steps within such stockholder's power to ensure that the composition of the board is as contemplated by the stockholders agreement.

As long as the Coors family representative, the CDR fund or Exor, as the case may be, has the right to designate a person for nomination for election to the board, at any time at which the seat occupied by such party's designee becomes vacant as a result of death, disability, retirement, resignation, removal or otherwise, such party will be entitled to designate for appointment by the remaining directors an individual to fill such vacancy and to serve as a director. Riverwood and each of the stockholder parties to the stockholders agreement has agreed to take such actions as will result in the appointment to the board as soon as practicable of any individual so designated by the Coors family representative, the CDR fund or Exor.

At any time at which a vacancy is created on the board as a result of the death, disability, retirement, resignation, removal or otherwise of one of the independent directors before the expiration of his or her term as director, the nominating and corporate governance committee will notify the board of a replacement who is a combined company independent director. Each of the company and the stockholder parties to the stockholders agreement have agreed to take such actions as will result in the appointment of such replacement to the board as soon as practicable.

Actions of the Board; Affiliate Agreements

The stockholders agreement provides that actions of the board will require the affirmative vote of at least a majority of the directors present in person or by telephone at a duly convened meeting at which a quorum is present, or the unanimous written consent of the board, except that a board decision regarding the merger, consolidation or sale of substantially all the assets of the combined company will require the affirmative vote of a majority of the directors then in office. In addition, a decision by the company to enter into, modify or terminate any agreement with an affiliate of the Coors family stockholders, the CDR fund or Exor will require the affirmative vote of a majority of the

directors not nominated by a stockholder which, directly or indirectly through an affiliate, has an interest in that agreement.

Board Committees

The stockholders agreement provides for the board to have an audit committee, a compensation and benefits committee and a nominating and corporate governance committee as follows:

- The audit committee will have three members, consisting of the directors designated by the CDR fund and the Coors family representative and one combined company independent director, or such other members as the CDR fund and the Coors family representative may mutually agree. The director designated by Exor will have the right to attend meetings of the audit committee as a non-voting observer.

The compensation and benefits committee will have three members, consisting of the directors designated by the CDR fund and the Coors family representative and one combined company independent director, or such other members as the CDR fund and the Coors family representative may mutually agree. No employee of the company or its affiliates will serve on this committee. The director designated by Exor will have the right to attend meetings of the audit committee as a non-voting observer.

The nominating and corporate governance committee will have five members, consisting of the directors designated by the CDR fund, the Coors family representative and Exor and two combined company independent directors, or such other members as the CDR Fund, the Coors family representative and Exor shall mutually agree. No employee of the company or its affiliates will serve on this committee.

Each of the company and the stockholder parties to the stockholders agreement have agreed to take all steps within their power to ensure that the composition of the board's committees are as provided in the stockholders agreement. The rights described above of each of the CDR fund, the Coors family representative and Exor to have its director designee sit as a member of board committees will cease at such time as such stockholder holds less than 5% of the fully diluted shares of the combined company's common stock, except that the CDR fund will continue to have such right so long as the stockholders of Riverwood immediately before the completion of the merger own, in the aggregate, at least 30% of the fully diluted shares of the combined company's common stock. The board will fill any committee seats that become vacant in the manner provided in the preceding sentence with combined company independent directors. The board is prohibited from forming an executive committee.

Observation and Information Rights; Directors Emeritus

The stockholders agreement provides that The 1818 Fund II, L.P., a stockholder of Riverwood before the completion of the merger, will have the right to designate Lawrence C. Tucker to attend meetings of the board of directors and to receive copies of all written materials provided to the board. This right will terminate at such time as The 1818 Fund II, L.P. transfers (other than to affiliated permitted transferees) 50% or more of the combined company's common stock held by such entity at the completion of the merger. The 1818 Fund II, L.P. has entered into the other Riverwood stockholders side letter, which obligates it to abide by certain terms and conditions in connection with the exercise of this right. Mr. Tucker will not have any right to vote on any matter presented to the board.

With certain specified exceptions, each of the stockholder parties to the other Riverwood stockholders side letter, or other Riverwood stockholders, has the right to receive copies of all written materials provided to the board. This right will terminate, with respect to each other Riverwood

stockholder, at such time as such other Riverwood stockholder transfers (other than to affiliated permitted transferees) 50% or more of the combined company common stock held by such other Riverwood stockholder at the completion of the merger. Such other Riverwood stockholder must have entered into the other Riverwood stockholders side letter, which obligates it to abide by certain terms and conditions in connection with the exercise of this right.

Under the stockholders agreement, the Coors family representative will have the right to designate William K. Coors as an emeritus director of the company, and the CDR fund will have the right to designate B. Charles Ames as an emeritus director of the company. In such capacities, Mr. William Coors and Mr. Ames will have the right to attend meetings of the board and to receive copies of all written materials provided to the board. Mr. William Coors' position as emeritus director will terminate at such time as the Coors family stockholders, in the aggregate, hold less than 5% of the fully diluted shares of the combined company's common stock. Mr. Ames' position as emeritus director will terminate at such time as the CDR fund holds less than 5% of the fully diluted shares of the combined company's common stock and the stockholders of Riverwood immediately before the completion of the merger hold, in the aggregate, less than 30% of the fully diluted shares of the combined company's common stock. Mr. William Coors and Mr. Ames will not have any right to vote on any matter presented to the board.

Mr. Tucker, Mr. William Coors, Mr. Ames and each of the recipients of information rights will be obliged to the maintain the confidentiality of information received in connection with the exercise of their respective rights.

Transfer Restrictions

The stockholder parties to the stockholders agreement have agreed not to transfer any shares of the combined company's common stock during the restricted period (defined below), except for (1) transfers to certain affiliated permitted transferees that agree to be bound by the stockholders agreement, and (2) a sale to the public pursuant to an effective registration statement filed under the Securities Act. After the expiration of the restricted period, each such stockholder may also transfer combined company common stock pursuant to Rule 144 or other applicable exemptions from registration, subject to any holdback obligations that such stockholder may have under the amended and restated registration rights agreement described below. The "restricted period" begins at the effective time of the merger and continues until the earlier of (1) such time as 50% or more of the issued and outstanding shares of the combined company's common stock have been publicly distributed or sold, and (2) 18 months after the effective time of the merger.

The stockholders of Riverwood before the completion of the merger other than the CDR fund and Exor, who are each party to the other Riverwood stockholders side letter, have separately agreed pursuant to that side letter to abide by the transfer restrictions applicable to the stockholder parties to the stockholders agreement, except that such stockholders will be permitted to transfer shares of combined company common stock under Rule 144 and other exemptions after the later of (1) 90 days following the closing of the combined company's first secondary offering for which a request is made under the amended and restated registration rights agreement (or immediately following the earlier termination or withdrawal of such offering) and, in any event, no later than March 31, 2004 and (2) December 31, 2003.

The share certificates owned by each of the stockholder parties to the stockholders agreement and the other Riverwood stockholders side letter will bear customary legends with respect to transfer restrictions.

Fee Payable to CD&R

Under the terms of the stockholders agreement, immediately after the effective time of the merger, the combined company will pay a transaction fee of $10 million to CD&R as consideration for its services in connection with the merger. This fee is contingent on the completion of the merger.

Termination

The stockholders agreement will remain in effect until terminated by unanimous agreement of the combined company and the stockholder parties or until such time as no more than one of the CDR fund, Exor, the CDR fund and the other Riverwood stockholders in the aggregate, or the Coors family stockholders holds 5% or more of the outstanding common stock of the combined company on a fully diluted basis. In addition, the stockholders agreement will terminate as to any stockholder party at such time as such stockholder no longer owns any shares of the combined company's common stock. The confidentiality provisions of the agreement will survive termination.

The other Riverwood stockholders side letter will terminate upon the unanimous consent of Riverwood and the other Riverwood stockholders. In addition, the other Riverwood stockholders side letter will terminate with respect to specified other Riverwood stockholders at the times provided in the letter. The confidentiality obligations of the other Riverwood stockholders side letter will survive termination.

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

The following is a summary of the material terms of the amended and restated registration rights agreement among Riverwood and the stockholder parties identified below, and is qualified by reference to the complete text of the agreement, a copy of which has been filed with the SEC as an exhibit to Riverwood's registration statement, of which this proxy statement/prospectus is a part. For information on how to obtain a copy of the registration rights agreement or other exhibits, see "Where You Can Find More Information" on page 197.

Riverwood, the parties to the stockholders agreement and the other stockholders of Riverwood immediately before the completion of the merger have entered into an amended and restated registration rights agreement, dated as of March 25, 2003, under which the parties have agreed to amend and restate Riverwood's previous registration rights agreement in connection with the transactions contemplated by the merger agreement. The parties to the amended and restated registration rights agreement are the Coors family stockholders, the CDR fund, Exor and the other Riverwood stockholders. The amended and restated registration rights agreement becomes effective immediately upon the completion of the merger.

The amended and restated registration rights agreement provides that, after the expiration of 90 days from the effective time of the merger, holders of 15% or more of the outstanding shares of the combined company's common stock may request that the combined company effect the registration under the Securities Act all or part of such holder's registrable securities (as defined below). Upon receipt of such a request, the combined company is required to promptly give written notice of such requested registration to all holders of registrable securities and, thereafter, to use its reasonable best efforts to effect the registration under the Securities Act of all registrable securities which it has been requested to register pursuant to the terms of the amended and restated registration rights agreement. After the expiration of 180 days after the closing of an initial secondary offering, holders of 5% or more of the outstanding shares of the combined company's common stock may again request that the combined company effect the registration under the Securities Act of all or part of such holder's registrable securities. In all cases, the combined company's obligations to register the registrable securities are subject to the minimum and maximum offering size limitations set forth below.

With respect to the first two requests to effect registration of registrable securities, the combined company will not be required to effect such registration if such requests relate to less than 15% of the outstanding shares of common stock or, without the approval of the board of directors, more than 25% of the outstanding shares. Any request for registration of registrable securities after the first two requests will be subject to a minimum offering size of 5% of the outstanding shares of combined company common stock.

"Registrable securities" means:

- all shares of combined company common stock owned by the CDR fund, Exor or the other Riverwood stockholders;
- all shares of combined company common stock issued to the Coors family stockholders in connection with the merger;
- all securities that were registrable securities under the original registration rights agreement;
- all shares of combined company common stock issued after March 25, 2003 to members of management or directors of the combined company for so long as any such shares constitute restricted securities; and
- any securities issued or issuable with respect to any combined company common stock referred to above as a result of a conversion, exchange, stock dividend or distribution, stock split or reverse stock split, combination, recapitalization, merger, consolidation or other reorganization thereof.

If the stockholder parties request registration of any of their shares, the combined company is required to prepare and file a registration statement with the SEC as soon as possible, and no later than 60 days after receipt of the request.

The combined company will pay all expenses in connection with the first four successfully effected registrations requested.

The stockholder parties have the right to request that any offering requested by them under the amended and restated registration rights agreement be an underwritten offering. The combined company will have the right to select one or more underwriters to administer the requested offering, but the selection of underwriters will be subject to approval by the holders of a majority of the shares to be included in the offering.

The amended and restated registration rights agreement also provides that, with certain exceptions, the parties thereto will have certain incidental registration rights in the event that the company at any time proposes to register any of its equity securities and the registration form to be used may be used for the registration of securities otherwise registrable under the registration rights agreement.

In addition to the provisions set forth above, the amended and restated registration rights agreement contains other terms and conditions including those customary to agreements of this kind.

Termination

The amended and restated registration rights agreement will terminate on the earliest of its termination by unanimous consent of the parties, the date on which no shares subject to the agreement are outstanding, or the dissolution, liquidation or winding up of the combined company.

INFORMATION ABOUT RIVERWOOD

BUSINESS

Overview

Riverwood is an integrated provider of paperboard packaging solutions to multinational beverage and consumer products companies. It focuses on large segments of the paperboard packaging market where it provides companies with paperboard packaging solutions designed to deliver marketing and performance benefits at a competitive cost.

Riverwood is the larger of two worldwide producers of CUK board, the grade of paperboard that it uses for its packaging products. CUK board is a specialized high-quality grade of paperboard with excellent strength characteristics and printability for high-resolution graphics that make it particularly well suited for a variety of packaging applications. The coated board business segment includes the production and sale of CUK board for its beverage multiple packaging and consumer products packaging businesses. Riverwood refers to the CUK board it produces for use in beverage multiple packaging as carrierboard and in consumer products packaging as cartonboard.

Customers in Riverwood's beverage packaging business include Anheuser-Busch Companies, Inc., Miller Brewing Company, numerous Coca-Cola and Pepsi bottling companies, Interbrew, Asahi Breweries, Unilever and Master Foods. In its consumer products packaging business, Riverwood provides cartonboard, through independent converters, to consumer products companies such as Kraft Foods, Nestlé, Unilever and Mattel. In 2002, Riverwood had net sales of $1.2 billion.

Riverwood reports its results in two business segments: coated board and containerboard. Its coated board business segment includes the production and sale of carrierboard and cartonboard. Its containerboard business segment includes the production and sale of containerboard linerboard, corrugating medium and kraft paper for sale in the open market. Riverwood operates in four geographic areas: the United States, Central and South America, Europe and Asia-Pacific. For business segment and geographic area information for each of the last three fiscal years, see note 24 to Riverwood's consolidated financial statements included in this proxy statement/prospectus.

Riverwood was incorporated on December 7, 1995 under the laws of the State of Delaware.

Coated Board

In the coated board segment, Riverwood produces CUK board at its mills, prints and cuts, or converts, the CUK board into cartons at its and third parties' converting plants, and manufactures packaging machines designed to package bottles and cans and non-beverage consumer products. It installs its packaging machines at customer plants under long-term leases and provides support, service and performance monitoring of the machines.

Beverage Multiple Packaging. In the beverage multiple packaging business, it provides a range of packaging solutions to multinational beverage companies, offering them carrierboard, beverage cartons and packaging machines either as an integrated solution or separately. Riverwood supplies beverage cartons in a variety of designs and formats, including 6, 12 and 24 multi-packs. It designs its products to meet its customers' needs for beverage multi-packs. Riverwood's proprietary beverage packaging machines package cans, bottles and other beverage containers into its beverage cartons at high speeds. It enters into annual or multi-year carton supply contracts with its customers. The carton supply contracts generally provide that the customer is obligated to purchase a fixed portion of its carton requirements from Riverwood.

In 2002, Riverwood's integrated beverage packaging business accounted for approximately 90% of its 2002 carrierboard shipments. It sold the remaining 10% of its carrierboard shipments in the open market to independent converters. Particularly in Riverwood's international operations, its carrierboard may be sold to and converted by joint ventures and licensees of its beverage cartons who, in turn, sell converted beverage cartons to end-users for use on Riverwood's proprietary packaging machines. The

beverage multiple packaging business also includes sales of carrierboard, which Riverwood has produced and converted, to customers for use on third-party packaging machines.

Riverwood is focused on growing its presence in beverage categories beyond its traditional beer and carbonated soft drink markets. To this end, it has designed a CUK board product for juice pouches using its new Z-Flute® proprietary technology. A number of beverage companies are currently testing this product. Riverwood has begun to make shipments of this product to customers. In addition, it has designed a new carton, based on its Fridge Vendor® design, to target the market for take-home water bottle multiple packaging. This product is now available throughout one of Riverwood's major customer's marketing areas.

In 2002, carrierboard accounted for approximately 65% of Riverwood's total CUK board shipments. In 2002, Riverwood shipped approximately 671,000 tons of carrierboard and had net sales in its beverage multiple packaging business of $818.8 million. It sells carrierboard under the brand name Aqua-Kote®.

Consumer Products Packaging. In Riverwood's consumer products packaging business, historically it has principally sold cartonboard to independent converters who convert the cartonboard and sell cartons to consumer products companies, such as Kraft Foods, Nestlé, Unilever and Mattel, for consumer products packaging for confectionary, frozen and dry foods, toys and other consumer products. Riverwood serves these customers through relationships with converters and works with both the end-user and the converter to design packaging solutions.

Historically, the consumer products packaging business has been of secondary importance to Riverwood, serving primarily as an outlet for excess CUK board production. It has historically manufactured and leased packaging machines to consumer products companies both in the United States and internationally and has converted a portion of its cartonboard into cartons at its international converting plants. In January 2000, Riverwood adopted a new strategy for its consumer products packaging business and, as a first step, organized this operating unit to target non-beverage consumer products packaging markets where it has not historically competed and to improve its product mix and margins. Riverwood's strategy is to capitalize on the capabilities and business model that it has developed in its beverage multiple packaging business by developing integrated packaging solutions, including new carton designs and packaging machines, for targeted consumer products applications and building relationships directly with consumer products companies. At the same time, it intends to maintain its relationships with independent converters of its cartonboard.

Riverwood believes that the performance characteristics of its CUK board, specifically its tear strength, wet strength and stiffness, make it appropriate for applications in segments of the consumer products packaging market. As such, Riverwood believes that the growth opportunity for it in these segments will largely depend on its ability to introduce CUK board to packaging applications currently served by other substrates. It has had success penetrating several non-beverage paperboard applications in which it believes CUK board has a competitive advantage. Riverwood has developed its new Z-Flute® carton technology to penetrate selected non-beverage segments of the market for mini- and micro-flute corrugated products. It has designed Z-Flute® to capitalize on the strength and marketing capabilities of CUK board needed in these markets while providing the structural reinforcement and additional anti-crush strength required for the shipping, stacking and storage needs of retailers and consumers alike. Specific non-beverage applications for micro-flute products include cartons for frozen food and dry foods and candy.

In 2002, cartonboard accounted for approximately 35% of Riverwood's total CUK Board shipments. In 2002, Riverwood shipped approximately 363,000 tons of cartonboard and had net sales in its consumer products packaging business of $234.4 million. It sells cartonboard under the brand names Pearl-Kote®, Omni-Kote® and Multiboard®.

CUK Board Production. Riverwood produces CUK board at its West Monroe, Louisiana paper mill, or the West Monroe mill, and its Macon, Georgia paper mill, or the Macon mill. Riverwood has

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three paperboard machines at the West Monroe mill and two paperboard machines at the Macon mill. These mills have a current total combined annual production capacity of approximately 1.2 million gross tons of CUK Board.

The total CUK Board production at the West Monroe mill was approximately 688,000 gross tons during the year ended December 31, 2002. Total CUK board production at the Macon mill was approximately 480,000 gross tons of CUK board during the year ended December 31, 2002.

CUK board is manufactured from pine and hardwood fibers and, in some cases, recycled fibers, such as old corrugated containers, or OCC, and clippings from Riverwood's converting operations. Virgin fiber is obtained in the form of wood chips or pulp wood acquired through open market purchases or Riverwood's long-term purchase contract with Plum Creek. These chips are chemically treated to form softwood and hardwood pulp, which are then blended (together, in some cases, with recycled fibers). In the case of carrierboard, a chemical is added to increase moisture resistance. The pulp is then processed through the mill's paper machines, which consist of a paper-forming section, a press section (where water is removed by pressing the wet paperboard between rolls), a drying section and the coating section. Coating on CUK board, principally a mixture of pigments, binding agents and water, provides a white, smooth finish, and is applied in multiple steps to achieve desired levels of brightness, smoothness and shade. After the CUK board is coated, it is wound into rolls, which are then shipped to Riverwood's converting plants or to outside converters.

White Lined Chip Production. Riverwood produces white lined chip boards, or WLC, at its Swedish mill, and shipped approximately 157,000 tons of such board during 2002. WLC is used for a variety of folding carton applications principally throughout Europe.

Converting Operations. Riverwood converts CUK board as well as other grades of paperboard into cartons at 11 carton converting plants at 10 sites that it operates in the United States, the United Kingdom, Spain, France and Brazil, as well as through converting plants associated with its joint ventures in Japan and Denmark and licensees in other markets outside the United States. The converting plants print, cut and glue paperboard into cartons designed to meet customer specifications. These plants primarily utilize roll-fed printing presses with in-line cutters to print and cut CUK board. Printed and cut cartons are in turn glued and shipped to customers.

The U.S. converting plants are dedicated to converting carrierboard produced by Riverwood into beverage cartons. These presses have substantially higher cutting and printing speeds, resulting in fewer labor hours per ton of CUK board carton produced. Riverwood realized significant productivity gains when it completed its new converting plant in Perry, Georgia in 1996, which resulted in improved logistics by reducing transportation distances between its Macon mill and its converting plants. It intends to continue to invest in its domestic converting plants to improve their process capabilities.

The international converting plants convert carrierboard and cartonboard produced by Riverwood, as well as paperboard supplied by outside producers, into cartons. The converting plants outside of the United States are designed to meet the smaller volume orders of these markets.

Proprietary Packaging Machinery and Carton Designs. Riverwood designs cartons and designs, tests and manufactures prototype packaging machinery for beverage multiple packaging and consumer products packaging applications at its Product Development Center, or the PDC, in Marietta, Georgia. At the PDC, Riverwood integrates carton and packaging machinery designs to create packaging solutions to meet customer needs. It manufactures and also designs packaging machinery for beverage multiple packaging and consumer products packaging applications at its principal U.S. manufacturing facility in Crosby, Minnesota and at a facility near Barcelona, Spain. By manufacturing packaging machinery in one U.S. and one European location, Riverwood expects to improve customer service, simplify its work processes and reduce costs. It leases substantially all of its packaging machines to customers, typically under machinery use agreements with original terms of three to six years. Packaging machinery placements during 2002 increased approximately 27% when compared to 2001 as a result of a 16% increase in packaging machinery orders in 2001 when compared to 2000. Riverwood

expects packaging machinery placements for 2003 to be comparable to 2002. Riverwood has been and will continue to be selective in future packaging machinery placements to ensure appropriate returns.

Riverwood employs a "pull through" marketing strategy in its beverage multiple packaging business, the key elements of which are (i) the design and manufacture of proprietary packaging machines capable of packaging plastic and glass bottles, cans and other primary containers, (ii) the installation of the machines at customer locations under multi-year machinery use arrangements and (iii) the development of proprietary beverage cartons with high-resolution graphics for use on those machines.

Riverwood's packaging machines are designed to package Polyethylene Terephthalate, or PET, bottles and glass bottles, cans and other primary beverage containers, as well as non-beverage consumer products, using cartons designed by Riverwood, made from its CUK board and converted into cartons by Riverwood, its joint venture partners or its licensees. In order to meet customer requirements, it has developed an extensive portfolio of packaging machines consisting of three principal machinery lines, including eight different models of packaging machines. The machines package cans and PET or glass bottles in a number of formats including baskets, clips, trays, wraps and fully enclosed cartons. These machines have packaging ranges from 2 to 36 cans per package and have the ability to package cans at speeds of up to 3,000 cans per minute. Riverwood's consumer product packaging machines are designed to package cans or bottles in wraps or fully enclosed cartons. Riverwood also manufactures ancillary equipment, such as machines for taping cartons and placing coupons in cartons.

Marketing and Distribution. Riverwood markets its CUK board and CUK board-based products principally to multinational brewers, soft drink bottlers, food companies and other consumer products companies that use printed packaging for retail display, multiple packaging and shipment of their products. It also sells CUK board in the open market to carrierboard and cartonboard converters. It markets CUK board under the names Aqua-Kote®, Pearl-Kote® and Omni-Kote®. Riverwood reviews a customer's credit history before extending credit to the customer of which the payment terms are generally 30 days domestically, but vary internationally according to local business practices.

In its beverage multiple packaging business, Riverwood's major customers for beverage cartons include Anheuser-Busch Companies, Inc., Miller Brewing Company, numerous Coca-Cola and Pepsi bottling companies, Interbrew and Asahi Breweries. It also sells beverage carrierboard in the open market to independent converters, including licensees of Riverwood's proprietary carton designs, for the manufacture of beverage cartons. During 2002, Riverwood had two customers, Anheuser-Busch Companies, Inc. and Miller Brewing Company, who represented approximately 16% and 12% respectively, of its net sales.

In its consumer products packaging business, Riverwood has historically sold substantially all of its cartonboard to numerous independent converters that convert the cartonboard into cartons for consumer products. It has entered into agreements with a number of major independent converters. Under the terms of these agreements, the converters agree to purchase a significant portion of their CUK board requirements from Riverwood and to assist it in customer development efforts designed to grow the market for CUK board. The terms of these arrangements include certain limitations on Riverwood's ability to raise the selling prices of its cartonboard.

Distribution of carrierboard and cartonboard is primarily accomplished through direct sales offices in the United States, Australia, Brazil, Denmark, France, Germany, Hong Kong, Italy, Japan, Mexico, Singapore, Spain, Sweden, and the United Kingdom.

Joint Ventures. Riverwood is a party to joint ventures with Rengo Company Limited and Danapak Holding A/S, of which it owns 50% and 60%, respectively, to market machinery-based packaging systems in Japan and Scandinavia, respectively. The joint ventures cover CUK board supply, use of proprietary carton designs and marketing and distribution of packaging systems.

Competition. There are only two major producers in the United States of CUK board, Riverwood and MeadWestvaco. Riverwood faces significant competition in its CUK board business segment from MeadWestvaco. Like Riverwood, MeadWestvaco produces and converts CUK board, designs and places packaging machinery with customers and sells CUK board in the open market. Riverwood also faces competition from other manufacturers of packaging machines, such as R.A. Jones Co. Inc., or R.A. Jones.

In the beverage packaging industry, beverage cartons made from CUK board compete with plastics and corrugated packaging for packaging glass or plastic bottles, cans and other primary containers. Although plastics and corrugated packaging are priced lower than CUK board, Riverwood believes that cartons made from CUK board offer advantages over these materials, in areas such as distribution, high quality graphics, carton designs, package performance, environmental friendliness and design flexibility.

In the consumer product packaging markets, Riverwood's CUK board competes principally with MeadWestvaco's CUK board, recycled clay-coated news, or CCN, and solid bleached sulphate board, or SBS, and, internationally, WLC and folding boxboard, or FBB. Cartonboard grades compete based on price, strength and printability. CUK board has generally been priced in a range that is higher than CCN and lower than SBS. CUK board has slightly better tear strength characteristics than SBS and significantly better printability, tear strength and cross-direction stiffness than CCN. There are a large number of producers of paperboard for the cartonboard markets, who are subject to significant competition and other business pressures.

Containerboard

In the United States, Riverwood manufactures containerboard linerboard, corrugating medium and kraft paper for sale in the open market. Corrugating medium is combined with linerboard to make corrugated containers. Kraft paper is used primarily to make grocery bags and sacks. Riverwood's principal paper machines have the capacity to produce both linerboard and CUK board. Riverwood has in the past used its CUK board machines to produce linerboard. It has shifted significant mill capacity away from linerboard production on its CUK board machines to more profitable packaging applications and intends to stop producing linerboard. It continues to operate paper machines dedicated to the production of corrugating medium and kraft paper on its two dedicated containerboard machines at the West Monroe mill.

In 2002, Riverwood had net sales in its containerboard business of $81.6 million, representing approximately 6% of its net sales. In 2002, it shipped approximately 8,000 tons of linerboard from the Macon mill and approximately 122,000 tons of corrugating medium, 37,000 tons of kraft bag paper and 46,000 tons of linerboard from its West Monroe mill. In 2002, it also shipped approximately 22,000 tons of various other paperboard products.

The primary customers for Riverwood's U.S. containerboard production are independent and integrated corrugated converters. Riverwood sells corrugating medium and linerboard through direct sales offices and agents in the United States. Outside of the United States, linerboard is primarily distributed through independent sales representatives.

Riverwood's containerboard business segment operates within a highly fragmented industry. Most products within this industry are viewed as commodities; consequently, selling prices tend to be cyclical, being affected by economic activity and industry capacity.

In addition to its U.S. containerboard operations, Riverwood owned 50% of Igaras Papeis e Embalagens S.A., or Igaras, an integrated containerboard producer located in Brazil. On July 1, 2000, Igaras spun off the multiple packaging portion of its business into a newly formed company, of which Riverwood owned 50%. The Igaras multiple packaging operations convert predominantly carrierboard and cartonboard into cartons designed to meet customer specifications. In the Igaras beverage multiple packaging business, packaging machines capable of packaging plastic and glass bottles, cans and other primary containers are installed at beverage customer locations. Additionally, proprietary beverage

cartons with high-resolution graphics are developed for use on those machines. On October 3, 2000, Riverwood, along with its joint venture partner, Cia Suzano de Papel e Celulose, completed the sale of the jointly-held subsidiary Igaras for approximately $510 million, including the assumption of $112 million of debt. Riverwood recognized a gain of $70.9 million in connection with the sale, and applied the sale proceeds to pay down debt. On October 12, 2000, it purchased the remaining 50% of the newly formed company for $12.5 million.

Energy and Raw Materials

Pine pulpwood, hardwood and recycled fibers, including OCC, used in the manufacture of paperboard, and various chemicals used in the coating of CUK board, represent the largest components of Riverwood's variable costs of CUK board and containerboard production. The cost of these materials is subject to market fluctuations caused by factors beyond its control. OCC pricing tends to be very volatile. With the October 1996 sale of its timberlands in Louisiana and Arkansas, Riverwood now relies on private landowners and the open market for all of its pine pulpwood, hardwood and recycled fiber requirements, except for CUK board clippings from its converting operations. Under the terms of the sale of those timberlands, Riverwood and the buyer, Plum Creek, entered into a 20-year supply agreement, with a 10-year renewal option, for the purchase by Riverwood, at market-based prices, of a majority of the West Monroe mill's requirements for pine pulpwood and residual chips, as well as a portion of Riverwood's needs for hardwood at the West Monroe mill. An assignee of Plum Creek supplies residual chips to Riverwood pursuant to such supply agreement. Riverwood purchases the remainder of the wood fiber used in CUK board production at the West Monroe mill from other private landowners in this region. Riverwood believes that adequate supplies of open market timber currently are available to meet its fiber needs at the West Monroe mill.

The Macon mill purchases most of its fiber requirements on the open market, and is a significant consumer of recycled fiber, primarily in the form of clippings from Riverwood's domestic converting plants as well as OCC and other recycled fibers. Riverwood has not experienced any significant difficulties obtaining sufficient OCC or other recycled fibers for its Macon mill operations, which it purchases in part from brokers located in the eastern United States. OCC pricing, however, tends to be very volatile since it is based largely on the demand for this fiber from recycled paper and containerboard mills. The Macon mill purchases substantially all of its pine pulpwood and hardwood requirements from private landowners in central and southern Georgia. Because of the adequate supply and large concentration of private landowners in this area, Riverwood believes that adequate supplies of pine pulpwood and hardwood timber currently are available to meet its fiber needs at the Macon mill.

Energy, including natural gas, fuel, oil and electricity, represents a significant portion of Riverwood's manufacturing costs. Until the latter part of 2000, Riverwood's results had not been significantly affected by the volatility of energy costs. It entered into fixed price natural gas contracts designed to mitigate the impact of future cost increases for its natural gas requirements at its two U.S. mills through and including October 2003, and will continue to evaluate its energy pricing arrangements. It believes that higher energy costs will continue to negatively impact its results for 2003. Since negotiated contracts and the market largely determine the pricing for its products, Riverwood is limited in its ability to pass through to its customers any energy or other cost increases that it may incur in the future.

Riverwood purchases a variety of other raw materials for the manufacture of its paperboard, primarily process chemicals and coating chemicals such as kaolin and titanium dioxide. All such raw materials are readily available, and Riverwood is not dependent upon any one source of such raw materials.

Seasonality

Riverwood's business is subject to moderate seasonality with demand for its products usually increasing in the spring and summer due to the seasonality of the worldwide beverage multiple packaging markets.

Working Capital

Riverwood continues to focus on reducing working capital needs and increasing liquidity. Its working capital needs arise primarily from maintaining a sufficient amount of inventories to meet the delivery requirements of its customers and its policy to extend credit to customers. Riverwood reviews a customer's credit history before extending credit of which the payment terms are generally 30 days domestically, but vary internationally according to local business practices.

Research, Development and Engineering

Research, development and engineering expenses were approximately $5.2 million, $5.1 million and $4.6 million in the years ended December 31, 2002, 2001 and 2000, respectively, and primarily related to packaging machines and new products.

Patents and Trademarks

As of December 31, 2002, Riverwood had a large patent portfolio, presently owning, controlling or holding rights to approximately 2,100 U.S. and foreign patents, with approximately 1,200 patent applications currently pending. Its patents fall into two principal categories: packaging machinery and structural carton designs.

Riverwood®, Aqua-Kote®, Pearl-Kote®, Omni-Kote®, Multiboard®, Fridge Vendor®, Z-Flute® and its logo are Riverwood's pending or registered trademarks. Riverwood does not hold any material licenses.

Employees and Labor Relations

As of December 31, 2002, Riverwood had approximately 4,150 employees worldwide (excluding employees of joint ventures), approximately 2,950 of whom were members of unions and covered by collective bargaining agreements.

There are four unions representing Riverwood's U.S. employees, one of which, the Paper, Allied-Industrial, Chemical & Energy Workers International Union AFL-CIO, CLC, is associated with the West Monroe mill and converting facility where it represents approximately 1,300 employees, and the Macon mill where it represents approximately 300 of the 400 union employees.

At the Macon mill, the current union contract was negotiated and ratified by the union in the second quarter of 1998 and runs through December 31, 2003. Also at the Macon mill, the International Association of Machinists and Aerospace Workers, and the International Brotherhood of Electrical Workers represent certain maintenance employees.

A new six year contract covering the West Monroe mill was negotiated and ratified by the union on March 20, 2003 and covers the six-year period from March 1, 2003 to February 28, 2009. The contract covering employees at the adjacent converting plants was negotiated and ratified by the union in 2000 and covers the five-year period from September 1, 2000 through August 31, 2005.

Riverwood's other U.S. converting plants, other than its converting facility in Perry, Georgia, are represented by unions. A new six year contract covering the Clinton, Mississippi converting plant contract was negotiated and ratified by the union on April 12, 2003 and covers the six-year period from February 1, 2003 through January 31, 2009. The Cincinnati, Ohio converting plant completed negotiations for a new five year labor agreement effective from February 1, 2001 through January 31, 2006. The Fort Atkinson, Wisconsin converting plant five year labor agreement was negotiated in 2002 with the Graphic Communication Workers International Union and the International Association of

Machinists for the period of September 9, 2002 through September 9, 2007 and September 30, 2002 through September 30, 2007, respectively.

Riverwood's international employees are represented by unions in Brazil, France, Spain, Sweden and the United Kingdom.

PROPERTIES

Headquarters

Riverwood executive offices are located at 814 Livingston Court, Marietta, Georgia 30067 where it currently leases approximately 18,000 square feet of office space.

Manufacturing Facilities

A listing of the major plants and properties owned, or leased, and operated by Riverwood is set forth below. Riverwood buildings are adequate and suitable for its business. Riverwood also leases certain facilities, warehouses and office space throughout the United States and in foreign countries.

Type of Facility and Location[(1)]	Floor Space in Square Feet	Principal Products Manufactured or Use of Facility
Paperboard Mills:		
West Monroe, LA	1,535,000	CUK board; linerboard; corrugating medium; kraft paper
Macon, GA	756,000	CUK board; linerboard
Norrköping, Sweden	417,000	WLC board
Converting Plants:		
West Monroe, LA (2 plants)	621,000	Beverage cartons
Cincinnati, OH	241,800	Beverage cartons
Clinton, MS	210,000	Beverage cartons
Perry, GA[(2)]	130,000	Beverage cartons
Ft. Atkinson, WI	120,000	Beverage cartons
Bristol, Avon, United Kingdom	428,000	Beverage cartons; cartonboard
Igualada, Barcelona, Spain	131,000	Beverage cartons; cartonboard
Beauvois en Cambresis, France	70,000	Cartonboard
Le Pont de Claix, France	120,000	Cartonboard
Jundiai, São Paulo, Brazil	95,216	Beverage cartons; cartonboard
Packaging Machinery/Other:		
Crosby, MN	188,000	Packaging machinery engineering design and manufacturing
Marietta, GA	64,000	PDC Research and development; packaging machinery engineering design and carton engineering design
Igualada, Barcelona, Spain	22,400	Packaging machinery engineering design and manufacturing
Kennesaw, GA	62,500	Development and small scale manufacturing facility for Z-Flute® product

(1) Riverwood leases the facilities in Marietta, Georgia (3 facilities; leases expire on December 31, 2007 and April 30, 2010); Kennesaw, Georgia (lease expires on June 30, 2006); Clinton, Mississippi (part only; lease renewable annually); Beauvois en Cambresis, France (lease expires on December 31, 2006); Le Pont de Claix, France (lease expires on May 1, 2003); and Igualada, Barcelona, Spain (2 facilities; leases expire on May 1, 2004 and October 18, 2010). Generally, leases are subject to extension or renewal at the option of the parties to the lease agreement. Riverwood owns all other facilities listed.

(2) The facility located in Perry, Georgia is leased from the Middle Georgia Regional Development Authority in consideration of the issuance of industrial development bonds by such entity.

LEGAL PROCEEDINGS

See "Management's Discussion and Analysis Environmental and Legal Matters" on page 114.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis of the results of operations and financial condition of Riverwood should be read in conjunction with Riverwood's consolidated financial statements and notes included elsewhere in this proxy statement/prospectus. The following discussion and analysis covers periods before completion of the merger and related transactions, and unless otherwise indicated, does not give effect to the merger or related transactions and does not include pro forma financial information or adjustments. Accordingly, the discussion and analysis of the covered periods does not reflect the significant impact that the merger and related transactions will have on Riverwood. See "Risk Factors", "The Proposed Merger", "Unaudited Condensed Pro Forma Combined Financial Statements" and the discussion below under " Financial Condition, Liquidity and Capital Resources".

General

Riverwood reports its results in two business segments: coated board (relating to its CUK board, used in its beverage multiple packaging and consumer products packaging businesses) and containerboard. The coated board business segment includes (1) the production and sale of

CUK board for cartons from its West Monroe, Louisiana and Macon, Georgia mills and white lined chip board, or WLC from its paper mill in Norrköping, Sweden; (2) carton converting plants in the United States, Europe and Brazil; and (3) the design, manufacture and installation of packaging machinery related to the assembly of cartons for beverage and non-beverage consumer products applications. The containerboard business segment includes the production and sale of linerboard, corrugating medium and kraft paper from paperboard mills in the United States. Riverwood intends to stop producing linerboard as it continues to shift production capacity to higher margin CUK board.

The table below sets forth net sales, income from operations, and credit agreement EBITDA. Riverwood believes that credit agreement EBITDA provides useful information regarding its ability to service debt, but should not be considered in isolation or as a substitute for the consolidated statements of operations or cash flow data. The credit agreement's definition of EBITDA may not be comparable to other companies' definitions of EBITDA and is not a defined term under GAAP.

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
		(In thousands of dollars)	
Net Sales (Segment Data):			
Coated Board	$ 1,165,702	$ 1,107,937	$ 1,065,813
Containerboard	81,612	93,676	126,549
Net Sales	$ 1,247,314	$ 1,201,613	$ 1,192,362
Income from Operations (Segment Data) (B):			
Coated Board	$ 186,108	$ 147,958	$ 156,634
Containerboard	(23,989)	(15,180)	2,986
Corporate and Eliminations	(21,507)	(25,512)	53,934
Income from Operations (B)	$ 140,612	$ 107,266	$ 213,554
Credit Agreement EBITDA (Segment Data) (A):			
Coated Board	$ 306,100	$ 276,181	$ 286,039
Containerboard	(10,126)	(986)	20,518
Corporate and Eliminations	(8,254)	(11,190)	(6,523)
Credit Agreement EBITDA (A)	$ 287,720	$ 264,005	$ 300,034
Reconciliation of Income from Operations to Credit Agreement EBITDA			
Income from Operations	$ 140,612	$ 107,266	$ 213,554
Add: Depreciation and Amortization	133,840	137,143	143,541
Dividends from equity investments	612	710	5,083
Other non-cash charges (C)	12,656	18,886	(62,144)
Credit Agreement EBITDA (A)	$ 287,720	$ 264,005	$ 300,034

97

Notes:

(A) Credit agreement EBITDA is calculated based on the definitions contained in Riverwood's senior secured credit agreement. Credit agreement EBITDA is defined as consolidated net income (exclusive of non-cash charges resulting from purchase accounting during the periods subsequent to the 1996 merger) before consolidated interest expense, consolidated income taxes, consolidated depreciation and amortization, and other non-cash charges deducted in determining consolidated net income, extraordinary items and the cumulative effect of accounting changes and earnings of, but including dividends from, non-controlled affiliates. Riverwood believes that credit agreement EBITDA provides useful information regarding its ability to service debt, but should not be considered in isolation or as a substitute for the consolidated statements of operations or cash flow data. The credit agreement's definition of EBITDA may not be comparable to other companies' definitions of EBITDA.

(B)
During the fourth quarter of 2002, Riverwood changed its method of determining the cost of inventories from LIFO method to the FIFO method. Prior to 2002, the majority of its operations used the LIFO method of valuing inventory. Riverwood has concluded that the FIFO method will result in a better measurement of current inventory costs with revenues because its operations have realized and expect to continue to realize cost reductions in its manufacturing operations. It applied this change by retroactively restating its financial statements as required by Accounting Principles Board Opinion No. 20, "Accounting Changes," which resulted in an increase to the accumulated deficit as of January 1, 2000 of approximately $15.5 million (see note 27 to Riverwood's consolidated financial statements included in this proxy statement/prospectus).

(C)
Other non-cash charges include non-cash charges for pension, postretirement and postemployment benefits, and amortization of premiums on hedging contracts deducted in determining net income.

Business Trends and Initiatives

Riverwood's cash flow from operations and credit agreement EBITDA are influenced by sales volume and selling prices for its products and raw material and energy costs, and are affected by a number of significant business, economic and competitive factors. Many of these factors are not within its control. Historically, in the coated board business segment, Riverwood has experienced stable pricing for its integrated beverage carton products, and moderate cyclical pricing for its cartonboard, which historically has been principally sold in the open market. Riverwood's cartonboard sales are affected by competition from competitors' CUK board and other substrates solid bleached sulfate, or SBS, recycled clay coated news, or CCN, and, internationally, WLC as well as by general market conditions.

In the containerboard business segment, conditions in the cyclical worldwide commodity paperboard markets have a substantial impact on Riverwood's containerboard sales. During 2002, it elected to take 32 days, or approximately 18,000 tons, of linerboard, CUK board and medium market related downtime at its U.S. mills that resulted in approximately $3.7 million of under-absorbed fixed costs. It expects to take 14 days, or approximately 5,000 tons, of medium market related downtime during 2003 on its medium machine, but the amount of downtime could change depending upon market conditions. The downtime results from a number of factors, but principally a weak containerboard market and production above planned rates. As a result of expected downtime during 2003, Riverwood estimates the impact on earnings at its U.S mills to be approximately $1.0 million related to the under-absorption of fixed costs.

98

Energy, including natural gas, fuel oil and electricity, represents a significant portion of Riverwood's manufacturing costs. During 2002, its financial results were not negatively affected by energy costs when compared to 2001. Until the latter part of 2000, its results had not been significantly affected by the volatility of energy costs. Riverwood entered into fixed price natural gas contracts designed to mitigate the impact of future cost increases for its natural gas requirements at its two U.S. mills through and including October 2003, and will continue to evaluate its hedge position.

In the fourth quarter of 2002, Riverwood was notified by CCE that CCE will not renew its supply contract with Riverwood. Under this contract, which expired on March 31, 2003, Riverwood supplied to CCE beverage cartons made from its CUK board, packaging machines and related services. Riverwood's supply contracts with its independent Coca-Cola bottling company customers are not subject to CCE's non-renewal notification. CCE's action did not impact Riverwood's 2002 results of operations. The impact on Riverwood's 2003 results of operations will depend, in part, on the extent to which it supplies beverage cartons to CCE during a phase-out period in 2003 after the current supply contract expires, which it continues to discuss with CCE. Riverwood continues to explore opportunities to replace the volumes that it will lose as a result of CCE's decision by seeking to increase sales to existing and new customers and to develop new applications for its CUK board. It continues to evaluate the impact of these developments and the recent increase in beverage market competitiveness on its future pricing for its beverage packaging products. Riverwood can provide no assurances that it will be able to replace all or any portion of the volumes it had expected to supply to CCE in 2003 and future periods or that it will be able to maintain current pricing levels on its beverage packaging products. If it cannot replace such volumes, it estimates that its volumes will be negatively impacted by approximately 17,000 tons in 2003 and 36,000 tons in 2004 and thereafter. In 2002, the CCE business represented approximately 5% of Riverwood's consolidated net sales and credit agreement EBITDA.

Riverwood is pursuing a number of long-term initiatives designed to improve productivity and profitability. It realigned its business into commercially-focused operating units, implemented a global restructuring program, implemented a number of cost saving measures and effected several management changes. It is continuing to implement a global Total Quality Systems, or TQS, initiative which uses statistical process control to help design and manage all types of activities including production and maintenance.

In addition, Riverwood is continuing to implement a strategy focused on the expansion into the high-growth segments of the consumer products packaging market. It is targeting segments of the non-beverage consumer products packaging market where it intends to capitalize on its expertise in beverage multiple packaging.

Riverwood expects capital expenditures will range from $110 million to $120 million in 2003 as it invests to improve its process capabilities, in packaging machinery, and to comply with environmental cluster rules. See " Environmental and Legal Matters on page 114." Riverwood is accelerating certain capital driven cost reduction projects that will deliver benefits in 2004 and 2005. Riverwood continues to evaluate its current operations and assets with a view to rationalizing its operations and improving profitability, in particular with respect to its international converting assets and strategy. Finally, it is continuing to focus on reducing working capital and increasing liquidity.

Packaging machinery placements during 2002 increased approximately 27% when compared to 2001 as a result of a 16% increase in packaging machinery orders in 2001 when compared to 2000. Riverwood expects packaging machinery placements for 2003 to be comparable to 2002. It has been and will continue to be selective in future packaging machinery placements to ensure appropriate returns.

Outlook

Riverwood expects that its 2003 full year credit agreement EBITDA will be comparable to its 2002 credit agreement EBITDA, although no assurance can be given in this regard. The achievement of this expectation is dependent upon (among other things) a number of profit improvement initiatives, including increasing worldwide beverage and North American consumer products sales volumes above 2002 levels, improving U.S. mill throughput, continued cost savings from other actions taken to date and stable pricing for Riverwood's products. In 2003, Riverwood expects sales volume increases in its worldwide beverage markets, and continued growth in its North American consumer products markets. It expects containerboard sales and margins to be negatively affected in 2003 due to the negative market pressures on containerboard pricing and sales volumes. Riverwood believes that energy costs will continue to negatively impact its results for 2003.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires Riverwood 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

Riverwood believes the following accounting policies are the most critical since these policies require significant judgment or involve complex estimations that are important to the portrayal of its financial conditions and operating results:

Riverwood recognizes revenue when pervasive evidence of a sales arrangement exists, delivery has occurred, the price to the buyer is fixed and determinable, and the collectibility of the sales price is reasonably assured, which is primarily when goods are shipped to customers. Payments received in advance from packaging machinery use agreements are recognized on a straight-line basis over the term of the agreements. Customer returns and allowances are provided based on estimates.

Riverwood's inventories are stated at the lower of cost or market with cost determined principally by the FIFO basis. See note 27 to Riverwood's consolidated financial statements included in this proxy statement/prospectus. Average cost basis is used to determine the cost of supplies inventories. Inventories are stated net of an allowance for slow-moving and obsolete inventory, which is based on estimates. If the condition of the inventories or the state of Riverwood's business would deteriorate, additional allowances may be required which would reduce income.

Riverwood reviews long-lived assets, including goodwill and certain identifiable intangibles for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Upon determination that the carrying value of the assets is impaired, Riverwood would record an impairment charge or loss.

Riverwood faces uncertainties relating to pending litigation and environmental investigation and remediation obligations. It records accruals for such items based on estimates developed in consultation with legal counsel and environmental consultants at the time when the liability is probable and the costs are reasonably estimated. While there can be no assurance as to the ultimate outcome of any current lawsuits, claims or investigations relating to such uncertainties,

100

Riverwood does not believe that such uncertainties will have a material adverse impact on the results of operations, cash flows or financial condition of Riverwood. However, future uncertainties may have a material adverse impact on the results of its operations, cash flows or financial condition.

Riverwood incurs employment related expenses in connection with its pensions and postretirement benefit plans. In order to measure the expenses associated with these plans, management must make various estimates and assumptions, including discount rates used to value liabilities, assumed rates of return on plan assets, compensation increases, employee turnover rates, anticipated mortality rates and expected future healthcare costs. The estimates used by management are based on Riverwood's historical experience as well as current facts and circumstances. It uses third-party actuaries to assist management in measuring the expense and liability associated with these benefits. Actual future results that vary from the previously mentioned assumptions could have a material impact on the consolidated financial statements.

Recent declines in the equity markets have caused the market value of the plan assets to decrease. As a result, a minimum pension liability adjustment of $71.3 million was recorded in 2002 as a reduction of shareholders' equity. See note 16 to Riverwood's consolidated financial statements included in this proxy statement/prospectus.

2002 Compared With 2001

Results of Operations

The following discussion of Riverwood's results of operations is based upon the years ended December 31, 2002 and 2001. In the fourth quarter of 2002, it changed its method of valuing inventories from the LIFO method to the FIFO method and all prior years have been restated to give

101

effect to that change. See note 27 to Riverwood's consolidated financial statements included in this proxy statement/prospectus.

	Year Ended December 31, 2002	Increase (Decrease) From Prior Period	Year Ended December 31, 2001
		(In thousands of dollars)	
Net Sales (Segment Data):			
Coated Board	$ 1,165,702	5.2%	$ 1,107,937
Containerboard	81,612	(12.9)	93,676
Net Sales	1,247,314	3.8	1,201,613
Cost of Sales	984,771	3.2	953,901
Gross Profit	262,543	6.0	247,712
Selling, General and Administrative	117,335	0.7	116,510
Research, Development and Engineering	5,227	2.3	5,111
Other (Income) Expense, Net	(631)	(100.0)	18,825

	Year Ended December 31, 2002	Increase (Decrease) From Prior Period	Year Ended December 31, 2001
Income from Operations	$ 140,612	31.1%	$ 107,266
Income from Operations (Segment Data):			
Coated board	$ 186,108	25.8%	$ 147,958
Containerboard	(23,989)	(58.0)	(15,180)
Corporate and Eliminations	(21,507)	15.7	(25,512)
Income from Operations	$ 140,612	31.1%	$ 107,266
Other Financial Data:			
Net Sales:			
Carrierboard	$ 818,797	5.0%	$ 779,509
Cartonboard	234,357	6.7	219,542
White lined chip board	80,579	9.9	73,336
Containerboard	81,612	(12.9)	93,676
Other(A)	31,969	(10.1)	35,550

Note:

(A) Other primarily represents revenue recognized from packaging machinery service and use agreements and sales of certain by-products.

Paperboard Shipments. The following represents shipments of coated board and containerboard to outside customers. Shipments of coated board represent sales to customers of beverage carrierboard and folding cartonboard. Shipments of white lined chip board represent sales to customers of WLC produced at the Swedish mill. Shipments of containerboard represent sales to customers of linerboard,

102

corrugating medium, kraft paper and various other items. Other primarily represents shipments of certain by-products. Total shipments for the years ended December 31, 2002 and 2001 were as follows:

(In thousands of tons)	2002	Increase (Decrease) From Prior Period	2001
Coated board			
Carrierboard	671.5	5.6%	636.1
Cartonboard	363.0	4.3	348.0
White lined chip board	156.9	4.3	150.4
Containerboard	235.3	(7.8)	255.3
Other	22.4	(4.7)	23.5
	1,449.1	2.5%	1,413.3

Net Sales. As a result of the factors described below, Riverwood's Net Sales in 2002 increased by $45.7 million, or 3.8%, compared with 2001. Net Sales in the coated board business segment increased by $57.8 million in 2002, or 5.2%, to $1,165.7 million from $1,107.9 million in 2001, due primarily to higher sales volume in North American beverage carton markets (resulting, in large part, from increased volumes under a multi-year agreement with a beer producer customer) and, to a lesser extent, higher sales volumes in worldwide consumer products markets and international beverage markets. Net Sales in the containerboard business segment decreased $12.1 million, or 12.9%, to $81.6 million in 2002 from $93.7 million in 2001, due principally to lower linerboard volumes resulting from the continued shift from linerboard production to value-added coated board production and lower containerboard pricing.

Gross Profit. As a result of the factors discussed below, Riverwood's Gross Profit for 2002 increased by $14.8 million, or 6.0%, to $262.5 million from $247.7 million in 2001. Its gross profit margin increased to 21.0% in 2002 from 20.6% in 2001. Gross Profit in the coated board business segment increased by $24.0 million, or 9.3%, to $282.1 million in 2002 from $258.2 million in 2001, while its gross profit margin increased to 24.2% in 2002 from 23.3% in 2001. The increase in coated board Gross Profit was due primarily to worldwide cost reductions as a result of savings gained from Riverwood's TQS initiative, higher Net Sales and lower depreciation expense. Gross Profit in the containerboard business segment decreased by $8.0 million to a loss of $19.5 million in 2002 from a loss of $11.5 million in 2001, while its gross profit margin decreased to (23.9)% in 2002 from (12.3)% in 2001. The decrease in containerboard Gross Profit resulted principally from lower containerboard pricing.

Selling, General and Administrative. Selling, General and Administrative expenses increased by $0.8 million, or 0.7%, to $117.3 million in 2002 from $116.5 million in 2001, due primarily to higher incentive expenses and pension costs somewhat offset by lower warehousing and rent expenses. As a percentage of Net Sales, Selling, General and Administrative expenses decreased from 9.6% in 2001 to 9.4% in 2002.

Research, Development and Engineering. Research, Development and Engineering expenses increased by $0.1 million, or 2.3%, to $5.2 million in 2002 from $5.1 million in 2001.

Other (Income) Expense, Net. Other (Income) Expense, Net, was $(0.6) million in 2002 as compared to $18.8 million in 2001. This change was primarily due to the cessation of goodwill amortization and a non-cash pension adjustment recorded in 2002 as well as certain charges recorded in 2001 relating to non-cash asset retirements and a litigation settlement.

103

Income from Operations. Primarily as a result of the factors discussed above, Riverwood's Income from Operations in 2002 increased by $33.3 million, or 31.1%, to $140.6 million from $107.3 million in 2001. Its operating margin increased to 11.3% in 2002 from 8.9% in 2001. Income from Operations in the coated board business segment increased by $38.2 million, or 25.8%, to $186.1 million in 2002 from $148.0 million in 2001, while the operating margin increased to 16.0% in 2002 from 13.4% in 2001, primarily as a result of the factors described above. Income from Operations in the containerboard business segment decreased $8.8 million to a loss of $24.0 million in 2002 from a loss of $15.2 million in 2001, while the operating margin decreased to (29.4)% in 2002 from (16.2)% in 2001, primarily as a result of the factors described above.

Fluctuations in U.S. Currency Exchange Rates. The weakening of the U.S. dollar currency exchange rates as compared to the euro and other European currencies had a modest impact on Net Sales, Gross Profit, Income from Operations, and operating expenses during 2002. However, the impact was somewhat offset by the strengthening of the U.S. dollar against the Japanese yen.

Interest Income, Interest Expense, Income Tax (Benefit) Expense, Extraordinary Loss on Early Extinguishment of Debt, and Cumulative Effect of a Change in Accounting Principle

Interest Income. Interest Income increased by $0.4 million to $1.3 million in 2002 from $0.9 million in 2001 due primarily to interest earned on the temporary investment of the proceeds associated with the 2002 term loan facility pursuant to a 30-day call notice period required under the indenture governing the 1996 senior notes.

Interest Expense. Interest Expense decreased by $11.5 million to $147.4 million in 2002 from $158.9 million in 2001 due primarily to lower average interest rates as a result of market interest rates as well as the second quarter 2002 refinancing, somewhat offset by the additional interest expense incurred on the 1996 senior notes during the 30-day call notice period required under such indenture.

Income Tax (Benefit) Expense. During 2002, Riverwood recognized an income tax benefit of $(4.7) million on a (Loss) before Income Taxes and Equity in Net Earnings of Affiliates of $(5.4) million. During 2001, Riverwood recognized an income tax expense of $6.6 million on a (Loss) before Income Taxes and Equity in Net Earnings of Affiliates of $(50.7) million. The income tax benefit in 2002 was primarily due to reductions of valuation allowances related to Riverwood's U.K. and German operations, somewhat offset by the income tax expense on the international operating income (see note 19 in the notes to Riverwood's consolidated financial statements included in this proxy statement/prospectus). The income tax expense in 2001 was due primarily to international operating income. These income tax expenses differed from the statutory federal income tax rate primarily because of valuation allowances established on net operating loss carryforward tax assets in the U.S. and certain international locations where the realization of such benefits is not more likely than not.

Extraordinary Loss on Early Extinguishment of Debt. On April 23, 2002, Riverwood borrowed $250 million pursuant to an amendment to its senior secured credit agreement. The proceeds were applied to redeem in full the 1996 senior notes. In addition, it borrowed $12 million under its revolving facility to pay fees, costs and expenses related to the refinancing transaction. In the second quarter of 2002, Riverwood recorded a non-cash extraordinary charge to earnings of approximately $3.0 million, net of tax of nil, related to the write-off of remaining debt issuance costs on the 1996 senior notes and an extraordinary charge of approximately $8.5 million, net of tax of nil, related to the call premium paid upon redemption of the 1996 senior notes.

On August 10, 2001, Riverwood entered into the senior secured credit agreement. The proceeds of the initial borrowings under the facilities of approximately $386 million, including $51 million in revolving credit borrowings, were applied to repay in full the outstanding borrowings under the prior

term loan facility and the prior revolving facility and to pay approximately $12 million of the $14 million of fees and expenses incurred in connection with the amendment and restatement of the prior credit agreement. During the third quarter of 2001, Riverwood recorded a non-cash, extraordinary charge to earnings of approximately $6.0 million, net of tax of nil, related to the write-off of the applicable remaining deferred debt issuance costs on the prior term loan facility and the prior revolving facility.

On June 21, 2001, Riverwood completed an offering of $250 million principal amount of the 2001 notes, bearing interest at $10^5/_8$% annually. The net proceeds of this offering were applied to prepay a portion of the term loan facility resulting in a non-cash, extraordinary charge to earnings of approximately $2.8 million, net of tax of nil, related to the write-off of the applicable portion of deferred debt issuance costs on the term loans.

Cumulative Effect of a Change in Accounting Principle. On January 1, 2001, Riverwood adopted Statement of Financial Accounting Standards, or SFAS, No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities,* or SFAS No. 133, which requires all derivative instruments to be measured at fair value and recognized on the balance sheet as either assets or liabilities. In addition, all derivative instruments used in hedging relationships must be designated, reassessed and documented pursuant to the provisions of SFAS No. 133. Upon adoption of SFAS No. 133, Riverwood recognized a one-time after-tax transition adjustment to decrease earnings by approximately $0.5 million.

2001 Compared With 2000

Results of Operations

The following discussion of Riverwood's results of operations is based upon the years ended December 31, 2001 and 2000. In the fourth quarter of 2002, Riverwood changed its method of valuing inventories from the LIFO method to the FIFO method and all prior years have been restated to give effect to that change. See note 27 to Riverwood's consolidated financial statements included in this proxy statement/prospectus.

	Year Ended December 31, 2001	Increase (Decrease) From Prior Period	Year Ended December 31, 2000
	(In thousands of dollars)		
Net Sales (Segment Data):			
Coated Board	$ 1,107,937	4.0%	$ 1,065,813
Containerboard	93,676	(26.0)	126,549

		Year Ended December 31, 2001	Increase (Decrease) From Prior Period		Year Ended December 31, 2000
Net Sales		1,201,613	0.8		1,192,362
Cost of Sales		953,901	2.5		930,786
Gross Profit		247,712	(5.3)		261,576
Selling, General and Administrative		116,510	3.8		112,200
Research, Development and Engineering		5,111	12.2		4,554
Restructuring Credit			NM		(2,600)
Gain on Sale of Investment			NM		(70,863)
Other Expense, Net		18,825	3.0		4,731
Income from Operations	$	107,266	(49.8)%	$	213,554
Income from Operations (Segment Data):					
Coated board	$	147,958	(5.5)%	$	156,634
Containerboard		(15,180)	(100.0)		2,986
Corporate and Eliminations		(25,512)	(100.0)		53,934
Income from Operations	$	107,266	(49.8)%	$	213,554
Other Financial Data:					
Net Sales:					
Carrierboard	$	779,509	4.8%	$	743,569
Cartonboard		219,542	4.8		209,395
White lined chip board		73,336	(5.1)		77,273
Containerboard		93,676	(26.0)		126,549
Other(A)		35,550	(0.1)		35,576

Note:

(A) Other primarily represents revenue recognized from packaging machinery service and use agreements and sales of certain by-products.

Paperboard Shipments. The following represents shipments of coated board and containerboard to outside customers. Shipments of coated board represent sales to customers of beverage carrierboard and folding cartonboard. Shipments of white lined chip board represent sales to customers of WLC produced at the Swedish mill. Shipments of containerboard represent sales to customers of linerboard,

corrugating medium, kraft paper and various other items. Other primarily represents shipments of certain by-products. Total shipments for the years ended December 31, 2001 and 2000 were as follows:

	2001	Increase (Decrease) From Prior Period	2000

	2001	Increase (Decrease) From Prior Period	2000
		(In thousands of tons)	
Coated Board			
Carrierboard	636.1	4.0%	611.7
Cartonboard	348.0	2.2	340.4
White lined chip board	150.4	0.0	150.4
Containerboard	255.3	(20.1)	319.4
Other	23.5	76.7	13.3
	1,413.3	(1.5)%	1,435.2

Net Sales. As a result of the factors described below, Riverwood's Net Sales in 2001 increased by $9.3 million, or 0.8%, compared with 2000. Net Sales in the coated board business segment increased by $42.1 million in 2001, or 4.0%, to $1,107.9 million from $1,065.8 million in 2000, due primarily to higher sales volume in North American beverage carton markets and North American consumer product markets. These increases were somewhat offset by lower sales volumes in international consumer product markets, lower sales volumes in Brazil and the negative impact of foreign currency exchange rates. Net Sales in the containerboard business segment decreased $32.8 million, or 26.0%, to $93.7 million in 2001 from $126.5 million in 2000, due principally to lower volumes and pricing.

Gross Profit. As a result of the factors discussed below, Riverwood's Gross Profit for 2001 decreased by $13.9 million, or 5.3%, to $247.7 million from $261.6 million in 2000. Its gross profit margin decreased to 20.6% in 2001 from 21.9% in 2000. Gross Profit in the coated board business segment increased by $7.7 million, or 3.1%, to $258.2 million in 2001 from $250.5 million in 2000, while its gross profit margin decreased to 23.3% in 2001 from 23.5% in 2000. The increase in coated board Gross Profit was due primarily to worldwide cost reductions as a result of savings gained from Riverwood's TQS initiative, higher Net Sales and lower depreciation expense somewhat offset by increased energy costs. Gross Profit in the containerboard business segment decreased by $17.5 million to a loss of $11.5 million in 2001 from a profit of $5.9 million in 2000, while its gross profit margin decreased to (12.3)% in 2001 from 4.7% in 2000. The decrease in containerboard Gross Profit resulted principally from lower containerboard pricing.

Selling, General and Administrative. Selling, General and Administrative expenses increased by $4.3 million, or 3.8%, to $116.5 million in 2001 from $112.2 million in 2000, due primarily to higher warehousing expenses. As a percentage of Net Sales, Selling, General and Administrative expenses increased from 9.4% in 2000 to 9.7% in 2001.

Research, Development and Engineering. Research, Development and Engineering expenses increased by $0.5 million, or 12.2%, to $5.1 million in 2001 from $4.6 million in 2000, due primarily to higher research and development investing relating to Riverwood's new product Z-Flute®, packaging machinery and products of the Swedish mill.

Restructuring Credit. During 2000, Riverwood substantially completed the 1998 restructuring plan that related primarily to the restructuring of its European operations, primarily the ongoing rationalization of its international folding carton converting operations. It reduced the restructuring reserve by $4.8 million. In addition, $2.2 million of new restructuring activities aligned with the overall objectives of the initial plan were recorded and completed during 2000. Riverwood completed the 1998

restructuring plan during 2001. See note 23 to Riverwood's consolidated financial statements included in this proxy statement/prospectus.

Gain on Sale of Investment. During 2000, Riverwood recognized a $70.9 million gain from the sale of Igaras. See " Equity in Net Earnings of Affiliates" below.

Other Expense, Net. Other Expense, Net, was $18.8 million in 2001 and $4.7 million in 2000. This change was primarily due to certain operating charges recorded in 2001 primarily relating to a litigation settlement and non-cash asset retirements, and certain operating credits recorded in 2000.

Income from Operations. Primarily as a result of the factors discussed above, Riverwood's Income from Operations in 2001 decreased by $106.3 million, or 49.8%, to $107.3 million from $213.6 million in 2000, while its operating margin decreased to 8.8% in 2001 from 17.9% in 2000. Income from Operations in the coated board business segment decreased by $8.7 million, or 5.5%, to $148.0 million in 2001 from $156.6 million in 2000, while the operating margin decreased to 13.4% in 2001 from 14.7% in 2000, primarily as a result of the factors described above. Income from Operations in the containerboard business segment decreased $18.2 million to a loss of $15.2 million in 2001 from a profit of $3.0 million in 2000, while the operating margin decreased to (16.2)% in 2001 from 2.4% in 2000, primarily as a result of the factors described above. Income from Operations in the Corporate and Eliminations segment decreased $79.4 million to a loss of $25.5 million in 2001 from a profit of $53.9 million in 2000 due primarily to the sale of Igaras during 2000. See " Equity in Net Earnings of Affiliates" below.

Fluctuations in U.S. Currency Exchange Rates. The strengthening of the U.S. dollar currency exchange rates as compared to the Japanese yen, the euro, and other European currencies had a modest impact on Net Sales, Gross Profit, Income from Operations, and operating expenses during 2001.

Interest Income, Interest Expense, Income Tax Expense, Equity in Net Earnings of Affiliates, Extraordinary Loss on Early Extinguishment of Debt, and Cumulative Effect of a Change in Accounting Principle

Interest Income. Interest Income increased by $0.1 million to $0.9 million in 2001 from $0.8 million in 2000.

Interest Expense. Interest Expense decreased by $22.4 million to $158.9 million in 2001 from $181.3 million in 2000 due primarily to lower average debt balances and, to a lesser extent, lower average interest rates.

Income Tax Expense. During 2001, Riverwood recognized an income tax expense of $6.6 million on a (Loss) before Income Taxes and Equity in Net Earnings of Affiliates of $(50.7) million. During 2000, it recognized an income tax expense of $3.0 million on Income before Income Taxes and Equity in Net Earnings of Affiliates of $33.1 million. The income tax expense, in both 2001 and 2000, was due primarily to international operating income. The increase in income tax expense from 2000 to 2001 was due primarily to an increase in international operating income. These income tax expenses differed from the statutory federal income tax rate primarily because of valuation allowances established on net operating loss carryforward tax assets in the U.S. and certain international locations where the realization of such benefits is not more likely than not.

Equity in Net Earnings of Affiliates. In 2000, Equity in Net Earnings of Affiliates was comprised primarily of Riverwood's equity in net earnings of Igaras. On October 3, 2000, Riverwood, along with its joint venture partner, completed the sale of the jointly-held subsidiary Igaras for approximately $510 million, including the assumption of $112 million of debt. Riverwood recognized a gain of approximately $70.9 million in accordance with the sale. Through the date of the sale, Igaras was

108

accounted for under the equity method of accounting. Equity in Net Earnings of Affiliates decreased from $3.4 million in 2000 to $1.0 million in 2001 as a result of the sale of Igaras, somewhat offset by Riverwood's equity in net earnings of Rengo.

Extraordinary Loss on Early Extinguishment of Debt. On August 10, 2001, Riverwood entered into the senior secured credit agreement. The proceeds of the initial borrowings under the facilities of approximately $386 million, including $51 million in revolving credit borrowings, were applied to repay in full the outstanding borrowings under the prior term loan facility and the prior revolving facility and to pay approximately $12 million of the $14 million of fees and expenses incurred in connection with the amendment and restatement of the prior credit agreement. During the third quarter of 2001, Riverwood recorded a non-cash, extraordinary charge to earnings of approximately $6.0 million, net of tax of nil, related to the write-off of the applicable remaining deferred debt issuance costs on the prior term loan facility and the prior revolving facility.

On June 21, 2001, it completed an offering of $250 million principal amount of the 2001 notes, bearing interest at $10^{5}/_{8}$% annually. The net proceeds of this offering were applied to prepay a portion of the term loan facility resulting in a non-cash, extraordinary charge to earnings of approximately $2.8 million, net of tax of nil, related to the write-off of the applicable portion of deferred debt issuance costs on the term loans.

On October 3, 2000, Riverwood completed the sale of its 50 percent investment in Igaras. It applied $120 million and $25 million of the sale proceeds to its 2001 and 2002 term loan maturities under the prior term loan facility, respectively. It recognized a loss on the early extinguishment of debt of approximately $2.1 million, net of tax of nil, in the fourth quarter of 2000.

Cumulative Effect of a Change in Accounting Principle

On January 1, 2001, Riverwood adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities*, or SFAS No. 133, which requires all derivative instruments to be measured at fair value and recognized on the balance sheet as either assets or liabilities. In addition, all derivative instruments used in hedging relationships must be designated, reassessed and documented pursuant to the provisions of SFAS No. 133. Upon adoption of SFAS No. 133, Riverwood recognized a one-time after-tax transition adjustment to decrease earnings by approximately $0.5 million.

Financial Condition, Liquidity and Capital Resources

Riverwood broadly defines liquidity as its ability to generate sufficient cash flow from operating activities 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. Cash and Equivalents increased by approximately $6.4 million in 2002, primarily as a result of cash provided by operating activities ($87.5 million), somewhat offset by purchases of property, plant and equipment ($56.0 million) and the net cash used in financing activities ($23.6 million). Depreciation and amortization during 2002 totaled approximately $133.8 million, and is expected to be approximately $125 million to $135 million in 2003.

109

Riverwood's net sales, cash flows from its operations and credit agreement EBITDA are subject to moderate seasonality with demand usually increasing in the spring and summer due to the seasonality of the worldwide beverage multiple packaging markets.

Liquidity and Capital Resources. In connection with the merger and related transactions (including the refinancing), substantially all of Riverwood's existing indebtedness is expected to be redeemed, repurchased or otherwise repaid and replaced with borrowings under the new credit facilities by the combined company and with indebtedness of the combined company under the new notes. See "The Proposed Merger Merger Financing" on page 59.

On a pro forma basis giving effect to the merger and related transactions, the combined company's liquidity needs are expected to arise primarily from debt service on its substantial indebtedness and from the funding of its capital expenditures, ongoing operating costs and working capital. As of December 31, 2002, on such a pro forma basis, and assuming that substantially all of GPC's existing senior subordinated notes are tendered for purchase, the combined company would have had outstanding approximately $2.2 billion of long-term debt, consisting primarily of $850 million aggregate principal amount of new notes, approximately $1.2 billion of term loans under the new credit facilities, approximately $149 million of revolving credit borrowings under the new credit facilities, and other debt issues and facilities. Cash paid for interest during 2002 would have been approximately $149 million on the same pro forma basis.

Based upon current levels of operations, anticipated cost savings and expectations as to future growth, Riverwood and Graphic believe that cash generated from operations, together with amounts available under the new credit facilities and other available financing sources, will be adequate to permit the combined company to meet its debt service obligations, capital expenditure program requirements, ongoing operating costs and working capital needs until the maturity of the new credit facilities, although no assurance can be given in this regard. The combined 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 will be subject to future economic conditions and to financial, business and other factors, many of which are beyond its control and will be substantially dependent on the selling prices and demand for its products, raw material and energy costs, and its ability to successfully implement its overall business and profitability strategies. See "Risks Relating to the Combined Company's Business" beginning on page 24.

Indebtedness Following the Merger

New Credit Facilities. RIC and GPC are expected to be co-borrowers under the new credit facilities. In the event that RIC and GPC are merged in connection with the merger or otherwise, the resulting entity would be the borrower under the new credit facilities. The new credit facilities are expected to provide for aggregate maximum borrowings of $1.6 billion under (1) a term loan facility, providing for term loans in an aggregate principal amount of $1.2 billion in two tranches, consisting of Tranche A term loans and Tranche B term loans, and (2) a revolving credit facility, providing for up to $400 million in revolving loans to the borrower (including standby and commercial letters of credit) outstanding at any time. In connection with the consummation of the merger and the refinancing, and assuming that substantially all of GPC's existing senior subordinated notes are tendered for purchase, approximately $1.2 billion is expected to be drawn under the term loan facility and approximately $100 million is expected to be drawn under the revolving credit facility. Undrawn amounts under the revolving credit facility will be available on a revolving credit basis for general corporate purposes of the borrower and its subsidiaries. On a pro forma basis giving effect to the merger and related transactions, approximately $1.3 billion would have been outstanding under the new credit facilities as of December 31, 2002. The availability of the new credit facilities is expected to be subject to various conditions precedent. See "The Proposed Merger Merger Financing Availability" on page 59.

The Tranche A term loans and the revolving credit facility are expected to mature in 2009. The Tranche B term loans are expected to mature in 2010. Amortization of the principal amount of the respective tranches of the term loan facility is expected to be on an installment schedule to be determined, with amortization of the Tranche A term loans over their term and with no substantial amortization of the Tranche B term loans until maturity.

At the borrower's election, the interest rates per annum applicable to the loans under the new credit facilities are expected to be a fluctuating rate of interest measured by reference to either (1) an adjusted London inter-bank offered rate, or LIBOR, plus a borrowing margin or (2) an alternate base rate, or ABR, plus a borrowing margin.

The credit agreement for the new credit facilities is expected to provide for mandatory prepayment and reduction of the facilities under specified circumstances, and is expected to contain restrictive covenants, including compliance with specified financial ratios and tests, consisting of a minimum interest expense coverage ratio, a maximum leverage ratio and maximum capital expenditures. The credit agreement for the new credit facilities is also expected to contain customary events of default including non-payment of principal, interest or fees, failure to comply with covenants, inaccuracy of representations or warranties in any material respect, cross default to certain other indebtedness, loss of lien perfection or priority, material judgments and change of ownership or control. See "The Proposed Merger Merger Financing New Credit Facilities" on page 60.

New Notes. Riverwood and Graphic expect that the financing arrangements to be entered into in connection with the merger and the refinancing will include the offering and sale of approximately $850 million aggregate principal amount of new notes, which are currently expected to consist of senior notes and senior subordinated notes, in a private offering with registration rights, or in a public offering. See "The Proposed Merger Merger Financing New Notes" on page 62 for a summary description of certain terms of the new notes and the indentures under which such new notes are expected to be issued, based on Riverwood and Graphic's preliminary discussions with financing sources.

To the extent any of GPC's existing senior subordinated notes are not tendered for purchase, those notes not tendered for purchase are expected to remain outstanding, and the amount of funds required to consummate the merger and related transactions may be reduced as a result.

Financing Sources and Cash Flows. As of December 31, 2002, on a pro forma basis giving effect to the merger and related transactions, the combined company's remaining borrowing availability under the revolving credit facility provided by the new credit facilities would have been approximately $243 million. Undrawn amounts under the revolving credit facility will be available to meet future working capital and other business needs of the combined company.

Capital Expenditures. Riverwood's capital spending for 2002 was approximately $56.0 million, down 2.2% from $57.3 million in 2001. Capital spending during 2002 related primarily to improving Riverwood's process capabilities, manufacturing packaging machinery and environmental cluster rules compliance. During 2002, it had capital spending of approximately $44.9 million for improving process capabilities, approximately $10.2 million for packaging machinery manufacturing and approximately $0.9 million for compliance with the cluster rules. Riverwood's total capital spending for 2003 (without giving effect to the merger and related transactions) is expected to be between $110 million and $120 million, and is expected to relate principally to improving Riverwood's process capabilities, the production of packaging machinery and environmental cluster rules compliance. Riverwood is accelerating certain capital driven cost reduction projects that will deliver benefits in 2004 and 2005. Over the next three years, it anticipates that it will spend approximately $22 million at its two U.S. mills to comply with the cluster rules.

Letter of Credit Commitments. Riverwood is required by its insurance company to have a standby letter of credit to secure payment of workers' compensation claims. The letter of credit, with a value of $0.4 million, expired on February 20, 2003 and was subsequently extended. The letter of credit will automatically be extended without amendment for successive one-year periods from the current expiration date and any future expiration date unless at least 45 days prior to the expiration date Riverwood is notified that the financial institution elects not to renew. In addition, the Ohio Bureau of Workers' Compensation requires Riverwood to have a standby letter of credit for non-performance according to the conditions and obligations as provided under workers' compensation law. It is a further condition of the letter of credit to cover all injuries or occupational disease claims incurred in any period prior to and/or during the present term should Riverwood not perform. The letter of credit, with a value of $0.2 million, was renewed on September 20, 2002 and is automatically extended without amendment for successive one-year periods from the current expiration date and any future expiration date unless at least 60 days prior to the expiration date Riverwood is notified that the financial institution elects not to renew.

Derivative Instruments and Hedging Activities. Riverwood is exposed to fluctuations in interest rates on its variable rate debt and fluctuations in foreign currency transaction cash flows. It actively monitors these fluctuations and uses derivative instruments from time to time to manage its exposure. In accordance with its risk management strategy, it uses derivative instruments only for the purpose of managing risk associated with fluctuations in the cash flow of the underlying exposures identified by management. Riverwood does not trade or use derivative instruments with the objective of earning financial gains on interest or currency rates, nor does it use leveraged instruments or instruments where there are no underlying exposures identified. Its use of derivative instruments may result in short-term gains or losses and may increase volatility in its earnings.

On January 1, 2001, Riverwood adopted SFAS No. 133 which requires all derivative instruments to be measured at fair value and recognized on the balance sheet as either assets or liabilities. In addition, all derivative instruments used in hedging relationships must be designated, reassessed and documented pursuant to the provisions of SFAS No. 133. Upon adoption of SFAS No. 133, Riverwood recognized a one-time after-tax transition adjustment to decrease earnings by approximately $0.5 million and decrease other comprehensive income by approximately $1.1 million. These amounts have been presented as a cumulative effect of change in accounting principle in the accompanying Consolidated Statement of Operations and Comprehensive (Loss) Income for the year ended December 31, 2001.

The following is a summary of Riverwood's derivative instruments as of December 31, 2002 and the accounting policies it employs:

Hedges of Anticipated Cash Flows.

The following is a reconciliation of current period changes in the fair value of the interest rate swap agreements, and foreign currency forward and option contracts which have been recorded as Accumulated Derivative Instruments Loss in the accompanying Consolidated Balance Sheets at December 31, 2002 and December 31, 2001 and as Derivative Instruments Loss in the accompanying

Consolidated Statements of Operations and Comprehensive (Loss) Income for the years ended December 31, 2002 and 2001.

(In thousands of dollars)

SFAS No. 133 transition adjustment	$	(1,094)
Reclassification to earnings		3,898
Current period decrease in fair value		(7,374)
Balance at December 31, 2001		(4,570)
Reclassification to earnings		6,014
Current period decrease in fair value		(7,579)
Balance at December 31, 2002	$	(6,135)

At December 31, 2002, there was no material ineffective portion related to the changes in fair value of the interest rate swap agreements or option contracts and there were no amounts excluded from the measure of effectiveness. During the second quarter of 2002, Riverwood de-designated certain of its foreign currency forward and option contracts due to such contracts no longer meeting Riverwood's established effectiveness test. As a result, during the second quarter of 2002, Riverwood recognized a mark-to-market loss of approximately $1.8 million in the accompanying Consolidated Statement of Operations and Comprehensive (Loss) Income; had the foreign currency forward and option contracts not been de-designated, this approximate $1.8 million mark-to-market loss would have been deferred into Other Comprehensive (Loss) Income and would have been recognized in the Consolidated Statement of Operations and Comprehensive (Loss) Income over the remaining two quarters. At December 31, 2002, all mark to market losses relating to the de-designated hedges had been recorded in the Consolidated Statement of Operations and Comprehensive (Loss) Income.

The balance of $6.1 million recorded in Accumulated Derivative Instruments Loss at December 31, 2002 is expected to be reclassified into future earnings, contemporaneously with and offsetting changes in the related hedged exposure. The estimated amount to be reclassified into future earnings as interest expense over the next twelve months through December 31, 2003 is approximately $4.3 million. The actual amount that will be reclassified to future earnings over the next twelve months may vary from this amount as a result of changes in market conditions. No amounts were reclassified to earnings during 2002 in connection with forecasted transactions that were no longer considered probable of occurring.

Riverwood uses interest rate swap agreements to fix a portion of its variable rate term loan facility to a fixed rate in order to reduce the impact of interest rate changes on future income. The differential to be paid or received under these agreements is recognized as an adjustment to interest expense related to the debt. At December 31, 2002, it had interest rate swap agreements with a notional amount of $410 million, which expire on various dates through the year 2003 and 2004, under which it will pay fixed rates of 2.21% to 3.52% and receive three-month LIBOR.

Derivatives not Designated as Hedges.

Riverwood has foreign currency forward contracts used to hedge the exposure associated with foreign currency denominated receivables. These contracts are presently being marked-to-market through the income statement and will continue to be marked-to-market through the income statement.

Riverwood enters into fixed price natural gas contracts designed to effectively hedge prices for a substantial portion of its natural gas requirements at its two U.S. mills. The purpose of the fixed price natural gas contracts is to eliminate or reduce price risk with a focus on making cash flows more predictable. As of December 31, 2002, it had entered into contracts to hedge substantially all of its natural gas requirements for its two U.S. mills through and including October 2003. The contract price

and fair value of these natural gas contracts was approximately $16.3 million and $19.9 million, respectively. These contracts are not accounted for as derivative instruments under SFAS No. 133, as they qualify for the normal purchase exemption.

Commitments. At December 31, 2002, total commitments of Riverwood under long-term, non-cancelable contracts were as follows:

	Payment Due by Period				
	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
	(In thousands of dollars)				
Long-Term Debt	$ 78,415	$ 173,690	$ 849,956	$ 400,018	$ 1,502,079
Operating Leases	15,664	5,408	2,239	946	24,257
Unconditional Purchase Obligations(A)	34,291	24,674	20,381	81,609	160,955
Total Contractual Cash Obligations	$ 128,370	$ 203,772	$ 872,576	$ 482,573	$ 1,687,291

Note:

(A) Unconditional Purchase Obligations primarily consist of commitments related to wood processing and handling, natural gas and electricity and firm transportation of natural gas.

The foregoing information as to commitments is presented on a historical basis and does not take into account the merger and related transactions.

Environmental and Legal Matters. Riverwood is committed to compliance with all applicable foreign, federal, state and local environmental laws and regulations. Environmental law is, however, dynamic rather than static. As a result, costs that are unforeseeable at this time, may be incurred when new laws are enacted, and when environmental agencies adopt or revise rules and regulations. In general, the environmental laws that Riverwood is subject to regulate discharges and emissions of constituents to the air, soil and water, prescribe procedures for the use, reuse, reclamation, recycling and disposal of designated waste materials and impose liability and requirements relating to the cleanup of contamination. In certain instances, state environmental laws may be stricter than their federal counterparts.

The federal Clean Air Act imposes stringent limits on air emissions, establishes a federal permit program (Title V) and provides for civil and criminal enforcement sanctions. In response to these requirements, in the early 1990's Riverwood switched from solvent-based to water-based inks and varnishes at its converting operations in order to reduce and meet requirements with respect to emissions of volatile organic compounds. Where necessary, its plants have received or submitted an application to the appropriate permitting authority for a Title V permit.

The federal Clean Water Act establishes a system of minimum national effluent standards for each industry, water quality standards for the nation's waterways and a permit program that provides discharge limitations. It also regulates releases and spills of oil and hazardous materials and wastewater and stormwater discharges. Riverwood's mill in West Monroe, Louisiana is the only one of its facilities that is a direct discharger to a water body and a permit currently covers its discharges to the Ouachita River. Its other operations discharge to publicly owned treatment works and are subject to pretreatment requirements and limitations.

The federal Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, establishes liability for waste generators, current and former site owners and operators and others in connection with releases of hazardous materials. In certain instances, Riverwood has been identified as a potentially responsible party, or PRP, under CERCLA and similar state laws.

In 1998, the U.S. Environmental Protection Agency adopted regulations, generally referred to as the cluster rules, that mandated more stringent controls on air and water discharges from United States pulp and paper mills. Over the next three years, Riverwood anticipates that it will spend approximately $22 million at its two U.S. mills to comply with these regulations.

Riverwood is involved in environmental investigation and remediation projects for certain properties currently or formerly owned or operated by Riverwood, and at certain waste disposal sites. Some of these projects are being addressed under federal and state statutes, such as CERCLA and analogous state laws. Riverwood's costs in certain instances cannot be reliably estimated until the remediation process is substantially underway or liability has been addressed. It accrues reserves for these contingencies when the liability is probable and the costs are reasonably estimable. It believes that based on current information and regulatory requirements, its accruals for environmental matters are adequate. However, there can be no assurance that Riverwood will not incur significant costs in excess of accrued amounts in connection with remediation activities and other environmental matters.

In late 1995, the Louisiana Department of Environmental Quality, or the DEQ, notified Riverwood's predecessor, the corporation formerly known as Riverwood International Corporation, or old RIC, of potential liability for the remediation of hazardous substances at a former wood treatment site in Shreveport, Louisiana (known as the Line Avenue Site) that old RIC or its predecessors previously operated. In August 2001, Riverwood entered into an agreement with the DEQ and the landowners to remediate the site. The agreement required the removal of soils containing wood-treating constituents in excess of regulatory standards, consolidation of these soils in a sub portion of the site, capping of the sub portion, land use restrictions, future operations and maintenance, or O&M, to ensure the integrity of the cap, long-term monitoring of the groundwater, and a recorded prohibition on the use of on-site groundwater. Riverwood contracted with a qualified contractor to remediate the site at a cost of approximately $1.3 million. In addition, each of the O&M and groundwater monitoring costs for the initial five years are expected to be approximately $0.1 million (no such costs are estimated beyond the initial five-year period). As of December 31, 2002, all of the required soil excavation and consolidation has been completed. Riverwood expects to complete construction of the cap by April 2003. As of December 31, 2002, it has paid its contractor approximately $0.6 million to remediate the site. Riverwood has been reimbursed approximately half of these costs from a PRP that has entered into a settlement agreement with Riverwood.

On July 6, 2000, Riverwood and the DEQ entered into a settlement agreement for remediation of a site in Caddo Parish, Louisiana (known as the Shoreline Refinery Site). The principal contamination at this site was an approximately 5 acre impoundment of oil-based sludge that appeared to originate from an oil refinery that was operated by prior operators. The remedial action contemplated by the settlement agreement required the neutralization, stabilization and consolidation of sludges and soils at the site, capping of the consolidated materials, the establishment of a vegetative cover, and five years of post-closure care of the capped area. Riverwood contracted to complete the remedial action in accordance with the terms of the settlement agreement. In a November 26, 2002 letter to Riverwood, the DEQ stated that all required construction activities were accomplished and that the five-year post-closure care and reporting period would commence. Riverwood conveyed the property to its contractor on October 22, 2000.

Riverwood is a party to a number of lawsuits arising out of the ordinary conduct of its business. While there can be no assurance as to their ultimate outcome, it does not believe that these lawsuits will have a material impact on the results of its operations, cash flows or financial condition.

Riverwood has been a plaintiff in actions filed in the U.S. District Court for the Northern District of Georgia against MeadWestvaco, successor by merger to The Mead Corporation, and R.A. Jones Co. Inc., or R.A. Jones, claiming infringement of Riverwood's patents for its packaging machines and seeking damages sufficient to compensate for such infringement. The patents in suit were found infringed but invalid by a jury in a trial against R.A. Jones in August 2001. This finding of invalidity as to U.S. Patent Nos. 5,666,789 and 5,692,361 was appealed to the CAFC. The suit against MeadWestvaco was dismissed by mutual agreement, subject to being refiled, pending the outcome of the appeal of the decision in the case against R.A. Jones. The CAFC vacated the holding of invalidity as to U.S. Patent Nos. 5,666,789 and 5,692,361 and remanded to the District Court for determination of proper inventive entity. The finding of infringement was affirmed by the CAFC. Further proceedings consistent with the decision of the CAFC will follow in the District Court.

International Operations. At December 31, 2002, approximately 13% of Riverwood's total net assets were denominated in currencies other than the U.S. dollar. Riverwood has significant operations in countries that use the Swedish krona, the British pound sterling, the Japanese yen, or the euro as their functional currencies. The effect of a generally weaker U.S. dollar against the euro and other European currencies, somewhat offset by the effect of a stronger U.S. dollar against the Japanese Yen produced a net currency translation adjustment gain of approximately $13.0 million, which was recorded as an adjustment to shareholders' equity for the year ended December 31, 2002. The magnitude and direction of this adjustment in the future depends on the relationship of the U.S. dollar to other currencies. Riverwood cannot predict major currency fluctuations. Its revenues from export sales fluctuate with changes in foreign currency exchange rates. Riverwood pursues a currency hedging program in order to limit the impact of foreign currency exchange fluctuations on financial results. See " Financial Instruments" below.

Financial Instruments. The functional currency for most of Riverwood's international subsidiaries is the local currency for the country in which the subsidiaries own their primary assets. The translation of the applicable currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. Any related translation adjustments are recorded directly to shareholders' equity. Gains and losses on foreign currency transactions are included in Other Expense, Net for the period in which the exchange rate changes.

Riverwood pursues a currency hedging program which utilizes derivatives to limit the impact of foreign currency exchange fluctuations on its consolidated financial results. Under this program, it has entered into forward exchange and option contracts in the normal course of business to hedge certain foreign currency denominated transactions. Realized and unrealized gains and losses on these forward contracts are included in the measurement of the basis of the related foreign currency transaction when recorded. The premium on an option contract is reflected in Other Expense, Net, during the period in which the contract expires. These instruments involve, to varying degrees, elements of market and credit risk in excess of the amounts recognized in the Consolidated Balance Sheets. Riverwood does not hold or issue financial instruments for trading purposes. See " Quantitative and Qualitative Disclosure About Market Risk" on page 119.

Impact of Inflation. In the U.S., the inflation rate was approximately 1.6% for 2002. In Europe, where Riverwood has manufacturing facilities, the inflation rate for 2002 was approximately 2.0%. Net Sales from international operations during the period amounted to approximately $337 million, or 27% of its combined Net Sales in 2002.

Recent Accounting Pronouncements. In June 2001, the Financial Accounting Standards Board, or the FASB, issued SFAS No. 141, "*Business Combinations*", or SFAS No. 141, which was effective as of January 1, 2002. SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. Riverwood adopted SFAS No. 141 on January 1, 2002 and the adoption did not have a significant impact on its financial position and results of operations.

In June 2001, the FASB issued SFAS No. 142, "*Goodwill and Other Intangible Assets*", or SFAS No. 142, which was effective January 1, 2002. SFAS No. 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. SFAS No. 142 also requires Riverwood to complete a transitional goodwill impairment test six months from the date of adoption. The adoption of SFAS No. 142 resulted in the discontinuation of amortization of goodwill recorded at December 31, 2001 of approximately $8 million annually. Intangible assets with a determinable life will continue to be amortized over the appropriate periods.

Riverwood adopted SFAS No. 142 on January 1, 2002. The following table shows Net (Loss) Income for the year ended December 31, 2002 and Adjusted Net (Loss) Income for the years ended December 31, 2001 and 2000 exclusive of goodwill amortization:

(In thousands of dollars)	Year ended December 31, 2002	Year ended December 31, 2001	Year ended December 31, 2000
Net (Loss) Income	$ (11,262)	$ (65,557)	$ 31,347
Plus: Amortization of Goodwill		7,740	7,948
Adjusted Net (Loss) Income	$ (11,262)	$ (57,817)	$ 39,295

The following table shows Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle for the year ended December 31, 2002 and Adjusted Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle for the years ended December 31, 2001 and 2000 exclusive of goodwill amortization:

	Year ended December 31, 2002	Year ended December 31, 2001	Year ended December 31, 2000
		(In thousands of dollars)	
Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 247	$ (56,334)	$ 33,464
Plus: Amortization of Goodwill		7,740	7,948
Adjusted Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 247	$ (48,594)	$ 41,412

117

The following table displays the intangible assets that continue to be subject to amortization and aggregate amortization expense as well as intangible assets not subject to amortization as of December 31, 2002 and December 31, 2001:

	As of December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Patents	$ 23,633	$ 9,471	$ 14,162
Licenses	3,598	1,207	2,391
Trademarks	39,642	13,351	26,291
	$ 66,873	$ 24,029	$ 42,844
Unamortized intangible assets:			
Goodwill	$ 268,284		$ 268,284

As of December 31, 2001		
Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount

	As of December 31, 2001		
Amortized intangible assets:			
Patents	$ 23,926	$ 7,986	$ 15,940
Licenses	3,598	997	2,601
Trademarks	39,624	11,370	28,254
	$ 67,148	$ 20,353	$ 46,795
Unamortized intangible assets:			
Goodwill	$ 321,976	$ 45,494	$ 276,482

Amortization expense for intangible assets subject to amortization was approximately $3.7 million for 2002, and is expected to be approximately $4 million annually for the next five fiscal years.

In February 2003, Riverwood received $7 million of cash from a third party in settlement of a tax matter related to the merger of CDRO Acquisition Corporation into old RIC on March 27, 1996, or the 1996 merger. This settlement has been recorded as a reduction of Goodwill and an increase in Other Receivables as of December 31, 2002.

In the fourth quarter of 2002, in accordance with SFAS No. 109, *"Accounting for Income Taxes"*, Riverwood reduced Goodwill and Other Noncurrent Liabilities by approximately $1.2 million as Riverwood determined that certain income tax exposures that had been identified as part of the 1996 purchase price allocation were no longer considered to be an exposure to Riverwood.

In June 2001, the FASB issued SFAS No. 143, "*Accounting for Asset Retirement Obligations*", or SFAS No. 143, which is effective January 1, 2003. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Riverwood does not believe that the adoption of SFAS No. 143 will have a significant impact on its financial position and results of operations.

In August 2001, the FASB issued SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", or SFAS No. 144, which was effective January 1, 2002. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets, as well as eliminating the exception to consolidation for a subsidiary for which control is likely to be temporary. Riverwood adopted SFAS No. 144 on January 1, 2002 and the adoption did not have a significant impact on its financial position and results of operations.

In April 2002, the FASB issued SFAS No. 145, *"Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002*," or SFAS No. 145. This statement rescinds SFAS No. 4, *"Reporting Gains and Losses from Extinguishment of Debt,"* or SFAS No. 4, and an amendment of the Statement, SFAS No. 64, *"Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements."* This Statement also rescinds SFAS No. 44, *"Accounting for Intangible Assets of Motor Carriers."* This statement amends SFAS No. 13, *"Accounting for Leases"*, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 will be effective for fiscal 2003, which begins January 1, 2003. Management expects that the adoption of this statement will result in a reclassification of expenses from Extraordinary Loss on Early Extinguishment of Debt to Income from Operations of approximately $11.5 million, $8.7 million and $2.1 million for the years ended December 31, 2002, 2001 and 2000, respectively, associated with the rescission of SFAS No. 4.

In July 2002, the FASB issued SFAS No. 146, *"Accounting for Costs Associated with Exit or Disposal Activities,"* or SFAS No. 146, which was effective December 31, 2002. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force, or EITF, Issue No. 94-3, *"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)."* This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, and concludes that an entity's commitment to an exit plan does not by itself create a present obligation that meets the definition of a liability. This Statement also establishes that fair value is the objective of initial measurement of the liability. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. Riverwood will adopt SFAS No. 146 effective January 1, 2003.

In December 2002, the FASB issued SFAS No. 148, *"Accounting for Stock-Based Compensation Transition and Disclosure, Amendment of SFAS No. 123,"* or SFAS No. 148. This Statement provides additional transition guidance for those entities that elect to voluntarily adopt the provisions of SFAS No. 123, *"Accounting for Stock Based Compensation."* Furthermore, SFAS No. 148 mandates new disclosures in both interim and year-end financial statements within Riverwood's Significant Accounting Policies footnote. Riverwood has elected not to adopt the recognition provisions of SFAS No. 123, as amended by SFAS No. 148.

FINANCIAL STATEMENTS

The financial statements and selected financial data of Riverwood are presented in this proxy statement/prospectus beginning on page F-2.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On June 9, 2002, Riverwood dismissed Deloitte & Touche LLP as its auditors, and appointed PricewaterhouseCoopers LLP to serve as its independent accountants. On June 12, 2002, Riverwood filed a Form 8-K disclosing the information required by Item 304 of Regulation S-K with respect to the foregoing.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Riverwood is exposed to market risk from changes in interest rates, foreign currency and commodity prices. To minimize these risks, it enters into various hedging transactions.

Interest Rates

Riverwood is exposed to changes in interest rates, primarily as a result of its short-term and long-term debt with both fixed and floating interest rates. It uses interest rate swap agreements effectively to fix the LIBOR rate on $410,000,000 of variable rate borrowings.

Interest Rate Sensitivity Principal (Notional) Amounty By Expected Maturity Average Interest (Swap) Rate

	December 31,							
(In thousands of dollars)	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value
LIABILITIES:								
Long-term debt, including current portion:								
Fixed Rate	915	475	715	356	501,000	400,018	903,479	927,209
Average Interest Rate	5.79%	4.30%	4.30%	4.30%	10.62%	10.88%		
Variable Rate	77,500	77,500	95,000	109,850	238,750		598,600	593,736
Average Interest Rate, spread range is 2.50%-2.75%	LIBOR + spread	LIBOR + spread	LIBOR + spread	LIBOR + spread	LIBOR + spread			
INTEREST RATE DERIVATIVE FINANCIAL INSTRUMENTS RELATED TO DEBT:								
Interest rate swap:								
Pay fixed/receive variable	160,000	250,000					410,000	(5,058)
Average pay rate	3.24%	2.48%						
Average receive rate	3-Month LIBOR	3-Month LIBOR						

Foreign Exchange Rates

Riverwood enters into forward exchange contracts to effectively hedge substantially all accounts receivable and certain accounts payable resulting from transactions denominated in foreign currencies. The purpose of these forward exchange contracts is to protect Riverwood from the risk that the eventual functional currency cash flows resulting from the collection of the hedged accounts receivable or payment of the hedged accounts payable will be adversely affected by changes in exchange rates. Riverwood also enters into foreign currency options and forward exchange contracts to hedge certain anticipated foreign currency transactions. The purpose of these contracts is to protect Riverwood from the risk that the eventual functional currency cash flows resulting from anticipated foreign currency transactions will be adversely affected by changes in exchange rates.

Foreign Exchange Rates Sensitivity Contractual Amount by Expected Maturity Average Contractual Exchange Rate

(In thousands of dollars)	December 31, 2002	Fair Value
FORWARD EXCHANGE AGREEMENTS:		
Functional Currency:		
Yen		
Receive $US/Pay Yen	7,500	(113)
Weighted average contractual exchange rate	120.55	
Pay $US/Receive Yen	6,088	96
Weighted average contractual exchange rate	120.63	
Euro		
Receive $US/Pay Euro	12,906	(412)
Weighted average contractual exchange rate	1.02	
Pay $US/Receive Euro	2,899	93
Weighted average contractual exchange rate	1.02	
British Pound		
Receive $US/Pay GBP	3,568	(64)
Weighted average contractual exchange rate	1.58	
Pay $US/Receive GBP	2,827	39
Weighted average contractual exchange rate	1.59	
Australian Dollar		
Receive $US/Pay AUD	3,671	(6)
Weighted average contractual exchange rate	0.56	
Pay $US/Receive AUD	1,092	6
Weighted average contractual exchange rate	0.56	
Other (A)		
Net Receive various/Pay various	5,539	(15)
Weighted average contractual exchange rate	Various	

Note:

(A) Represents forward exchange agreements involving the Swedish Kroner and several other countries' currencies, including the Euro, British Pound, Norway Kroner and the Denmark Kroner. In each instance, the fair value of the net position of Riverwood's forward exchange agreements in the respective currencies is not material at December 31, 2002.

Natural Gas Hedging Contracts

Riverwood enters into fixed price natural gas contracts designed to effectively hedge prices for a substantial portion of its natural gas requirements at its two U.S. mills. The purpose of the fixed price natural gas contracts is to eliminate or reduce price risk with a focus on making cash flows more predictable. As of December 31, 2002, Riverwood had entered into contracts to hedge substantially all of its natural gas requirements for its two U.S. mills through and including October 2003. The contract price and fair value of these natural gas contracts was approximately $16.3 million and $19.9 million, respectively. These contracts are not accounted for as derivative instruments under SFAS No. 133 because they qualify for the normal purchase exemption.

121

INFORMATION ABOUT GRAPHIC

BUSINESS

Graphic is a manufacturer of packaging products used by consumer product companies as primary packaging for their end-use products. Graphic's executive offices are located at 4455 Table Mountain Drive, Golden, Colorado 80403. The telephone number is (303) 215-4600.

General Development of Business

Graphic Packaging International Corporation was incorporated in Colorado in August 1992 as a holding company for the packaging, ceramics, aluminum and developmental businesses formerly owned by Adolph Coors Company, or ACCo. In December 1992, ACCo distributed to its stockholders all outstanding shares of Graphic's stock. During its initial years, Graphic operated packaging, ceramics, aluminum and various developmental businesses. Through various acquisitions and divestitures, a spin-off and other transactions, it is now strategically focused on the folding carton segment of the fiber-based product packaging industry.

Recent Developments

On April 29, 2003, Graphic announced summary results for the quarter ended March 31, 2003. Net sales for the first quarter of 2003 were $260.9 million, which was $2.8 million or 1% lower than net sales of $263.7 million in the first quarter of 2002.

The net loss attributable to common shareholders in the first quarter of 2003 was $2.5 million ($0.08 per diluted share). The net loss attributable to common shareholders was $187.2 million ($5.79 per diluted share) for the first quarter of 2002. These results included a loss of $15.8 million on the early extinguishment of debt and a $180 million cumulative effect of change in accounting principle in the first quarter of 2002.

Net debt, defined as total debt less cash, increased $32.7 million during the quarter from $449.7 million to $482.4 million. Uses of cash included the purchase of the assets of J.D. Cahill Co. for approximately $18.1 million, the payment of semi-annual interest of $12.9 million and the increase of working capital of $3.5 million. Capital expenditures for the quarter were $4.5 million.

Financial Information about Industry Segments, Foreign Operations and Foreign Sales

Graphic's reportable segments are based on its method of internal reporting, which is based on product category. Since 1999, Graphic has operated principally in the United States and in one reportable segment "Packaging."

	Net Sales	Operating Income	Depreciation and Amortization	Assets	Capital Expenditures
			(in thousands)		
2002 Packaging	$ 1,057,843	$ 62,642	$ 61,165	$ 1,020,866	$ 27,706
2001 Packaging	$ 1,112,535	$ 59,854	$ 79,406	$ 1,229,335	$ 31,884
2000 Packaging	$ 1,102,590	$ 51,223	$ 83,094	$ 1,332,518	$ 30,931

122

Certain financial information regarding Graphic's domestic and foreign operations is included in the following summary. Long-lived assets include plant, property and equipment, intangible assets, and certain other non-current assets.

Net Sales	Long-Lived Assets

	(in thousands)	
2002		
United States	$ 1,052,693	$ 815,854
Canada	5,150	1,529
Other		2,383
Total	$ 1,057,843	$ 819,766
2001		
United States	$ 1,109,293	$ 1,032,748
Canada	3,242	1,736
Other		2,066
Total	$ 1,112,535	$ 1,036,550
2000		
United States	$ 1,100,491	$ 1,103,411
Canada	2,099	1,974
Other		2,694
Total	$ 1,102,590	$ 1,108,079

Narrative Description of Business

Overview. Graphic is the leading manufacturer of folding cartons in North America according to *Paperboard Packaging Magazine* (January 2003). Graphic has achieved its leadership position by focusing its operations on the folding carton segment of the fiber-based product packaging industry. Graphic delivers to its customers innovative products, superior value, product variety and strong customer service at a competitive price. In addition, through its advanced technology, process improvements and plant and press optimization, Graphic believes it is the lowest cost producer of folding cartons in North America.

Graphic sells its products primarily to major consumer product manufacturers in non-cyclical industries such as food and beverage providers. In particular, its products are used in the following end-use markets:

food cereal, desserts, frozen and microwave foods, pet foods, prepared foods, snacks, and food service products;

household products dishwasher and laundry detergent, sporting goods, healthcare, and tissues and papers;

beverage bottle and can carriers and cases; and

tobacco fliptop boxes and cartons.

Graphic's products enable its customers to include high-impact graphics, abrasion and heat resistance, leakage protection, microwave management, and moisture, gas and solvent barriers in their product packaging. As of March 7, 2003, Graphic operates 19 folding carton converting facilities and three research and development facilities in 14 states and Canada, and one recycled paperboard mill in Michigan, which it believes to be the lowest cost coated recycled paperboard mill in North America.

Two of the facilities were acquired in March 2003, as discussed elsewhere in this proxy statement/prospectus. Graphic's facilities are strategically located to best serve its largest customers.

Industry. Graphic estimates that the folding carton industry had total sales of approximately $8.6 billion in 2002, with the five largest producers accounting for more than 50% of this amount. Folding carton packaging is used to package various consumer products including pharmaceuticals, tobacco products, hardware, confectioneries, food products and beverages. Folding cartons do not include corrugated "brown boxes," which are typically used for shipping and transporting products in bulk. Folding cartons generally serve the dual purpose of protecting non-durable goods during shipping and distribution, and attracting consumer attention to the product. As printing technologies have improved, the marketing function of folding cartons has become increasingly important as consumer products companies rely more heavily on the retail promotional value of product packaging.

Folding cartons are made from several grades of paperboard. The paperboard used in folding cartons must meet specific quality and technical standards for: bending, creasing, scoring and folding without breaking or cracking; stiffness and resistance to bulging; ink absorption; and surface strength. The paperboard used in folding cartons is typically die-cut, printed and shipped flat from folding carton plants to manufacturer customers, where the cartons are then assembled and filled on production lines.

Product Research and Development. Graphic's research and development activities consist of the development of innovative technology, materials, products and processes using advanced and cost-efficient manufacturing processes. Total research and development expenditures were $4.0 million, $4.1 million and $4.7 million for 2002, 2001 and 2000, respectively.

Graphic's development staff works directly with its sales and marketing personnel in meeting with customers and pursuing new business. Graphic's development efforts include, but are not limited to, extending the shelf life of customers' products, reducing production costs, enhancing the heat-managing characteristics of food packaging and refining packaging appearance through new printing techniques and materials.

Sales and Distribution. Graphic's products are sold primarily to well-recognized consumer product manufacturers in North America. Sales are made primarily through direct sales employees who work from offices located throughout the United States and, to a lesser degree, through broker arrangements with third parties. Graphic's selling activities are supported by its technical and development staff.

Manufacturing and Raw Materials. Graphic uses a variety of raw materials such as recycled paper fiber, purchased virgin paperboard, paper, inks, aluminum foil, plastic films, plastic resins, adhesives and other materials which are available from domestic and foreign suppliers. While many sources of each of these materials are available, Graphic prefers to develop strategic long-standing alliances with vendors, including the use of multi-year supply agreements, in order to provide a guaranteed source of materials that satisfies customer requirements, while obtaining the best quality, service and price.

Graphic's folding carton converting operations are supported by its state-of-the-art coated recycled paperboard mill in Kalamazoo, Michigan. With approximately 330,000 tons of annual production capacity, the mill is the largest coated recycled paperboard facility in North America. The mill's paperboard is specifically designed to maximize throughput on high-speed web-litho presses. Graphic consumes approximately 80% of the Kalamazoo mill's output in its folding carton converting operations, and the mill is an integral part of its low cost converting strategy.

In addition to the coated recycled paperboard that is supplied to Graphic's converting operations from its own mill, Graphic converts a variety of other paperboard grades such as SBS, SUS, chipboard, uncoated recycled board, and CUK. Graphic purchases a large amount of its paperboard requirements, including additional coated recycled board, from outside vendors. Its folding carton facilities convert in excess of 700,000 tons of paperboard annually.

Patents, Proprietary Rights and Licenses. Graphic holds a substantial number of patents and pending patent applications in the United States and in foreign countries. Its portfolio primarily consists of microwave and barrier protection packaging and manufacturing methods. The patents and processes are significant to its operations and are supported by trademarks such as Composipac® and Micro-Rite®. In addition, Graphic licenses certain technology from third parties to enhance its technical capabilities. Graphic's policy generally is to pursue patent protection that it considers necessary or advisable for the patentable inventions and technological improvements of its business and to defend its patents against third party infringement. Graphic also has significant trade secrets, technical expertise and know-how, continuing technological innovations and other means, such as confidentiality agreements with its employees, consultants and customers, to protect and enhance Graphic's competitive position within its industry.

Two examples of Graphic's technology include:

> ***Composipac®.*** Graphic's Composipac® internally developed and patented technology provides finished products with high quality graphics, including metallized high gloss effects and holographic imaging, that have enhanced abrasion protection, added strength and moisture, air or other special barrier properties. This technology enables Graphic to create products that meet the specialized packaging needs of beverage, powdered detergent, soap and promotional products. This technology also provides Graphic with the unique ability to cost-effectively produce full web lamination holographic cartons.

> ***Micro-Rite®.*** Graphic's Micro-Rite® microwave-active packaging provides oven-heating, browning and crisping qualities for microwave foods, and demonstrates its leadership in the development and marketing of microwave technology. This technology allows Graphic to offer controlled, predictable heating when exposed to microwave power.

Major Customers. For the year ended December 31, 2002, sales to Altria Group, Inc. accounted for approximately 20% of Graphic's gross sales. In 1999, Graphic entered into a five-year supply agreement with Altria. For the year ended December 31, 2002, Coors Brewing Company, or Coors Brewing, accounted for approximately 10% of Graphic's gross sales. In March 2003, Coors Brewing and Graphic entered into a new four-year supply agreement. General Mills, Inc. accounted for approximately 11% of Graphic's 2002 gross sales. Gross sales to Graphic's top 10 customers were approximately $716 million for 2002, or approximately 66% of its total sales.

Competition. A relatively small number of large competitors comprise a significant portion of the folding carton segment of the fiber-based packaging industry. Graphic's major U.S. competitors include Caraustar Industries, Inc., Field Container Company, L.P., Gulf States Paper Corporation, MeadWestvaco, Rock-Tenn Company and Smurfit-Stone Container Corporation.

The primary competitive factors in the folding carton industry are price, design, product innovation, quality and service. In recent years, consolidation among large consumer products companies has increased the geographic diversity of their operations. These companies have a tendency to prefer suppliers with a broad geographic presence and scale, who can more efficiently and economically supply the majority of their folding carton needs.

Environmental Matters. Graphic operates in a number of locations throughout the United States and one in Canada. Its operations are subject to extensive regulation by various federal, state, provincial and local agencies concerning compliance with environmental control statutes and regulations. These regulations impose limitations, including effluent and emission limitations, on the discharge of materials into the environment and require Graphic to obtain and operate in compliance with the conditions of permits and other governmental authorizations. As such, its operations must comply with regulations relating to emissions of regulated air contaminants, discharges of wastewater and stormwater, hazardous waste generation and associated emergency planning requirements. Future

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regulations could materially increase Graphic's capital requirements and operating expenses in future years.

In the ordinary course of business Graphic is continually upgrading and replacing equipment to comply with air quality and other environmental standards. For example, under Section 126 of the Clean Air Act, non-electrical generating units with heat input potentials exceeding certain limits are required to meet certain nitrogen oxide emission limits and must contain emission monitoring equipment. The Kalamazoo mill has one boiler that is impacted by the requirement. Improvements to the plant necessary to ensure compliance are expected to cost less than $1.0 million. The estimated capital expenditures for 2003 for these and similar environmental projects total $2.4 million.

The Environmental Protection Agency, or the EPA, has issued an integrated regulation, or the cluster rules, to control the release of air and water pollutants by the pulp and paper industry. The cluster rules contain various technology-based process air and water standards depending on the type of paper making process used (Graphic's Kalamazoo mill is a non de-inking secondary fiber mill). Pursuant to the cluster rules' air rules for secondary fiber mills, no controls are warranted at this time. Regarding the water rules, the best available technology requirements for wastewater emissions from the secondary fiber non de-inking industry fall under Phase II of the rulemaking process. On August 27, 2002, the EPA finalized the decision not to pursue changes in the effluent limitations guidelines (under Phase II) for secondary fiber non de-inking mills.

Graphic has been notified that it may be a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar laws with respect to the remediation of certain sites where hazardous substances have been released into the environment. Graphic cannot predict with certainty the total costs of remediation, its share of the total costs, the extent to which contributions will be available from other parties, the amount of time necessary to complete the remediation or the availability of insurance. However, based on the investigations to date, Graphic believes that any liability with respect to these sites would not be material to its financial position or the results of its operations, without consideration for insurance recoveries. There can be no certainty, however, that Graphic will not be named as a potentially responsible party at additional sites or be subject to other environmental matters in the future or that the costs associated with those additional sites or matters would not be material.

In addition, Graphic has received demands arising out of alleged contamination of various properties currently or formerly owned by it. Graphic believes that none of these claims will result in liability that would materially affect its financial position or results of operations.

Employees

At December 31, 2002, Graphic had approximately 4,200 full-time employees, of which approximately 33% are represented by labor unions. Graphic considers its employee relations to be satisfactory.

PROPERTIES

Graphic believes that its facilities are well maintained and suitable for their respective operations. Graphic's operating facilities are not constrained by capacity issues although, from time to time, it leases additional warehouse space and sales offices throughout North America on an as needed basis. Graphic's senior secured credit facility, discussed in note 5 to Graphic's consolidated financial statements included in this proxy statement/prospectus, is collateralized by first priority liens on all

material assets of Graphic, including all the domestic properties that it owns. The table below lists Graphic's plants and most other physical properties and their locations and general character:

Location	Facility	Character
Bow, New Hampshire	Manufacturing	Converting Operations/Offices
Centralia, Illinois(2)(3)	Manufacturing	Converting Operations
Charlotte, North Carolina	Manufacturing	Converting Operations
Fort Smith, Arkansas	Manufacturing	Converting Operations
Garden Grove, California	Manufacturing	Converting Operations
Golden, Colorado	Manufacturing/ Company Headquarters	Converting Operations/ Research and Development Office/Administration
Gordonsville, Tennessee	Manufacturing	Converting Operations
Kalamazoo, Michigan	Manufacturing	Converting Operations
Kalamazoo, Michigan	Manufacturing	Paperboard Mill
Kendallville, Indiana	Manufacturing	Converting Operations
Lawrenceburg, Tennessee	Manufacturing	Converting Operations
Lumberton, North Carolina	Manufacturing	Converting Operations
Menasha, Wisconsin	Manufacturing	Converting Operations/ Research and Development
Mississauga, Ontario(1)	Manufacturing	Converting Operations/ Research and Development
Mitchell, South Dakota	Manufacturing	Converting Operations
Portland, Oregon	Manufacturing	Converting Operations
Richmond, Virginia	Manufacturing	Converting Operations
Tuscaloosa, Alabama(3)	Manufacturing	Converting Operations
Wausau, Wisconsin	Manufacturing	Converting Operations

(1) Leased facility.

(2) Two facilities, one leased.

(3)
One of the Centralia, Illinois facilities (which is leased) and the Tuscaloosa, Alabama facility were acquired in March 2003.

LEGAL PROCEEDINGS

In the ordinary course of business, Graphic is subject to various pending claims, lawsuits and contingent liabilities, including claims by current or former employees. In each of these cases, Graphic is vigorously defending against them. Although the eventual outcome cannot be predicted, Graphic does not believe that disposition of these matters will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

On April 2, 2003, two separate lawsuits were filed in the District Court of Jefferson County in Colorado on behalf of purported classes of Graphic's stockholders against Graphic, Graphic's directors and Riverwood, alleging that Graphic's directors breached their fiduciary duties to the stockholders of Graphic in connection with the merger and that Riverwood aided and abetted the alleged breach. The complaints, which are encaptioned Robert F. Smith, On Behalf of Himself and All Others Similarly Situated v. Jeffrey H. Coors, *et al.*, and Harold Lightweis, On Behalf of Himself and All Others Similarly Situated v. Jeffrey H. Coors, *et al.*, and which Riverwood and Graphic believe to be without merit, seek damages and to enjoin the merger.

On February 19, 2002, Chinyun Kim filed a putative class action claim in District Court, Jefferson County, Colorado against Graphic and certain of its stockholders and directors alleging breach of fiduciary duty in connection with the issuance on August 15, 2000, of the convertible preferred stock to the Trust. The court dismissed plaintiff's claim against Graphic for breach of fiduciary duty while allowing the plaintiff to proceed against the named directors and stockholders, including the Trust and

certain other Coors family trusts. Currently, discovery is being conducted. Graphic believes that the transaction was in the best interests of Graphic and its stockholders and that it acted appropriately. Graphic intends to continue to provide a vigorous defense to this action on behalf of the named directors.

In connection with the resale of its aluminum business in 1999, Graphic guaranteed accounts receivable owed by the former owner of the business. After the resale, the former owner refused to pay the amounts owed, equal to $2.4 million. Pursuant to the terms of the resale agreement, Graphic paid this amount and sued the former owner in the United States District Court for the District of Colorado on April 18, 2000. The former owner counterclaimed for an additional $11 million for certain spare parts, and Graphic claimed an additional $14.3 million in overpayment for raw materials to run the business prior to resale. The parties have filed motions for summary judgment. Graphic does not believe that the result of this litigation will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

On April 14, 2000, Lemelson Medical, Education & Research Foundation sued Graphic and 75 other defendants in the United States District Court for the District of Arizona for unspecified damages for alleged infringement of certain patents relating to "machine vision" and "automatic identification." This is one of a series of cases brought against 430 defendants and has been stayed pending a determination of a lawsuit for noninfringement brought by equipment manufacturers which utilize the technology. Graphic believes, based upon the advice of counsel, that the Lemelson patents are invalid and therefore the litigation against it will not have a material adverse effect on its financial position, results of operations or cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis of the results of operations and financial condition of Graphic should be read in conjunction with Graphic's consolidated financial statements and notes included elsewhere in this proxy statement/prospectus. The following discussion and analysis covers periods before completion of the merger and related transactions, and unless otherwise indicated, does not give effect to the merger or related transactions and does not include pro forma financial information or adjustments. Accordingly, the discussion and analysis of the covered periods does not reflect the significant impact that the merger and related transactions will have on Graphic. See "Risk Factors", "The Proposed Merger", "Unaudited Condensed Pro Forma Combined Financial Statements" and the discussion under "Information About Riverwood Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources".

Overview

Graphic is the leading manufacturer of folding cartons in North America according to *Paperboard Packaging Magazine* (January 2003). It has achieved its leadership position by focusing its operations on the folding carton segment of the fiber-based product packaging industry. Graphic's business strategy is to maintain and improve its customer relationships and market leadership, while leveraging its low cost position.

Graphic was incorporated in Colorado in August 1992 as a holding company for the packaging, ceramics, aluminum and developmental businesses formerly owned by ACCo. In December 1992, ACCo distributed to its stockholders all outstanding shares of Graphic's stock. During its initial years, Graphic operated packaging, ceramics, aluminum and various developmental businesses. Through various acquisitions and divestitures, a spin-off and other transactions, it is now strategically focused on the folding carton segment of the fiber-based product packaging industry.

Segment Information. Graphic's reportable segments are based on its method of internal reporting, which is based on product category. Since 1999, it has operated principally in the United States and in one reportable segment.

Factors That Impact Graphic's Business

Sales. Graphic sells its products primarily to major consumer product manufacturers in traditionally non-cyclical industries, such as food and beverage providers. Sales are driven primarily by consumer buying habits in the markets Graphic's customers serve. Recent economic conditions in the United States have had a significant impact on consumer buying, even in non-cyclical industries. New product introductions and promotional activity by its customers, and its introduction of innovative packaging solutions, also impact Graphic's sales.

Graphic's products are used primarily in the following end-use markets:

- food cereal, desserts, frozen and microwave foods, pet foods, prepared foods, snacks, and food service products;
- household products dishwasher and laundry detergent, sporting goods, healthcare, and tissues and papers;
- beverage bottle and can carriers and cases; and
- tobacco fliptop boxes and cartons.

Graphic markets its products directly to its customers through a relatively small internal sales force. Graphic's top 20 customers represented approximately 81% of its gross sales in 2002. Its competition includes other large national folding carton companies, as well as numerous smaller regional companies. Its primary competitors include: Caraustar Industries, Inc., Field Container Company, L.P., Gulf States Paper Corporation, MeadWestvaco, Rock-Tenn Company and Smurfit-Stone Container Corporation. Graphic works to maintain its market share through efficiency, innovation and strategic sourcing to its customers.

In addition, Graphic believes that it has the opportunity to expand the folding carton market by developing new products that can replace other types of packaging. Graphic's research and development organization is closely involved with its customers in the development of new packaging alternatives.

Cost of Goods Sold. Graphic's cost of goods sold consists primarily of recycled paper fiber, purchased paperboard, paper aluminum foil, ink, plastic films and resins and labor, which are all variable cost components. Energy is also a component of its costs, particularly for its Kalamazoo, Michigan recycled paperboard mill, where energy represents approximately 12% of cost of goods sold. Variable costs are estimated to be 78% and fixed costs to be 22% of total cost of goods sold in 2002.

In light of increasing margin pressure throughout its industry, Graphic has aggressively reduced costs. It has controlled costs in its converting facilities by coordinating and determining the optimal configuration of equipment among its facilities. A substantial portion of its production is centrally planned and can be allocated among different plants in the system in order to take advantage of equipment optimization, capacity scheduling, staffing and freight. Graphic's ability to work as an integrated business, as opposed to different units, has given it opportunities to reduce production overhead costs and to take advantage of economies of scale in purchasing, customer service, freight and other areas common to all of its facilities. It has adopted a company-wide Six Sigma process to reduce its variable manufacturing costs. The term "Six Sigma" refers to a measure of business capability. A company that performs at a Six Sigma level has demonstrated one of the following:

1. the amount of variation in its process is so tightly controlled that there are six standard deviations between the mean and the nearest customer specification (upper and lower control limit); or

2. the company produces products with a defect rate of not more than 3.4 defects for every 1 million opportunities.

To achieve Six Sigma, Graphic identifies and addresses the cost of poor quality in both the manufacturing and transactional processes through a disciplined project methodology (Measure, Analyze, Improve, and Control) executed by skilled project leaders called Black Belts and Green Belts. Graphic currently has 25 dedicated and numerous shared resources focused on achieving its Six Sigma objectives.

Graphic has also taken steps to reduce its fixed manufacturing and corporate overhead costs, consisting of selling, general and administrative costs. In addition to closing plants and moving equipment and business to other facilities, it has also undertaken downsizing initiatives to reduce fixed personnel costs and is using the Six Sigma program to make its non-production business processes more cost effective.

Results of Operations

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001 and Year Ended December 31, 2001 Compared to Year Ended December 31, 2000.

Net Sales

Graphic's net sales for 2002 totaled $1,057.8 million, a 5% decrease from 2001 net sales of $1,112.5 million. Net sales for 2001 were nominally greater than sales for 2000. However, if the sales from Graphic's Malvern plant that was sold in the fourth quarter of 2000 are subtracted from 2000 sales, its 2001 improvement year-to-year is approximately 4%. Increased sales in 2001 were primarily the result of increased sales of promotional packaging to existing customers in the first three quarters of the year. The fourth quarter of 2001 began a general decline in the nation's economy, which had a negative impact on the business of Graphic's customers well into 2002. This, in turn, reduced sales orders for packaging and negatively impacted its sales in 2002.

Sales for the year ended December 31, 2002 to Coors Brewing totaled $111.0 million, a decrease of 10% over sales for 2001. Sales for the year ended December 31, 2001 to Coors Brewing totaled $122.8 million, an increase of $10.6 million, or 9%, over sales for 2000. The brewery's orders from Graphic depend upon the brewery's sales results in products for which Graphic provides packaging.

Graphic's business is largely within the United States. It had sales to customers outside the United States, primarily in Canada, which accounted for 0.5%, 0.3% and 0.2% of net sales during 2002, 2001 and 2000, respectively.

Gross Profit

Consolidated gross profit was 12.0%, 13.7% and 12.6% of net sales in 2002, 2001 and 2000, respectively. The industry has experienced over capacity issues which, when coupled with general downturns in the economy, create pressure to reduce prices and lower sales volume. The improved profit margins in 2001 were attributable to cost reduction through plant closings, reductions in work force and Six Sigma projects company-wide that have reduced costs and increased productivity. Graphic continued its cost reduction efforts in 2002, but cost savings were more than offset by lower absorption of fixed costs due to lower sales and the following:

- Gross profit was negatively impacted by a seven-month long labor dispute at its Kalamazoo board mill. Direct, incremental costs associated with the labor dispute were approximately $4.5 million in 2002.

- Gross profit was further impacted by significant increases in the price of recycled paper fiber, the Kalamazoo mill's primary raw material. The primary sources of recycled paper fiber used by its board mill OCC, newsprint, and box cuttings all increased in price during 2002, with a total increase of approximately $4.0 million compared to 2001. OCC prices peaked in

June 2002 at $120 per ton; however, OCC prices had declined to $55 per ton in December 2002. Because OCC prices have returned to lower per ton levels, Graphic expects less of an impact in 2003 from fiber prices at the board mill.

Future improvements in gross profit will depend upon management's ability to improve cost efficiencies and to maintain profitable, long-term customer relationships.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, excluding goodwill amortization and asset impairment and restructuring costs, were 6.1%, 5.7% and 5.5% of net sales in 2002, 2001 and 2000, respectively. The increasing trend is attributable to increased information technology expense of $2.1 million in 2002, largely due to the increased spending for Graphic's new ERP manufacturing system, of which $1.3 million related to depreciation of this system.

Asset Impairment and Restructuring Charges

Graphic has recorded asset impairment and restructuring charges totaling $8.9 million and $5.6 million in 2001 and 2000, respectively. In addition, asset impairment and restructuring reserves of $7.8 million related to the Perrysburg, Ohio plant closure were recorded in 2000 as a cost of the acquisition of Fort James Corporation's folding carton operations. Graphic reviews the relative cost effectiveness of its assets, including plant facilities and equipment, and the allocation of human resources across all functions while integrating acquisitions and responding to pressures on margins from industry conditions. As a result, Graphic has closed plants and downsized its workforce with the ultimate goal of maximizing its profits and optimizing its resources.

Asset Impairment Charges

2001: Graphic recorded an asset impairment charge of $3.5 million in the fourth quarter of 2001 in conjunction with the announcement of the planned closure of the Newnan, Georgia plant, a plant that was more expensive to operate than other plants in its system and produced margins below Graphic's expectations. Graphic shut down the plant's operations during 2002 and plans to sell the plant's building and land. The net book value of the Newnan building and land was approximately $1.7 million at December 31, 2002. The plant's business has been transferred to other plants in Graphic's system.

Graphic recorded an asset impairment charge of $1.5 million in the first quarter of 2001 related to its Saratoga Springs, New York building. Operations of the Saratoga Springs plant were transferred to Graphic's other manufacturing locations and the building and real property were sold in June 2001 for cash proceeds of $3.4 million. No gain or loss was recognized on the June 2001 sale.

2000: Graphic announced the planned closure of its Perrysburg, Ohio folding carton plant in the second quarter of 2000. The Perrysburg plant was part of Fort James Corporation's folding carton operations and was eliminated due to excess capacity. The shutdown and restructuring plan for the Perrysburg facility included asset impairments totaling $6.5 million, which were recorded in the second quarter of 2000 as a cost of the acquisition, with a resultant adjustment to goodwill. Graphic completed the closure of the plant and transition of the plant's business to its other facilities by the end of 2000. On July 11, 2001, the remaining real estate was sold for cash proceeds of approximately $1.9 million. No gain or loss was recognized on the sale.

Restructuring Charges

2001: In connection with the announced closure of the Newnan, Georgia plant discussed above, Graphic recorded restructuring charges totaling $2.4 million in the fourth quarter of 2001. The charges relate to severance packages for 105 plant personnel that were communicated to employees in December 2001. The Newnan restructuring plan was essentially complete by the end of 2002, with approximately $0.5 million of severance and other restructuring payments left to be made in 2003.

2000: In December 2000, Graphic announced a restructuring plan to reduce fixed-cost personnel. The plan included the elimination of approximately 200 non-production positions, including the closure of its folding carton plant in Portland, Oregon, and offered severance packages in accordance with Graphic's policies. The total cost of the reduction in force was $5.0 million, of which $3.0 million was recognized in the fourth quarter of 2000 results. The remaining cost of approximately $2.0 million was recognized in the first half of 2001 when severance packages were communicated to employees. The restructuring plan is complete at December 31, 2002.

In connection with the announced closure of the Perrysburg, Ohio plant, restructuring reserves were recorded totaling approximately $1.3 million in the second quarter of 2000. The reserves related to the severance of approximately 100 production positions and other plant closing costs. Consistent with the asset impairments related to the Perrysburg closure, the restructuring costs were accounted for as a cost of the acquisition of Fort James Corporation's folding carton operations with a resultant adjustment to goodwill. At December 31, 2002, all the restructuring charges have been paid relating to the Perrysburg closure.

Graphic recorded a restructuring charge of $3.4 million in the first quarter of 2000 for anticipated severance costs for approximately 185 employees as a result of the announced closure of the Saratoga Springs, New York plant. Graphic has completed the closure of the Saratoga Springs plant and the transition of the plant's business to other facilities. In the first quarter of 2001, Graphic reversed approximately $0.5 million of severance accruals which were not needed related to the Saratoga Springs facility shutdown to complete the Saratoga Springs restructuring plan. All of the remaining restructuring costs have been paid as of December 31, 2002.

A 1999 plant rationalization plan included severance and related charges, primarily at the Lawrenceburg, Tennessee manufacturing plant. However, customer needs in Golden, Colorado and Lawrenceburg, coupled with the timing of the transition of business to Graphic's new Golden, Colorado facility, impacted the completion of the restructuring and resulted in the savings of approximately $800 thousand of anticipated restructuring costs. The 2000 restructuring expense is net of this $800 thousand benefit.

The following table summarizes accruals related to Graphic's restructurings (in millions):

	1999 Plant Rationalization Plan	2000 S. Springs Plant Closure	2000 Perrysburg Plant Closure	2000/2001 Reduction In Force	2001 Newnan Plant Closure	Totals
Balance, December 31, 1999	$ 1.9	$	$	$	$	$ 1.9
2000 restructuring charges, net of reversals	(0.8)	3.4		3.0		5.6
2000 restructuring Perrysburg			1.3			1.3
Cash paid	(1.0)	(2.0)	(0.7)	(0.1)		(3.8)
Balance, December 31, 2000	0.1	1.4	0.6	2.9		5.0
2001 restructuring charges, net of reversals		(0.5)		2.0	2.4	3.9
Transfer of enhanced benefits to pension liabilities				(2.2)		(2.2)
Cash paid	(0.1)	(0.8)	(0.6)	(2.5)		(4.0)
Balance, December 31, 2001		0.1		0.2	2.4	2.7
Cash paid		(0.1)		(0.2)	(1.9)	(2.2)
Balance, December 31, 2002	$	$	$	$	$ 0.5	$ 0.5

Operating Income

Consolidated operating income for 2002 was $62.6 million, an increase of $2.8 million, or 5% over 2001. Consolidated operating income for 2001 was $59.9 million, an increase of $8.7 million, or 17%, over operating income for 2000. If goodwill amortization and asset impairment and restructuring charges are excluded from 2001 operating income, Graphic experienced a 30% drop in operating income in 2002. As discussed above, lower sales, fiber prices and the Kalamazoo labor dispute contributed to a decline in profitability.

Gain from Sale of Businesses and Other Assets

Graphic disposed of several non-core assets during 2001 and 2000, for which the following pre-tax gains were recognized:

	Intangible Assets
	(in thousands)
2001:	
Cash proceeds	$ 3,650

	Intangible Assets
Net book value	
Gain recognized	$ 3,650

	Malvern Plant	Intangible Assets	Other Long-lived Assets	Total
	(in thousands)			
2000:				
Cash proceeds	$ 35,000	$ 5,407	$ 2,600	$ 43,007
Net book value	(23,635)		(200)	(23,835)
Gain recognized	$ 11,365	$ 5,407	$ 2,400	$ 19,172

Interest Expense

Interest expense for 2002, 2001 and 2000 was $44.6 million, $52.8 million and $82.1 million, respectively. The decrease reflects lower debt levels, lower market interest rates, and improvements in our interest rate spreads due to reductions in leverage. Graphic capitalized interest of $0.3 million, $1.8 million and $1.1 million in 2002, 2001 and 2000, respectively. Capitalized interest primarily related to the construction of the Golden, Colorado facility and the new enterprise resource planning system in 2001 and 2000. In accordance with its credit agreement and its interest rate risk-management policies, Graphic had contracts in place at December 31, 2001 to hedge the interest rates on its variable rate borrowings. In 2002 and 2001, Graphic incurred interest expense of $6.8 million and $4.8 million, respectively, related to these contracts, and in 2000 it incurred $0.3 million less interest expense as a result of these contracts. Graphic had no interest rate contracts in place at December 31, 2002. Interest expense also includes amortization of debt issuance costs of $3.1 million, $7.8 million and $8.9 million in 2002, 2001 and 2000, respectively.

See "Liquidity and Capital Resources" on page 139.

Income Taxes

Graphic's consolidated effective tax rate in 2001 and 2000 was 40%, compared to 39% in 2002. Increases in state income tax rates may slightly increase its overall effective tax rate in 2003.

Related Party Transactions

On December 28, 1992, Graphic was spun off from ACCo and since that time ACCo has had no ownership interest in the company. However, certain Coors family trusts have significant interests in both Graphic and ACCo. Graphic has also entered into various business arrangements with the Coors family trusts and related entities from time-to-time since the spin-off. Graphic's policy is to negotiate market prices and competitive terms with all third parties, including related parties.

The company originated as the packaging division of Coors Brewing, a subsidiary of ACCo. Graphic supplied the brewery's packaging needs at the time. At the time of spin-off from ACCo, Graphic entered into agreements with Coors Brewing for the sale of packaging and other products in order to continue to supply their packaging needs. The initial agreements had a stated term of five years and have resulted in substantial revenues for Graphic. Graphic continues to sell packaging products to Coors Brewing. Coors Brewing accounted for approximately 10%, 11% and 10% of Graphic's consolidated gross sales for 2002, 2001 and 2000, respectively. The loss of Coors Brewing as a customer in the foreseeable future could have a material effect on Graphic's results of operations. In March 2003, Coors Brewing and Graphic entered into a new four-year supply agreement.

One of Graphic's subsidiaries, Golden Equities, Inc., is the general partner in a limited partnership in which Coors Brewing is the limited partner. The partnership owns, develops, operates and sells certain real estate previously owned directly by Coors Brewing or ACCo. Distributions were allocated equally between the partners until late 1999 when Coors Brewing recovered its investment. Thereafter, distributions were made 80 percent to Graphic as the general partner and 20 percent to Coors Brewing. Distributions in 2002 were $2.0 million to Graphic and $0.5 million to Coors Brewing. No distributions were made in 2001. Distributions in 2000 were approximately $0.8 million to Coors Brewing and $3.2 million to Graphic. Coors Brewing's share of the partnership net assets at December 31, 2002 and 2001 was $3.9 million and $4.4 million, respectively, and is reflected as minority interest on Graphic's consolidated balance sheet. Coors Brewing's allocated share of the partnership's profit was $0 in 2002, 2001 and 2000.

On December 31, 1999, Graphic spun off its ceramics subsidiary, CoorsTek, Inc., which was in keeping with its goal to become solely a paperboard packaging company. In connection with the spin-off, Graphic and CoorsTek entered into contracts governing certain relationships between them following the spin-off, including a tax-sharing agreement, a transitional services agreement and certain other agreements. See further discussion of the tax-sharing agreement in Note 8 to Graphic's consolidated financial statements included in this proxy statement/prospectus.

On March 31, 2000, Graphic sold the net assets of its GTC Nutrition subsidiary to an entity controlled by a member of the Coors family for approximately $0.7 million. GTC Nutrition was a non-core asset that was not strategically in line with Graphic's packaging focus. No gain or loss was recognized as a result of the sale.

In August 2000, Graphic issued $100.0 million of convertible preferred stock to the Trust. Proceeds were used to fund principal amortization on Graphic's debt due in August 2000. See further discussion of the convertible preferred stock in Note 13 to Graphic's consolidated financial statements included in this proxy statement/prospectus.

In August 2001, Graphic completed a $50.0 million private placement of 10% subordinated unsecured notes. The purchaser of the notes was Golden Heritage, LLC, a company owned by several Coors family trusts and a related party. Proceeds were used to fund principal amortization on Graphic's debt due in August 2001. On February 28, 2002, Graphic repaid the notes in connection with certain refinancing transactions discussed in Note 5 to Graphic's consolidated financial statements included in this proxy statement/prospectus.

In September 2002, Graphic entered into a warehouse sublease with Rocky Mountain Bottle Company, a partnership partially owned by Coors Brewing Company. The Golden, Colorado facility uses this warehouse space. Annual rent under the sublease is approximately $100 thousand. The sublease term expires in July 2006.

Off Balance Sheet Arrangements

Graphic enters into off balance sheet arrangements from time-to-time as business needs arise for which permanent commitments of capital and obligations are not desired. Following is a discussion of its off balance sheet arrangements.

KVG Partnership. Graphic is a partner in the Kalamazoo Valley Group, or KVG, a Michigan partnership formed to develop and operate a landfill for the partners' disposal of paper residuals from their respective paperboard mills. KVG borrowed $1.5 million for the construction of the landfill, of which approximately $500 thousand remains unpaid at December 31, 2002. The partners contribute capital annually to meet the partnership's operating losses. Graphic's annual contribution for the past two years has been approximately $200 thousand. The landfill has been in operation since December 1997; however, since 2000, two of the other partners have closed their paperboard mills and one minority partner has left the partnership via bankruptcy court. Graphic is evaluating its alternatives and liabilities under the partnership agreement and related note, while continuing to use the landfill. However, if the partnership were to close the landfill, Graphic's share of estimated closing costs, perpetual care obligations and debt repayment would approximate $2.5 million under the terms of the partnership agreement. Graphic accounts for its interest in KVG using the equity method. Graphic's investment balance at December 31, 2002 was $0.3 million.

Operating Leases. Graphic leases a variety of facilities, warehouses, offices, equipment and vehicles under operating lease agreements that expire in various years. Operating lease rentals for warehouse, production, office facilities and equipment amounted to $4.0 million in 2002, $3.3 million in 2001, and $3.1 million in 2000.

Energy Contracts. Graphic periodically purchases energy contracts for natural gas and/or fuel oil at its Kalamazoo paperboard mill, in order to control the cost of power at the plant. It had $6.3 million of natural gas purchase commitments open at December 31, 2002.

Aggregate Contractual Obligations

The following are material contractual obligations as of December 31, 2002 (in thousands):

	Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	Greater than 5 years
Long-term debt obligations:					
Term loan	$ 173,250	$ 1,750	$ 5,250	$ 5,250	$ 161,000
Senior subordinated notes	300,000				300,000
Various notes payable	5,081	1,682	2,481		918
Operating leases	8,261	3,612	4,607	42	
Energy contracts	6,287	6,287			

Contingent Obligations

It is Graphic's policy generally to act as a self-insurer for certain insurable risks consisting primarily of employee health insurance programs. With respect to workers' compensation, Graphic uses a variety of fully or partially self-funded insurance vehicles. It maintains certain stop-loss and excess insurance policies that reduce overall risk of financial loss.

In the ordinary course of business, Graphic is subject to various pending claims, lawsuits and contingent liabilities, including claims by current or former employees. In each of these cases, it is vigorously defending against them. Although the eventual outcome cannot be predicted, it is management's opinion that disposition of these matters will not have a material adverse effect on its consolidated financial position, results of operations or cash flows. (See further discussions in "Information About Graphic Legal Proceedings" on page 127.

Some of Graphic's operations have been notified that they may be potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar state laws with respect to the remediation of certain sites where hazardous substances have been released into the environment. Graphic cannot predict with certainty the total costs of remediation, its share of the total costs, the extent to which contributions will be available from other parties, the amount of time necessary to complete the remediation or the availability of insurance. However, based on the investigations to date, Graphic believes that any liability with respect to these sites would not be material to the financial condition, results of operations or cash flow of Graphic, without consideration for insurance recoveries. There can be no certainty, however, that Graphic will not be named as a potentially responsible party at additional sites or be subject to other environmental matters in the future or that the costs associated with those additional sites or matters would not be material.

In connection with the sale of various businesses, Graphic has periodically agreed to guarantee the collectibility of accounts receivable and indemnify purchasers for certain liabilities for a specified period of time. Such liabilities include, but are not limited to, environmental matters and the indemnification periods generally last for 2 to 15 years. Graphic has recorded total indemnification liabilities of approximately $3.0 million at December 31, 2002.

In connection with the resale of the aluminum business in 1999, Graphic guaranteed accounts receivable owed by the former owner of these assets. After the resale, the former owner refused to pay the amounts owed, $2.4 million. Pursuant to the terms of the resale agreement, Graphic paid this amount and sued the former owner. The $2.4 million is reflected as a receivable on Graphic's Consolidated Balance Sheet. The former owner counterclaimed for an additional $11.0 million for certain spare parts and Graphic claimed an additional $14.3 million in overpayment for raw materials to run the business prior to resale. The parties have filed motions for summary judgment. Graphic does not believe that the result of this litigation will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Critical Accounting Policies

Graphic's discussion and analysis of financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Graphic to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Graphic bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

On an on-going basis, Graphic evaluates the continued appropriateness of its accounting policies and resulting estimates, including those related to:

Collectibility of accounts receivable Graphic estimates losses for uncollectible accounts based on the aging of its accounts receivable and the evaluation of the likelihood of success in collecting the receivables. Typically, allowances are needed for disputed accounts, customers that are having financial problems or bankruptcies. Because its customers are major consumer

product manufacturers with strong credit histories, Graphic's receivables average over 80% current. At the end of December 2002, its top 20 customers, representing 81% of its sales, were 84% current on their accounts.

Self-insurance reserves Graphic is self-insured for certain losses relating to workers' compensation claims and employee medical and dental benefits. It has purchased stop-loss coverage or insurance with deductibles in order to limit its exposure to significant claims. It also has an extensive safety program in place to minimize its exposure to workers' compensation claims. Self-insured losses are accrued based upon Graphic's estimates of the aggregate uninsured claims incurred using certain actuarial assumptions followed in the insurance industry and historical experience. Its stop loss coverage for employee medical benefits is $150 thousand per incident. Graphic's workers' compensation stop loss coverages and deductibles range from $250 thousand to $500 thousand.

Retirement-related benefits Graphic estimates its retiree liabilities based upon actuarial reports prepared by its actuary, which include estimates and assumptions related to interest rates, future compensation and other factors. Its pension liabilities are most sensitive to changes in the market values of its pension assets from year-to-year, and the estimated future rate of return of its pension assets, since the pension plan is invested in the securities markets. Over the past two years, market values have declined significantly and Graphic has, as a result, recorded a cumulative minimum pension liability of $42.3 million. Graphic has also reduced its expected long-term rate of return on its assets by .25%. Its retiree medical liabilities are most sensitive to the cost of health care. Graphic is currently estimating an annual increase in per capita health care costs of 10% up from 6.5% in the past two years.

Goodwill valuation Graphic estimates the value of its goodwill using the discounted cash flow method of valuation on an annual basis. Graphic's cash flows are generated by its operations and are used to fund working capital needs, debt service and capital spending. Graphic discounts these cash flows using the company's weighted average cost of capital. Changes in its borrowing rates, which are impacted by market rate fluctuations, would impact its discounted cash flow calculations. Other factors, such as significant operating losses or acquisitions of new operations, would also impact its discounted cash flow calculations.

Recovery of long-lived assets Graphic periodically reviews its long-lived assets for impairment whenever events or changes in business circumstances, such as the closure of a plant, indicate the carrying amount of the asset may not be fully recoverable by undiscounted cash flows. Measurement of the impairment loss, if any, is based on the fair value of the asset, which is generally determined by the discounting of future estimated cash flows, or in the case of real estate, determining market value. Graphic evaluates the recovery of its long-lived assets periodically by analyzing its operating results and considering significant events or changes in the business environment that may have triggered impairment. Recently, Graphic placed its Newnan, Georgia facility up for sale. At this time, Graphic believes that the facility's market value is greater than its book value; however, Graphic will periodically evaluate the need to impair this asset, if necessary.

Deferred tax asset valuation allowance Graphic estimates the realizability of deferred tax assets, by estimating the projected reversal of offsetting deferred tax liability amounts and future taxable income. As discussed above in goodwill valuation, significant operating losses or acquisitions of operations would impact its projected taxable income used to estimate the reversal of its deferred tax balances.

Legal accruals Graphic estimates the amount of potential exposure it may have with respect to litigation, claims and assessments, based upon analyses prepared by in-house and outside counsel, and it records reserves when the management believes it is probable that a loss has occurred and the amount of loss is reasonably estimable. At this time, counsel has advised that Graphic has no impending risk of loss on its legal proceedings.

Environmental expenditures and remediation liabilities Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments indicate that remedial efforts are probable and the costs can be reasonably estimated. Typically, Graphic's environmental expenditures are scheduled maintenance items and are not remedial, unless it is closing a facility and must remediate that facility in the process. However, Graphic periodically needs to remediate upon the issuance of stricter or new environmental regulations that affect its operations.

Stock-based employee compensation plans Graphic has various stock-based employee compensation plans, including stock options, restricted stock grants, and other forms of deferred compensation. It does not recognize compensation expense related to its stock option plans, as permitted by current generally accepted accounting principles. If accounting guidance had changed to require recognition of compensation expense related to employee stock option grants, Graphic's pre-tax stock option expense for 2002 would have been approximately $1.6 million.

New Accounting Standards

Financial Accounting Standards Board Interpretation, or FIN, No. 46, "Consolidation of Variable Interest Entities," was issued in January 2003. FIN No. 46 defines a variable interest entity as a legal entity in which, among other things, the equity investments at risk are not sufficient to finance the operating and closing activities of the entity without additional subordinated financial support from the entity's investors. Graphic is a partner in the KVG partnership, which qualifies as a variable interest entity, as defined by FIN No. 46. KVG is a partnership formed to develop and operate a landfill for the partners' disposal of paper residuals from their respective paperboard mills. KVG borrowed $1.5 million for the construction of the landfill, of which approximately $500 thousand remains unpaid at December 31, 2002. The partners contribute capital annually to meet the partnership's operating losses. Graphic's annual contribution for the past two years has been approximately $200 thousand. The landfill has been in operation since December 1997; however, since 2000, two of the other partners have closed their paperboard mills and one minority partner has left the partnership via bankruptcy court. Graphic is evaluating its alternatives and liabilities under the partnership agreement and related note, while continuing to use the landfill. However, if the partnership were to close the landfill, Graphic's share of estimated closing costs, perpetual care obligations and debt repayment would approximate $2.5 million under the terms of the partnership agreement. Graphic accounts for its interest in KVG using the equity method. The investment balance at December 31, 2002 was $0.3 million. Management is also evaluating its accounting method in light of the new requirements under FIN No. 46, and may conclude that its interest in KVG should be consolidated into its accounts. FIN No. 46 is effective for Graphic's 2003 third quarter.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," was issued in November 2002. This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. FIN No. 45 also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements in the interpretation are effective for Graphic in 2002. Graphic has included

the disclosures required by this interpretation in note 15 to Graphic's consolidated financial statements included in this proxy statement/prospectus.

Statement of Financial Accounting Standards, or SFAS, No. 143, "Accounting for Asset Retirement Obligations," was issued in 2001. SFAS No. 143 requires the recognition of a liability and offsetting asset for any legal obligation associated with the retirement of long-lived assets. The asset retirement cost is depreciated over the life of the related asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management does not believe SFAS No. 143 will have a significant effect on Graphic.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," was issued on April 30, 2002. SFAS No. 145 includes, among other things, the rescission of SFAS No. 4, which required that gains and losses from early extinguishment of debt be classified as extraordinary items, net of related income tax effects. Under the new guidance of SFAS No. 145, losses from early extinguishment of debt will be classified as extraordinary items when the losses are considered unusual in nature and infrequent in occurrence. SFAS No. 145 became effective for Graphic on January 1, 2003, at which time Graphic reclassified its first quarter 2002 loss on early extinguishment of debt as a non-extraordinary item.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued on July 30, 2002. SFAS No. 146 will require companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 became effective for Graphic on January 1, 2003. While SFAS No. 146 had no effect on its historical financial results, costs associated with any future restructuring efforts will be accrued as those costs are incurred.

SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure," was issued in December 2002. The statement amends SFAS No. 123 to provide alternative methods of transition for voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 improves the prominence and clarity of the pro forma disclosures required by SFAS No. 123 by prescribing a specific tabular format and by requiring disclosure in the "Summary of Significant Accounting Policies" or its equivalent. In addition, SFAS No. 148 improves the timeliness of those disclosures by requiring their inclusion in financial reports for interim periods. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. Adoption of this statement resulted in moving footnote disclosures into the accounting policies footnote, but had no impact on Graphic's consolidated financial statements.

Liquidity and Capital Resources

The following discussion of Graphic's liquidity and capital resources does not give effect to the merger or related transactions and does not include pro forma financial information or adjustments. See "Information About Riverwood Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources" for a discussion of Riverwood's and Graphic's expectations regarding the financial condition, liquidity and capital resources of the combined company following the completion of the merger and related transactions on page 109.

Graphic generates its liquidity from both internal and external sources and use it to fund its short-term working capital needs, capital expenditures (estimated to be $42 million in 2003), preferred stock dividends and acquisitions.

On February 28, 2002, Graphic refinanced its then existing senior bank credit facility with a private placement of $300.0 million senior subordinated notes, carrying interest at $8^5/_8$%, payable semi-annually and due in 2012, and a new $450.0 million senior bank credit facility. This refinancing provided the financial flexibility to consider acquisitions and converted a significant amount of its borrowings into long-term borrowings. Graphic collectively refers to these transactions as the Graphic refinancing transactions.

It used the net proceeds from the Graphic refinancing transactions to repay its then existing bank debt, to repurchase its then existing $50.0 million of subordinated notes at par, and to pay related interest, fees and expenses.

In connection with the Graphic refinancing transactions, Graphic incurred a non-cash charge to write off its remaining unamortized debt issuance costs. These costs amounted to $15.8 million before taxes at February 28, 2002.

Pursuant to its then existing senior bank credit agreement, on August 15, 2001, Graphic completed a $50.0 million private placement of subordinated unsecured notes, which are included in long-term debt at December 31, 2001. These subordinated notes accrued interest at 10% per annum and were to mature August 15, 2008. The proceeds of the subordinated notes were used to repay the remaining balance on a one-year term note due August 15, 2001, and to pay down indebtedness under its five-year senior bank credit facility. By issuing the subordinated debt, Graphic avoided an additional interest rate spread of 75 basis points on its then existing senior bank credit facility and a fee of $750 thousand to those senior lenders. As discussed above, Graphic repurchased the notes at par concurrently with the closing of the Graphic refinancing transactions.

Graphic intends to fund future working capital needs, capital expenditures, preferred stock dividends and acquisitions through cash flow generated from operations and borrowings under its senior bank credit facility. GPC is the borrower under the senior bank credit facility and the senior subordinated notes, and Graphic has guaranteed the loans. The senior bank credit facility consists of a $275.0 million, five-year revolving credit facility, or the revolver, and a $175.0 million, seven-year term loan, or the term loan. The revolver bears interest at LIBOR plus a spread tied to Graphic's leverage, with a single principal payment due at maturity. At March 7, 2003, the revolver's interest rate was 3.34%. The term loan bears interest at LIBOR plus 275 basis points, with principal amortization of 1% a year and the balance due at maturity. At March 7, 2003, the term loan's interest rate was 4.09%. The facilities must also be prepaid with an annual cash flow recapture calculation, and with certain proceeds from asset sales, and debt or equity offerings. The senior bank credit facility is secured by all of Graphic's, GPC's and Graphic's domestic subsidiaries' material assets. The facility is collateralized by first priority liens on all material assets of GPC and all of Graphic's other domestic subsidiaries. The facility limits Graphic's ability to pay dividends other than permitted dividends on the convertible preferred stock, and imposes limitations on the incurrence of additional debt, acquisitions, capital expenditures, repurchase of Graphic stock and the sale of assets.

140

Graphic's borrowings consist of the following (in thousands):

	December 31, 2002	December 31, 2001
Seven-year term loan due 2009 (variable interest rate at 4.17%)	$ 173,250	$
Five-year revolving credit facility due 2007 (variable interest rate at 3.42%)		
$8^{5}/_{8}$% Senior subordinated notes due 2012	300,000	
Five-year term facility, refinanced in 2002 (variable interest rate at 4.18%)		247,035
Revolving credit facility, refinanced in 2002 (variable interest rate at 4.18%)		222,750
10% Subordinated notes, refinanced in 2002		50,000
Various notes payable(1)	5,081	5,974
Total	478,331	525,759
Less current maturities	3,432	37,373
Long-term maturities	$ 474,899	$ 488,386

(1) The notes bear interest at rates ranging from 4.00% to 13.06% and mature from 2003 through 2008.

At December 31, 2002, Graphic's maturities of long-term debt are as follows (in thousands):

2003	$ 3,432
2004	1,933
2005	1,941
2006	3,857
2007	1,750
Thereafter	465,418
	$ 478,331

Graphic maintains an interest rate risk-management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates. Graphic's specific goals are to (1) manage interest rate sensitivity by modifying the re-pricing or maturity characteristics of some of its debt and (2) lower (where possible) the cost of its borrowed funds. In accordance with the terms of its then existing credit agreement and its interest rate risk-management strategy, Graphic had contracts in place at December 31, 2001 to hedge the interest rates on its variable rate borrowings in the form of swap agreements on $225.0 million of borrowings and cap agreements on $350.0 million of borrowings. The swap agreements locked in an average LIBOR rate of 6.5%. $150.0 million of the caps provided upside protection to Graphic if LIBOR moved above 6.75%, and $200.0 million of the caps provided upside protection to Graphic if LIBOR moved above 8.13%. The hedging instruments expired in 2002 and were not replaced, principally because market interest rates are unusually low this year and because a significant portion of Graphic's refinanced debt carries a fixed rate.

Graphic's capital structure also includes $100.0 million of convertible preferred stock issued on August 15, 2000. The convertible preferred stock is convertible into shares of Graphic's common stock at $2.0625 per share and is entitled to receive a dividend payable quarterly at an annual rate of 10%. Graphic may redeem the convertible preferred stock beginning on August 15, 2005 at 105% of par. This premium decreases by 1% per year until August 15, 2010, at which time Graphic can elect to redeem the shares at par. The convertible preferred stock has a liquidation preference over the common stock and is entitled to one vote for every two shares held on an as-converted basis.

Working Capital. Graphic's working capital levels are dependent upon its ability to manage its inventories, collect its receivables on a timely basis, and maintain favorable terms with its vendors. Low working capital levels are desirable to Graphic, as it strives to maximize cash flow and reduce its debt. Graphic believes that its working capital position is very favorable when compared to its industry. Graphic's working capital can be negatively impacted if its operations run less efficiently, particularly at times when business is moved among plants or new plants are acquired, or if inventories build up due to lower than planned sales during a period.

Graphic currently expects that cash flows from operations and borrowings under its new credit facility will be adequate to meet its needs for working capital, post-retirement obligations, temporary financing for capital expenditures and debt repayments for the foreseeable future. Its working capital position (including current maturities of long term debt) at December 31, 2002 was $46.1 million. Although Graphic had no borrowings against its revolver at December 31, 2002, $267.1 million was available under its $275.0 million revolving credit facility, due to $7.9 million of letters of credit outstanding. Graphic's letters of credit are used as security against its self-insurance obligations and an outstanding note payable.

During 2002, Graphic funded its capital requirements with net cash from operations. Graphic expects its capital expenditures for 2003 to be approximately $42 million for planned capital expenditures for upgrades and replacements of equipment and systems as a result of ordinary business operations. Graphic also plans to expand certain existing equipment and facilities in order to meet expected capacity needs.

Subsequent Event. On March 6, 2003, Graphic acquired substantially all of the assets of JD Cahill Co., Inc., or JD Cahill, for approximately $18 million in cash. JD Cahill has annual revenues of approximately $20 million and produces laminated and coated paperboard with manufacturing facilities in Tuscaloosa, Alabama and Centralia, Illinois. The purchase was financed using Graphic's existing revolving credit facility.

Defined Benefit Retirement Plan. Graphic contributed $6.5 million, $2.3 million and $1.4 million to its defined benefit retirement plan in 2002, 2001 and 2000, respectively. Graphic expects to contribute $10.0 million to the plan in 2003. (See Note 10 to Graphic's consolidated financial statements included in this proxy statement/prospectus for information on the funded status of this plan.)

Graphic's retirement plan assets and liabilities are measured at December 31 each year for financial reporting purposes. Market returns on assets invested in by the defined benefit retirement plan trust were negative during the past year. Additionally, because of the declines in interest rates and a corresponding decrease in the discount rates used to estimate its pension liability, Graphic recorded after-tax charges to other comprehensive income of $12.8 million and $13.8 million to reflect minimum pension liabilities in 2002 and 2001, respectively. If asset returns do not improve or interest rates remain low, additional funding may be required to the defined benefit retirement plan.

Inflation. The impact of inflation on Graphic's financial position and results of operations has been minimal during 2002, 2001 and 2000 and is not expected to adversely affect future results.

FINANCIAL STATEMENTS

The financial statements and selected quarterly financial data of Graphic are presented in this proxy statement/prospectus beginning on page F-51.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Within the last two fiscal years there have been no changes in Graphic's independent accountants or disagreements on accounting and financial statement disclosure matters.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of March 7, 2003, Graphic's capital structure includes $204.9 million of debt that bears interest based upon an underlying rate that fluctuates with short-term interest rates, specifically LIBOR. As of February 28, 2002, the date of the refinancing, Graphic's capital structure included $237.6 million of debt that also bore interest based upon an underlying rate that fluctuated with short-term interest rates, specifically LIBOR. During 2002 and 2001, one-month LIBOR rates have fluctuated from a high of 5.6% in January of 2001 to a low of 1.4% in December 2002. In 2001, Graphic had interest rate swap agreements that locked in LIBOR at 5.94% on $65.0 million of borrowings ($100 million in 2000) and 6.98% on $125.0 million of borrowings. In addition, Graphic entered into interest rate contracts that capped the LIBOR interest rate at 8.13% for $200.0 million of borrowings and 6.75% for $150.0 million of borrowings. All of these interest rate contracts expired in 2002 and were not replaced. With its interest rate protection contracts in place last year, a 1% change in interest rates would have impacted annual pre-tax results by approximately $0.5 million. Since these interest rate protection contracts have expired, a 1% change in interest rates would impact annual pre-tax results by approximately $2.0 million.

UNAUDITED CONDENSED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited condensed pro forma combined financial statements are presented to show the estimated effect of the merger of Riverwood and Graphic and the related financing transactions and represent the combined company's pro forma combined balance sheet as of December 31, 2002 and combined statement of operations for the year ended December 31, 2002.

The following unaudited condensed pro forma combined balance sheet gives effect to the merger of Riverwood and Graphic and the related financing transactions as if they occurred on December 31, 2002. The accompanying unaudited condensed pro forma combined statement of operations gives effect to the merger of Riverwood and Graphic and the related financing transactions as if they occurred on January 1, 2002. The unaudited condensed pro forma combined financial statements include adjustments directly attributable to the merger and related financing transactions that are expected to have a continuing impact on the combined company. The pro forma adjustments are described in the accompanying notes. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable, including the completion of the merger of Riverwood and Graphic.

The pro forma financial information was prepared using the purchase method of accounting, with Riverwood treated as the acquirer for accounting purposes. Under purchase accounting, the total cost of the merger is allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values at the effective date of the merger. A preliminary allocation of the cost of the merger has been made based upon currently available information and management's estimates. The actual allocation and its effect on results of operations may differ significantly from the pro forma amounts included herein.

The pro forma information is based on historical financial statements. The pro forma information has been prepared in accordance with the rules and regulations of the SEC and is provided for comparison and analysis purposes only. The unaudited condensed pro forma combined financial statements do not purport to represent the combined company's results of operations or financial condition had the merger of Riverwood and Graphic and related financing transactions actually occurred as of such dates or of the results that the combined company would have achieved after the merger. The unaudited condensed pro forma combined financial statements should be read in conjunction with the historical consolidated financial statements of Riverwood and Graphic and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Riverwood and Graphic, respectively, appearing elsewhere in this proxy statement/prospectus.

Combined Company
Unaudited Condensed Pro Forma Combined Balance Sheet
As of December 31, 2002
(in thousands)

	Historical		Pro Forma Adjustments	Combined Company Condensed Pro Forma Combined
	Riverwood	Graphic		

	Historical				Combined Company Condensed Pro Forma Combined
Current assets					
Cash and cash equivalents	$ 13,757	$ 28,626	$		42,383
Accounts receivable, net	137,284	63,546	(5,300)	**A**	195,530
Inventories	174,383	87,243	7,000	**B**	$ 268,626
Other current assets	8,566	21,686			30,252
Total current assets	333,990	201,101	1,700		536,791
Properties, net	1,232,945	410,592	102,000	**B**	1,745,537
Goodwill, net	268,284	379,696	29,144	**B**	677,124
Other intangibles	42,844		95,000	**B**	137,844
Other assets	79,609	29,477	17,696	**B, C**	126,782
Total assets	**$ 1,957,672**	**$ 1,020,866**	**$ 245,540**		**$ 3,224,078**
Current liabilities					
Short-term debt	$ 98,696	$ 3,432	$ (62,915)	**C**	$ 39,213
Accounts payable	80,863	82,106	(5,300)	**A**	157,669
Interest payable	35,764	11,117	(45,121)	**C**	1,760
Accrued compensation	31,766	20,013			51,779
Other current liabilities	32,259	38,321			70,580
Total current liabilities	279,348	154,989	(113,336)		321,001
Long term debt	1,423,664	474,899	290,539	**C**	2,189,102
Other	122,134	83,940	(1,058)	**B, C**	205,016
Total liabilities	1,825,146	713,828	176,145		2,715,119
Redeemable common stock	6,951		(6,951)	**D**	
Shareholders' equity					
Preferred stock		100,000	(100,000)	**B, D**	
Non-redeemable common stock	75	335	1,606	**B, D**	2,016
Additional paid-in capital	748,748	416,048	20,061	**B, D**	1,184,857
Unearned compensation		(2,421)	(6,341)	**F**	(8,762)
Accumulated deficit	(515,107)	(179,212)	133,308	**B**	(561,011)
Accumulated other comprehensive loss	(108,141)	(27,712)	27,712	**B**	(108,141)
Total shareholders' equity	125,575	307,038	76,346		508,959
Total liabilities and shareholders' equity	**$ 1,957,672**	**$ 1,020,866**	**$ 245,540**		**$ 3,224,078**

See accompanying Notes to Unaudited Condensed Pro Forma Combined Financial Statements.

Combined Company
Unaudited Condensed Pro Forma Combined Statement of Operations
For the Year Ended December 31, 2002

(in thousands, except per share data)

	Historical					
	Riverwood	Graphic	Pro Forma Adjustments		Combined Company Condensed Pro Forma Combined	
Net sales	$ 1,247,314	$ 1,057,843	$ (52,852)	A	$ 2,252,305	
Cost of goods sold	984,771	930,581	(52,852)	A	1,881,000	
			18,500	B		
Selling, general and administrative and research and development expense	121,931	64,620			186,551	
Operating income	140,612	62,642	(18,500)		184,754	
Interest expense, net	(146,057)	(44,640)	36,400	C	(154,297)	
Income (loss) before income taxes, equity earnings of affiliates, extraordinary item and cumulative effect of change in accounting principle	(5,445)	18,002	17,900		30,457	
Income tax (expense) benefit	4,664	(7,035)	(537)	E	(2,908)	
Income (loss) before equity earnings of affiliates	(781)	10,967	17,363		27,549	
Equity in net earnings of affiliates	1,028				1,028	
Income before extraordinary item and cumulative effect of change in accounting principle	247	10,967	17,363		28,577	
Preferred stock dividends declared		(10,000)	10,000	D		
Income attributable to common stockholders before extraordinary item and cumulative effect of change in accounting principle	$ 247	$ 967	$ 27,363		$ 28,577	
Income per basic share before extraordinary item and cumulative effect of change in accounting principle	$ .03				$ 0.14	
Income per diluted share before extraordinary item and cumulative effect of change in accounting principle	$ .03				$ 0.14	
Weighted average shares outstanding:						
Basic	7,565				199,626	
Diluted	7,696				202,341	

See accompanying Notes to Unaudited Condensed Pro Forma Combined Financial Statements.

Combined Company

Notes to Unaudited Condensed Pro Forma Combined Financial Statements
(Unaudited)

1.
Basis of Presentation

These unaudited condensed pro forma combined financial statements have been prepared pursuant to the rules and regulations of the SEC and present the pro forma financial position and results of operations of the combined company based upon historical financial information after giving effect to the merger and financing transactions and adjustments described in these footnotes. Certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Under purchase accounting, the merger of Riverwood and Graphic is accounted for such that Riverwood is treated as the acquirer and Graphic as the acquired company. These unaudited condensed pro forma combined financial statements are not necessarily indicative of the results of operations that would have been achieved had the transactions actually taken place at the dates indicated and do not purport to be indicative of future financial position or operating results. The unaudited condensed pro forma combined financial statements should be read in conjunction with the historical financial statements described below which are included in this proxy statement/prospectus.

The pro forma balance sheet was prepared by combining the historical consolidated balance sheet data as of December 31, 2002 of Riverwood and Graphic, assuming the merger and related financing transactions had occurred on December 31, 2002. The pro forma statement of operations for the year ended December 31, 2002 has been prepared by combining the consolidated statements of operations for the year ended December 31, 2002 for Riverwood and Graphic, assuming the merger and related financing transactions had occurred on January 1, 2002.

The unaudited condensed pro forma combined financial statements do not reflect significant operational and administrative cost savings that management of the combined company estimates may be achieved as a result of the merger.

The unaudited condensed pro forma combined statement of operations does not include an estimated pre-tax loss of approximately $63 million on the early extinguishment of Riverwood's and Graphic's existing debt and approximately $12 million of merger related costs expected to be incurred and expensed by Graphic. The combined company will adopt Statement of Financial Accounting Standards No. 145 for fiscal 2003. The adoption of this statement will result in the reclassification of extraordinary expenses associated with debt extinguishments to income (loss) from operations.

2.
Pro Forma Transactions

On March 25, 2003, Riverwood and Graphic entered into a merger agreement, whereby Riverwood would acquire all of the issued and outstanding shares and stock options of Graphic in exchange for the issuance of shares and stock options of Riverwood. In connection with the merger, the combined company intends to refinance the existing bank financing of RIC and GPC and to tender for the existing senior and senior subordinated notes of RIC and GPC. For accounting purposes the purchase price of Graphic is based upon the estimated fair value of Riverwood stock exchanged plus estimated direct transaction costs to be incurred of approximately $26 million (comprised of Riverwood's financial advisory, legal and accounting fees and excluding Graphic's merger-related expenses). The estimated fair value of Riverwood stock of $4.98 per share, giving effect to the 15.21 to 1 split discussed below, used in the calculation of the purchase price is based upon available information and management's best estimates at this time. The actual fair value of Riverwood stock and the purchase price may

change subject to final valuation. The following table summarizes the components of the total purchase price:

The estimated total purchase consideration is as follows (in thousands and as of December 31, 2002):

	Riverwood Shares Issued in the Merger	Value
Shares of common stock	84,562	$ 421,119
Shares exchangeable into common stock	285	1,419
Stock options		8,561
Estimated acquisition costs to be incurred by Riverwood		26,000
Graphic preferred stock conversion payment		23,662

	Riverwood Shares Issued in the Merger	Value
Estimated total purchase price, excluding assumed debt		$ 480,761

The purchase consideration was allocated to assets acquired and liabilities assumed based on the estimated fair value of Graphic's tangible and intangible assets and liabilities. A preliminary allocation of the purchase cost has been made to major categories of assets and liabilities in the accompanying unaudited condensed pro forma combined financial statements based on estimates. The actual allocation of purchase cost and its effect on results of operations may differ significantly from the pro forma amounts included herein. The excess of the purchase cost over the net tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The preliminary allocation of the purchase consideration, which is subject to change based on a final valuation of the assets acquired and liabilities assumed as of the closing date, is as follows (in thousands):

Net liabilities assumed (exclusive of inventory, properties, goodwill, pension and other post-retirement liabilities)	$ (511,576)
Properties	512,592
Inventories	94,243
Customer contracts and relationships	75,000
Patents and proprietary technology	20,000
Restricted stock issuance	8,762
Pension and other post-retirement liabilities	(71,235)
Assumed merger-related liabilities	(55,865)
Goodwill	408,840
Estimated total purchase price, excluding assumed debt	$ 480,761

The amortization of the identifiable intangible assets (customer contracts, patents and proprietary technology) is reflected as a pro forma adjustment to the unaudited condensed pro forma combined statement of operations. The combined company expects to amortize the estimated fair value of the identifiable intangibles of approximately $95 million on a straight-line basis over an estimated useful life of ten years. In addition, the combined company expects to amortize the estimated increase of $102 million in the fair value of properties on a straight-line basis over an estimated useful life of approximately eleven years. The net effect of this increased amortization and depreciation of $18.5 million is reflected on the unaudited condensed pro forma combined statement of operations as an increase in cost of goods sold.

3.

Pro Forma Adjustments

The unaudited condensed pro forma combined financial statements give effect to the transactions described in note 2, as if they had occurred on December 31, 2002 for purposes of the unaudited condensed pro forma combined balance sheet and January 1, 2002 for purposes of the unaudited condensed pro forma combined statement of operations. The unaudited condensed pro forma combined statement of operations does not include any material non-recurring charges that will arise as a result of the transaction described in note 2. Adjustments in the unaudited condensed pro forma combined financial statements are as follows:

A Riverwood sells CUK folding boxboard to Graphic for use in certain cartons manufactured by Graphic. This pro forma adjustment eliminates the intercompany sales and cost of goods sold (both $52.9 million) and receivable/payable related to this activity.

B To reflect preliminary purchase accounting, as discussed in note 2 above including the resulting additional amortization and depreciation of intangible assets and properties.

C The combined company intends to refinance the existing bank financing of RIC and GPC and to tender for the existing senior and senior subordinated notes of RIC and GPC, as follows (in thousands):

		Existing Combined Debt at December 31, 2002		Refinanced Pro Forma Combined Debt at December 31, 2002
Bank financing	$	771,849	$	1,349,473
Senior and senior subordinated notes		1,200,000		850,000
Other debt		28,842		28,842
Total	$	2,000,691	$	2,228,315

These pro forma adjustments reflect the refinancing of the combined company's bank financing, senior notes and senior subordinated notes, including the write-off of unamortized debt issuance costs, premiums and other costs from early extinguishment of debt and the recognition of new debt issuance costs related to the refinancing.

The pro forma interest adjustment reflects an average variable interest rate of 4.25% for the combined company's new bank debt and a blended fixed rate of 8.75% on the combined company's new senior and senior subordinated notes. A $^{1}/_{8}$% change in the assumed variable interest rate related to the bank financing, without taking interest rate hedges into account, would change annual pro forma interest expense by approximately $1.6 million. The total blended interest rate on a pro forma basis approximated 6.0% for the year ended December 31, 2002. A $^{1}/_{8}$% change in the assumed blended fixed rate on the combined company's new senior and senior subordinated notes would change pro forma interest expense by approximately $1.1 million.

D To reflect the new equity structure of the combined company, including the following:

- Conversion of $100 million of Graphic's convertible preferred stock into common stock (accordingly there is no preferred stock dividend declared)
- 15.21-to-one stock split of Riverwood's common stock
- Issuance of 2,600,000 shares of common stock under Graphic's long-term incentive plan
- Change in certain Riverwood common shares from redeemable to non-redeemable
- Issuance of one share of combined company common stock for each share of Graphic common stock

Upon completion of the preferred stock conversion and the merger, approximately 204 million fully diluted shares of $0.01 par value of combined company common stock would have been outstanding as of December 31, 2002.

E To provide taxes on pro forma adjustments at a statutory tax rate of 3%. Federal income tax expense at a statutory tax rate of 35% has been fully offset by the utilization of Riverwood net operating loss carryovers and the resultant reduction of Riverwood's deferred tax asset valuation reserve.

F To reflect vesting of certain of Graphic's unearned compensation on the date of merger and issuance of restricted stock to certain Graphic management employees.

4. Unaudited Pro Forma Income Per Share

The following table sets forth the computation of unaudited pro forma basic and diluted income per share before extraordinary item and cumulative effect of change in accounting principle (in thousands, except for per share information):

	Income	Shares	Per share Amount
Income per basic share before extraordinary item and cumulative effect of change in accounting principle	$ 28,577	199,626	$ 0.14
Other dilutive equity securities (stock options and shares exchangeable into common stock)		2,715	
Income per diluted share before extraordinary item and cumulative effect of change in accounting principle	$ 28,577	202,341	$ 0.14

Shares utilized in the calculation of pro forma basic and diluted income per share above give effect to the 15.21 to 1 Riverwood stock split, as follows:

Weighted average Riverwood shares outstanding during the year ended December 31, 2002	7,565
Stock split	15.21
	115,064
Riverwood shares issued in the merger	84,562
	199,626

Other potentially dilutive securities, in thousands, totaling 20,859 in 2002 were excluded from the per share calculations above, because of their anti-dilutive effect. The additional securities consist of stock options.

MANAGEMENT OF THE COMBINED COMPANY FOLLOWING THE MERGER AND OTHER INFORMATION

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMBINED COMPANY

Directors of the Combined Company

In the merger agreement, Riverwood and Graphic have agreed that the combined company's board of directors will consist of nine members following the merger. In addition to Jeffrey H. Coors and Stephen M. Humphrey, the board will consist of two directors nominated by two of Riverwood's current major investors and five combined company independent directors.

The names, ages as of April 1, 2003 and positions of the directors of the combined company following the merger are set forth below.

Name	Age	Position(s) with the Combined Company
Jeffrey H. Coors	58	Executive Chairman
Stephen M. Humphrey	58	President and Chief Executive Officer, Director
Kevin J. Conway	44	Director
G. Andrea Botta	49	Director
John D. Beckett	64	Director
Harold R. Logan, Jr.	58	Director

Name	Age	Position(s) with the Combined Company
John R. Miller	65	Director
Martin D. Walker	70	Director

In addition, a designee who is independent under the NYSE listing standards and has no prior affiliation with the CDR fund or Exor will be selected by the CDR fund, subject to the reasonable approval of the Coors family representative.

Each of these individuals has consented to serve as a director of the combined company if the merger is completed. Mr. Conway has been nominated by the CDR fund, and Mr. Botta has been nominated by Exor, two of Riverwood's largest investors. Messrs. Beckett and Logan are current independent members of Graphic's board, and Messrs. Miller and Walker are current independent members of Riverwood's board.

The following is a brief summary of the background of the nominees, not including the additional designee to be selected by the CDR fund:

Jeffrey H. Coors has been Chairman of Graphic since 2000, and Chief Executive Officer and President of Graphic since its formation in 1992. He has also been President since 1997 and Chairman since 1985 of GPC. Mr. Coors served as Executive Vice President of ACCo from 1991 to 1992 and its President from 1985-1989, as well as at Coors Technology Companies as its President from 1989 to 1992.

Stephen M. Humphrey is the President and Chief Executive Officer and a director of Riverwood, RIC Holding, Inc., or RIC Holding, and RIC. Mr. Humphrey joined RIC in March 1997. From 1994 through 1996, Mr. Humphrey was Chairman, President and Chief Executive Officer of National Gypsum Company, a manufacturer and supplier of building products and services. From 1981 until 1994, Mr. Humphrey was employed by Rockwell International Corporation, a manufacturer of electronic industrial, automotive products, telecommunications systems and defense electronics products and systems, where he held a number of key executive positions.

Kevin J. Conway has served as one of the directors of Riverwood, RIC Holding and RIC since December 1995. Mr. Conway is a principal of CD&R, a New York-based private investment firm, a director of CD&R Investment Associates II, Inc., a Cayman Islands exempted company that is the managing general partner of CD&R Associates V Limited Partnership, a Cayman Islands exempted

limited partnership, or Associates V, the general partner of the CDR fund, a Cayman Islands exempted limited partnership, and a limited partner of Associates V. Mr. Conway is also a director of Covansys, an IT services company. Prior to joining CD&R in 1994, Mr. Conway worked at Goldman, Sachs & Co., an investment banking firm.

G. Andrea Botta has served as one of the directors of Riverwood, RIC Holding and RIC since March 1996. Mr. Botta has been a managing director of Morgan Stanley since September 1999. Previously, he was President of EXOR America, Inc. (formerly IFINT-USA, Inc.) from 1993 until September 5, 1999 and for more than five years prior thereto, Vice President of Acquisitions of IFINT-USA, Inc.

John D. Beckett has been Chairman of the R. W. Beckett Corporation, a manufacturer of components for oil and gas heating appliances, since 1965. From 1965 until 2001, Mr. Beckett also served as its President.

Harold R. Logan, Jr. is a director and Chairman of the Finance Committee of TransMontaigne, Inc., a transporter of refined petroleum products. He was a director, Executive Vice President, and was Chief Financial Officer of TransMontaigne, Inc. from 1995 to 2002. Mr. Logan served as Senior Vice President/Finance and a director of Associated Natural Gas Corporation, a natural gas and crude oil company from 1985 to 1994. He also serves as a director of Suburban Propane Partners, The Houston Exploration Company and Rivington Capital Advisors LLC.

John R. Miller has served as one of the directors of Riverwood, RIC Holding and RIC since June 2002. Effective April 30, 2003, Mr. Miller retired as Chairman, President and Chief Executive Officer of Petroleum Partners, Inc., a provider of outsourcing services to the petroleum industry, a position he held since 2000. He is a director of Cambrex Corporation, a global supplier of goods and services to the life sciences industry, and Eaton Corporation, a global diversified industrial manufacturer. He is a member of the Advisory Board of 5iTech, a company engaged in transplanting technologies from the former Soviet Union to the United States. From 1988 to 2000, he was Chairman and Chief Executive Officer of TBN Holdings Inc., a buyout firm. Mr. Miller formerly served as President and Chief Operating Officer of The Standard Oil Company and Chairman of the Federal Reserve Bank of Cleveland.

Martin D. Walker has served as one of the directors of Riverwood, RIC Holding and RIC since June 2002. Mr. Walker has been a principal of MORWAL Investments, a private Investment Group, since August 1997, and is a director of Comerica, Incorporated, a full line bank with operations in Michigan, California, Florida and Texas; Lexmark International, Inc., a producer of laser and ink jet printers; Textron, Inc., a multi-industry company; The Goodyear Tire & Rubber Company, a tire, chemical and automotive rubber parts company; The Timken Company, a producer of bearings, and ArvinMeritor, Inc., a manufacturer of automotive parts. From October 1998 to June 1999 and September 1986 to December 1996, Mr. Walker served as Chairman and Chief Executive Officer of M. A. Hanna Company, a producer of international specialty chemicals. From October 1998 to December 1999 and December 1996 to June 1997, Mr. Walker served as Chairman of M. A. Hanna Company. From July 1997 to October 1998, Mr. Walker was in retirement.

Following the merger, the combined company will have a classified board of directors consisting of nine members. Three directors will be designated as Class I directors to serve until the 2004 annual meeting of stockholders, three directors will be designated as Class II directors to serve until the 2005 annual meeting of stockholders and three directors will be designated as Class III directors to serve until the 2006 annual meeting of stockholders. Each year thereafter, three directors will be elected for a full term of three years to succeed the directors of the class whose terms expire at that annual meeting.

Before the effective time of the merger, the Coors family stockholders, Exor and the CDR fund will agree on the allocation of the directors to the three classes. Under the stockholders agreement, Jeffrey H. Coors and the nominees of Exor and the CDR fund will be allocated to Class III. See "Material Terms of Related Agreements Stockholders Agreements" on page 80.

Executive Officers of the Combined Company

The names, ages as of April 1, 2003 and positions of the proposed executive officers of the combined company following the merger are set forth below:

Name	Age	Position(s) with the Combined Company
Jeffrey H. Coors	58	Executive Chairman
Stephen M. Humphrey	58	President and Chief Executive Officer, Director
David W. Scheible	46	Executive Vice President of Commercial Operations
Daniel J. Blount	47	Senior Vice President, Integration
Wayne E. Juby	55	Senior Vice President, Human Resources
Steven D. Saucier	49	Senior Vice President, Paperboard Operations

The combined company expects that the positions of Chief Financial Officer and General Counsel of the combined company will be filled by mutual agreement of Riverwood and Graphic before the effective time of the merger.

The following is a brief summary of the background of individuals expected to be executive officers of the combined company following the merger, except for Mr. Humphrey and Mr. Coors, who will also serve as directors and whose backgrounds are summarized above:

David W. Scheible has served as Graphic's Chief Operating Officer since December 1999 and has been Chief Operating Officer of GPC since June 1999. He was President of GPC's Flexible Division from January to June 1999. Before joining GPC, he was affiliated with the Avery Denison Corporation, working most recently as its Vice President and General Manager of the Specialty Tape Division from 1995 through 1998 and Vice President and General Manager of the Automotive Division from 1993 to 1995.

Daniel J. Blount is Senior Vice President and Chief Financial Officer of Riverwood, RIC Holding and RIC, since September 1999. Mr. Blount was named Vice President and Chief Financial Officer of Riverwood, RIC Holding and RIC in September 1998. Prior to joining Riverwood, Mr. Blount spent 13 years at Montgomery Kone, Inc., an elevator, escalator and moving ramp product manufacturer, installer and service provider, most recently as Senior Vice President, Finance.

Wayne E. Juby is Senior Vice President, Human Resources of Riverwood, RIC Holding and RIC, positions he assumed in April 2001. Mr. Juby joined Riverwood in November 2000. From November 2000 until April 2001, Mr. Juby was Director, Corporate Training, of Riverwood. From 1997 until November 2000, Mr. Juby was in retirement. From 1994 until 1996, Mr. Juby was Vice President, Human Resources, of National Gypsum Company.

Steven D. Saucier is currently serving as Senior Vice President, Paperboard Operations of Riverwood. Mr. Saucier joined Riverwood in November 1998. From July 1998 until October 1998, Mr. Saucier was Senior Vice President, Manufacturing, of JPS Packaging, a manufacturer of flexible packaging. From April 1996 until July 1998, Mr. Saucier was Senior Vice President, Supply Chain, of Sealright Co., Inc., a manufacturer of rigid and flexible packaging, and from September 1975 until April 1996, Mr. Saucier was employed by Mobil Corporation, where his last position was General Manager, Manufacturing with Mobil Films division.

EXECUTIVE COMPENSATION RIVERWOOD EXECUTIVE OFFICERS

The following sets forth summary information concerning the compensation paid by Riverwood to Stephen M. Humphrey, Daniel J. Blount and Steven D. Saucier during the last three fiscal years. All of the information below is presented before giving effect to the 15.21-to-one stock split that Riverwood will effect in connection with the merger.

Management Compensation Summary

		Annual Compensation			Long-Term Compensation Awards		
Name	**Year**	**Salary $**	**Bonus $**	**(2) Other Annual Compensation**	**(8) Restricted Stock Units**	**Secruities Underlying Stock Options**	**(9) All Other Compensation**
Stephen M. Humphrey	2002	$ 879,000	$ 478,890	$ 206,960[3]	$	450,000	$
President and Chief	2001	807,667		282,535[4]			
Executive Officer	2000	766,000	350,000	284,040[5]			
Daniel J. Blount	2002	$ 300,000	$ 213,444	$	$ 216,000	17,136	$
Sr. Vice President and	2001	262,583					
Chief Financial Officer	2000	239,000	130,000				
Steven D. Saucier	2002	$ 350,000	$ 340,684[1]	$	$ 144,000	27,750	$ 8,359
Sr. Vice President,	2001	270,917		67,841[6]			5,100
Paperboard Operations	2000	246,083	200,000	20,043[7]			5,100

(1) Includes special retention bonus of $150,000.

(2) Except as otherwise noted, amounts consist of certain taxable perquisites the value of none of which exceeded 25% of the total value of the perquisites provided.

(3) Includes $10,460 of perquisites. Also includes $196,500, which is the amount of interest that would have been paid on a $5,000,000 non-interest bearing loan made by Riverwood to the named executive officer had such loan borne interest at 3.93% per annum, the applicable federal rate at time such loan was extended.

(4) Includes $9,685 of perquisites. Also includes $272,850, which is the amount of interest that would have been paid on a $5,000,000 non-interest bearing loan made by Riverwood to the named executive officer had such loan borne interest at 5.49% per annum through December 18, 2001 and 3.93% per annum from December 19, 2001, the applicable federal rates at the time such loan was made and extended, respectively.

(5) Includes $9,540 of perquisites. Also includes $274,500 which is the amount of interest that would have been paid by the named executive officer on a $5,000,000 non-interest bearing loan made by Riverwood to the named executive officer had such loan borne interest at 5.49% per annum, the applicable federal rate at the time such loan was made.

(6)

Includes $7,841 of perquisites. Also, includes $60,000 of income attributable to the purchase of shares below the estimated fair market value of Riverwood common stock.

(7)
Includes $5,043 of perquisites of which $100 consisted of tax reimbursements paid in respect of certain taxable perquisites. Also, includes $15,000 of income attributable to the purchase of shares below the estimated fair market value of Riverwood common stock.

(8)
The value of the restricted stock units equals the number of such units granted times the price of the stock ($120) on January 1, 2002, the date of grant. The restricted stock units will vest on the second anniversary of the date of grant, subject to the named executive officer's continuous employment. No dividends will be payable with respect to the restricted stock units.

(9)
Amounts consist of Riverwood contributions on behalf of the named executive officers to Riverwood's savings plan.

Options Granted in Last Fiscal Year

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share ($/Share)	Expiration Date	(4) Grant Date Value
Stephen M. Humphrey	150,000(1)	22.5%	$ 120	January 1, 2012	$ 5,392,500
	150,000(2)	22.5%	$ 120	January 1, 2012	$ 5,888,363
	150,000(3)	22.5%	$ 120	January 1, 2012	$ 316,420
Daniel J. Blount	17,136(1)	2.6%	$ 120	March 31, 2012	$ 616,039
Steven D. Saucier	27,750(1)	4.1%	$ 120	March 31, 2012	$ 997,613

(1)
Service options granted under Riverwood's 2002 stock incentive plan will vest as to one-third on the second anniversary of the grant date and the remaining two-thirds on the third anniversary of the grant date, subject to the named executive officer's continuous employment.

(2)
Subject to the named executive's continuous employment, up to one-third of the performance Options granted under Riverwood's 2002 stock incentive plan become vested on each of the first three anniversaries of the grant date if Riverwood achieves certain EBITDA results for the fiscal year ending immediately prior to such anniversary date. Performance options that have not become vested in accordance with the foregoing vesting schedule become vested on the third anniversary of the grant date if Riverwood has achieved 100% of the cumulative three-year EBITDA target for the three fiscal years ending December 31, 2004. Any performance options that do not become vested will vest nine years and six months following the grant date.

(3)
Subject to the named executive's continuous employment, the special performance options granted under Riverwood's 2002 stock incentive plan will vest upon the earlier of (a) the occurrence prior to the third anniversary of the grant date of a change in control of Riverwood, and (b) the nine year and six month anniversary of the grant date.

(4)
The dollar amounts set forth under this heading are based on an economic option-pricing model commonly used to value option grants on the basis of certain assumptions. An economic option-pricing model will produce different results depending on the assumptions made, and the values shown above are merely good faith estimates of the present value of the option grants. Because one of the assumptions in the model is the future volatility in the value of the common stock, the actual preset value of such option grants cannot be determined.

Aggregated Option Exercises and Fiscal Year-end Option Value Table

The following table sets forth information for Messrs. Humphrey, Blount and Saucier, each a named executive officer of Riverwood with regard to stock option exercises during 2002 and the aggregate value of options held at December 31, 2002.

Name	Shares acquired On exercise (#)	Value Realized ($)	Number of securities underlying unexercised options/SARs at fiscal year-end Exercisable/ Unexercisable	Value of unexercised in-the-money options/SARs at fiscal year-end ($) Exercisable/ Unexercisable (1)
Stephen M. Humphrey			247,390 / 502,610	$ 10,281,500 / $1,256,110
Daniel J. Blount			6,323 / 25,813	$ 126,460 / $ 173,540
Steven D. Saucier			10,842 / 42,575	$ 216,840 / $ 296,500

(1) The dollar amounts set forth under this heading are calculated based on a price per share of Riverwood common stock of $120, the estimated fair market value of Riverwood common stock as of December 31, 2002 as determined considering a wide variety of factors including a valuation report from an independent outside firm and approved by the executive committee of Riverwood's board of directors, minus the exercise price for such options. Notwithstanding the foregoing, Riverwood has guaranteed, by a separate action of the board of directors, that the price per share of its common stock shall be deemed to equal at least $120 upon exercise of the options granted under the 1996 stock incentive plan and the 1999 supplemental long-term incentive plan. Riverwood anticipates, however, that the board of directors and each of the named executive officers will agree prior to the merger that this guarantee shall cease upon completion of the merger.

Pension Plan

All U.S. salaried employees of Riverwood who satisfy the service eligibility criteria are participants in the Riverwood International Employees Retirement Plan, or the retirement plan. Pension benefits under the retirement plan are limited in accordance with the provisions of the Code governing tax qualified pension plans. Riverwood has adopted a Supplemental Pension Plan, or the supplemental plan and, together with the retirement plan, the pension plans, that provides for payment to participants of the retirement benefits equal to the excess of the benefits that would have been earned by each such participant had the limitations of the Code not applied to the retirement plan and the amount actually earned by such participant under the retirement plan. Each of the named executive officers (other than Mr. Spiller who has not yet satisfied the applicable service criteria) is eligible to participate in the pension plans. Benefits under the supplemental plan are not pre-funded; such benefits are paid by Riverwood or through the retirement plan through a qualified supplemental employees retirement plan. The Pension Plan Table below sets forth the estimated annual benefits payable upon retirement, including amounts attributable to the supplemental plan, for specified remuneration levels and years of service.

Pension Plan Table

	Years of Service						
Remuneration	5	10	15	20	25	30	35
$ 125,000	$ 8,043	$ 16,086	$ 24,129	$ 32,172	$ 40,215	$ 48,258	$ 56,301
150,000	9,793	19,586	29,379	39,172	48,965	58,758	68,551
175,000	11,543	23,086	34,629	46,172	57,715	69,258	80,801
200,000	13,293	26,586	39,879	53,172	66,465	79,758	93,051
225,000	15,043	30,086	45,129	60,172	75,215	90,258	105,301

	Years of Service						
250,000	16,793	33,586	50,379	67,172	83,965	100,758	117,551
300,000	20,293	40,586	60,879	81,172	101,465	121,758	142,051
400,000	27,293	54,586	81,879	109,172	136,465	163,758	191,051
450,000	30,793	61,586	92,379	123,172	153,965	184,758	215,551
500,000	34,293	68,586	102,879	137,172	171,465	205,758	240,051
600,000	41,293	82,586	123,879	165,172	206,465	247,758	289,051
700,000	48,293	96,586	144,879	193,172	241,465	289,758	338,051
800,000	55,293	110,586	165,879	221,172	276,465	331,758	387,051
900,000	62,293	124,586	186,879	249,172	311,465	373,758	436,051
1,000,000	69,293	138,586	207,879	277,172	346,465	415,758	485,051
1,100,000	76,293	152,586	228,879	305,172	381,465	457,758	534,051

(A)

Had the named executive officers in the Summary Compensation Table retired as of December 31, 2002, their respective five-year average salaries, plus bonuses, for purposes of the table set forth above, would have been as follows: Daniel J. Blount, $333,869; Stephen M. Humphrey, $1,035,508; and Steven D. Saucier, $344,598.

(B)

On December 31, 2002, the named executive officers in the Summary Compensation Table had the following years of credited service under the retirement plan: Daniel J. Blount, 5; Stephen M. Humphrey, 6; and Steven D. Saucier, 4.

(C)

Salary as defined in the retirement plan includes payment under the annual incentive compensation plan but excludes payments under any equity incentive plan of Riverwood or predecessor company. Estimated benefits have been calculated on the basis of a straight-life annuity form of payment.

Equity Compensation Plan Information

The following table sets forth information as of the end of Riverwood's 2002 fiscal year with respect to compensation plans under which equity securities of Riverwood are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by the Riverwood's stock holders	1,108,918	$106	604,061(1)
Equity compensation plans not approved by the Riverwood's stock holders	0	N/A	0
Total	1,108,918	$106	604,061

(1)
Includes 15,544 shares that may be issued in respect of incentive stock units awarded under the 1999 supplemental long-term incentive plan and 13,700 shares that may be issued in respect of restricted stock units awarded under the 2002 stock incentive plan.

157

Riverwood Compensation Committee Interlocks

During fiscal year 2002, Messrs. Hendrix, Ames, Botta and Cribiore served on the compensation and benefits committee of the Riverwood board. Mr. Ames is a principal of CD&R. Mr. Hendrix, one of the two CDR fund-nominated directors, was a principal of CD&R until 2000. CD&R received an annual fee of $470,000 in 2002 for advisory, management, consulting and monitoring services from Riverwood. Riverwood, RIC Holding and RIC have also agreed to indemnify the members of the boards employed by CD&R and CD&R against liabilities incurred under securities laws with respect to their services for Riverwood, RIC Holding and RIC.

Messrs. Hendrix and Cribiore are the CDR fund-nominated directors on the compensation and benefits committees of Riverwood, RIC Holding and RIC.

158

EXECUTIVE COMPENSATION GRAPHIC EXECUTIVE OFFICERS

The following sets forth summary information concerning the compensation paid by Graphic to Jeffrey H. Coors and David W. Scheible during the last three fiscal years.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards		
Name and Principal Position	Year	Salary ($)	(1) Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award(s) $(2)	Securities Underlying Options/ SARs (#)	All Other Compensation ($) (3)
Jeffrey H. Coors	2002	$ 530,000	$ 484,000	(4)	$ 529,999	0	$ 18,022
President, and Chief Executive	2001	$ 530,000	$ 670,500	(4)	0	0	$ 15,435
Officer	2000	$ 526,670	0	(4)	0	300,000	$ 13,693
David W. Scheible	2002	$ 393,330	$ 304,400	$ 43,500(5)	$ 400,001	0	$ 8,188
Chief Operating Officer	2001	$ 350,000	$ 414,000	$ 43,500(5)	0	0	$ 7,708
	2000	$ 300,000	0	$ 43,500(5)	0	250,000	$ 7,375

(1)
Bonuses shown are the total bonuses for the years shown and are paid 100 percent in cash except where executives elect to defer a portion of the bonus into either the fixed rate fund or the stock units fund as described in Graphic's Compensation Committee's Report.

(2)
Restricted stock awards were made on December 10, 2002, and the awards will vest in three equal annual increments beginning on December 10, 2003. The awards are subject to stockholder approval at Graphic's annual meeting of stockholders, which will take place on May 13, 2003. The number of shares of restricted stock granted was as follows: Jeffrey H. Coors 86,885 and David W. Scheible 65,574. On October 1, 1994, 121,343 stock units were granted to Jeffrey H. Coors in an amount approximately equal to Graphic's liability as of January 1, 1994 for the benefit due Jeffrey H. Coors under a salary continuation agreement. The stock units replace a cash liability of Graphic and tie his post-retirement benefit to stock value. The stock units are payable in full upon retirement at age 60 or after. The stock units are 50 percent vested at age 50 with 10 years of service, and the remaining 50 percent vests in 5 percent increments between ages 51 and 60. 85 percent of the units were vested at year-end 2002. The market value at year-end 2002 was $594,095.

(3)

All Other Compensation includes the value of term life insurance benefiting the executive and Graphic's contribution to the 401(k) Plan. For 2002, the value of term life insurance benefits and Graphic's 401(k) contributions, respectively, were as follows: Jeffrey H. Coors $11,422 and $6,600; David W. Scheible $1,588 and $6,600.

(4)

Amounts paid were less than the lesser of $50,000 or 10% of total annual salary and bonus.

(5)

Amounts shown include an annual perquisite and annual car allowance as follows: David W. Scheible perquisite ($28,500) and car allowance of ($15,000).

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

Name	Shares Acquired On Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at 12/31/02 (#)		Value of Unexercised In-The-Money Options/SARs at 12/31/02 ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jeffrey H. Coors			929,617	673,872		$ 1,260,000
David W. Scheible			125,000	288,710		$ 1,050,000

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by stockholders (1)	6,053,347(2)	$ 5.98	2,935,002(3)
Equity compensation plans not approved by stockholders	0	0	0
Total	6,053,347	$ 5.98	2,935,002

(1)

The following equity compensation plans or arrangements have been approved by the Graphic's stockholders: Phantom Equity Plan; ACX Technologies, Inc. Salary Continuation Agreement, as amended; Graphic Packaging Deferred Compensation Plan; Graphic Packaging Equity Incentive Plan; and the Equity Compensation Plan for Non-Employee Directors.

(2)

The breakdown per plan is as follows: Phantom Equity Plan, 58,651 shares; ACX Technologies, Inc. Salary Continuation Agreement, as amended, 121,343 shares; Graphic Packaging Deferred Compensation Plan, 105,825 shares; Graphic Packaging Equity Incentive Plan, 5,729,180 shares; Equity Compensation Plan for Non-Employee Directors, 38,348 shares.

(3)

No securities remain available for future issuance under the Phantom Equity Plan, pursuant to which phantom stock units and phantom stock appreciation units were granted, and under the ACX Technologies, Inc. Salary Continuation Agreement, as amended stock units and non-qualified stock options were granted, and under the Graphic Packaging Deferred Compensation Plan pursuant to which stock units were granted. 2,782,000 shares remain available for future issuance under the Graphic Packaging Equity Incentive Plan, pursuant to which non-qualified stock options and restricted stock awards are granted. The number of shares available for award under the Graphic Packaging Equity Incentive Plan is increased annually by 2 percent of the Graphic outstanding shares on each December 31. 153,002 shares remain available for future issuance under the Equity Compensation Plan for Non-Employee Directors, pursuant to which non-qualified stock options are granted.

Pension Plan Table

The estimated total annual retirement benefits payable by Graphic under the defined benefit plan in which Mr. Coors and Mr. Scheible participate are set forth in the table below. The table illustrates benefits accrued through fiscal year 2002 and includes years of service and compensation earned while employed by ACCo, the former parent of Graphic.

	Years of Service				
Remuneration	**15**	**20**	**25**	**30**	**35**
$125,000	$ 31,875	$ 42,813	$ 53,750	$ 64,688	$ 72,500
$150,000	$ 38,250	$ 51,375	$ 64.500	$ 77,625	$ 87,000
$175,000	$ 44,625	$ 59,938	$ 75,250	$ 90,563	$ 101,500
$200,000	$ 51,000	$ 68,500	$ 86,000	$ 103,500	$ 116,000
$225,000	$ 57,375	$ 77,063	$ 96,750	$ 116,438	$ 130,500
$250,000	$ 63,750	$ 85,625	$ 107,500	$ 129,375	$ 145,000
$275,000	$ 70,125	$ 94,188	$ 118,250	$ 142,313	$ 159,500
$300,000	$ 76,500	$ 102,750	$ 129,000	$ 155,250	$ 174,000
$325,000	$ 82,875	$ 111,313	$ 139,750	$ 168,188	$ 188,500
$350,000	$ 89,250	$ 119,875	$ 150,500	$ 181,125	$ 203,000
$375,000	$ 95,625	$ 128,438	$ 161,250	$ 194,063	$ 217,500
$400,000	$ 102,000	$ 137,000	$ 172,000	$ 207,000	$ 232,000
$425,000	$ 108,375	$ 145,463	$ 182,750	$ 219,938	$ 246,500
$450,000	$ 114,750	$ 154,125	$ 193,500	$ 232,875	$ 261,000
$475,000	$ 121,125	$ 162,688	$ 204,250	$ 234,813	$ 275,500
$500,000	$ 127,500	$ 171,250	$ 215,000	$ 258,750	$ 290,000
$525,000	$ 133,875	$ 179,813	$ 225,750	$ 271,688	$ 304,500
$550,000	$ 140,250	$ 188,375	$ 236,500	$ 284,625	$ 319,000
$575,000	$ 146,625	$ 196,938	$ 247,250	$ 297,563	$ 333,500

Maximum permissible benefit under ERISA from the qualified retirement plan for 2002 was $160,000. In addition, the maximum compensation for 2002 which may be used in determining benefits from the qualified retirement plan is $200,000. Graphic has a non-qualified supplemental retirement plan which provides the benefits which are not payable from the qualified retirement plan because of the limitations. The amounts shown in this table include the benefits payable under the non-qualified supplemental retirement plan. The benefit is computed on the basis of a straight life annuity and is subject to a reduction to reflect, in part, the payment of Social Security benefits.

The compensation covered by the retirement plan is salary only and does not include any of the other compensation items shown on the Summary Compensation Table above. The salary used to compute benefits is the average highest salary amount over a 36 consecutive month period in the last ten years. As of fiscal year-end 2002, average annual compensation covered by the retirement plan and credited years of service with Graphic, including previous compensation and years of service with ACCo and its subsidiaries, for the named executives are as follows: Jeffrey H. Coors $528,893 and 35 years; David W. Scheible $345,556 and 4 years.

Graphic Compensation Committee Interlocks

During 2002, Graphic directors John Hoyt Stookey and James K. Peterson served on the Graphic compensation committee. There were no compensation committee interlocks during 2002.

COMPENSATION OF DIRECTORS

Each director who is not an officer or employee of the combined company will receive an annual retainer fee of $30,000, payable in quarterly installments. In addition, each non-employee director will receive $1,500 per board meeting attended. Committee chairmen will receive a further retainer fee of $5,000. Seventy-five percent of the annual retainer fee and of any committee chairman retainer fee will be paid in the form of restricted stock, valued on the date of the grant, that will vest upon the second anniversary of the grant date. At the director's option, the remainder of the annual retainer fee and any committee chairman retainer fee may also be paid in the form of restricted stock. Non-employee directors will have the option to defer all or part of the cash compensation payable to them. See "Stock Plans Directors Stock Incentive Plan" on page 169.

Directors who are officers or employees of the combined company will not receive any additional compensation for serving as a director. Pursuant to the terms of his employment with CD&R, Mr. Conway has assigned the right to receive compensation for his service as a director to

CD&R. The combined company will reimburse all directors for reasonable and necessary expenses they incur in performing their duties as directors.

BOARD COMMITTEES

Following the merger, the committees of the combined company will consist of an audit committee, a compensation and benefits committee and a nominating and corporate governance committee. The combined company's board of directors may from time to time establish other committees to facilitate the management of the combined company.

Audit Committee

The audit committee of the combined company will consist of Harold R. Logan, Jr., John R. Miller and the additional designee to the board of directors to be selected by the CDR fund prior to the completion of the merger, as the chair. All members of the audit committee will be combined

company independent directors. The audit committee will report on its activities to the board of directors and will be responsible for, among other things:

- overseeing and ensuring compliance with the combined company's accounting and financial reporting principles and policies and internal controls and procedures;
- monitoring the integrity of the combined company's financial statements;
- selecting, evaluating and, when deemed appropriate, replacing the independent auditors (or nominating independent auditors to be proposed for stockholder approval in any proxy statement); and
- evaluating the independence of the independent auditors.

The combined company will have at least one financial expert serving on its audit committee.

Compensation and Benefits Committee

The compensation and benefits committee of the combined company will consist of Kevin J. Conway, Martin D. Walker and John D. Beckett as the chair. The compensation and benefits committee will oversee the compensation and benefits of the combined company's management and employees and will be responsible for, among other things:

- reviewing and making recommendations as to the compensation of the combined company's president and chief executive officer, the four other most highly compensated executive officers and any other individuals whose compensation the compensation and organization committee anticipates may become subject to Section 162(m) of the Code;
- approving any awards of stock or options to those of the combined company's directors who are employees of the combined company and to other individuals who are "officers" of the combined company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended; and
- administering certain elements of the annual performance incentive plan (described below).

Nominating and Corporate Governance Committee

The nominating and corporate governance committee of the combined company will consist of John D. Beckett, G. Andrea Botta, Kevin J. Conway, Jeffrey H. Coors and John R. Miller as the chair. The nominating and governance committee will be responsible for, among other things:

- identifying qualified individuals for nomination to the combined company's board of directors; and
- developing and recommending a set of corporate governance principles to the combined company's board of directors.

EMPLOYMENT AGREEMENTS

New Employment Agreement with Stephen M. Humphrey

Riverwood has entered into a new employment agreement, dated March 25, 2003, with Stephen M. Humphrey, the current President and Chief Executive Officer of RIC, and a director of RIC and Riverwood. Upon completion of the merger, this agreement will replace Mr. Humphrey's current employment agreement, dated January 1, 2002, with RIC and Riverwood.

The term of Mr. Humphrey's new employment agreement begins upon the completion of the merger and ends on March 31, 2007. Pursuant to this new agreement, Mr. Humphrey will continue to serve as the President and Chief Executive Officer of RIC and the combined company.

Pursuant to this new agreement, Mr. Humphrey's base salary will be $950,000 beginning on April 1, 2003 and ending on March 31, 2004, and shall increase to $1,000,000 thereafter. During the employment term, Mr. Humphrey will also be eligible for an annual target bonus of 100% of base salary (with a maximum annual bonus opportunity equal to 200% of base salary) and welfare benefits including life, medical, dental, accidental death and dismemberment, business travel accident, prescription drug and disability insurance. Mr. Humphrey will be eligible to participate in all of the profit sharing, pension, retirement, deferred compensation and savings plans applicable to the combined company's senior executives.

If Mr. Humphrey's employment is terminated without cause or he terminates his employment for good reason, RIC will pay Mr. Humphrey (in addition to accrued amounts) the following severance benefits:

- base salary for the remainder of the employment term or for three years, whichever is shorter;
- a pro rata bonus for the year in which employment is terminated, provided that applicable performance objectives have been achieved;
- continued life, medical, dental, accidental death and dismemberment and prescription drug benefits for as long as base salary is paid; and
- reimbursement for outplacement and career counseling services in an amount not to exceed the lesser of $25,000 or 20% of base salary.

For purposes of this agreement, a termination for "good reason" is a termination by Mr. Humphrey of his employment within thirty days following:

- the assignment of duties that are significantly different from and that result in a substantial diminution of his duties at the commencement of the employment term;

- the failure of RIC to require a successor to assume the agreement;
- a reduction in his base salary; or
- a breach by RIC of any of its obligations under the agreement or a breach by the combined company of any of its obligations under the option agreement with Mr. Humphrey or any other incentive award agreement granted to Mr. Humphrey.

Upon his retirement, Mr. Humphrey will receive a supplemental retirement benefit equal to the difference between the benefits provided under the Riverwood International Employees Retirement Plan and Supplemental Pension Plan and the benefits he would receive under such plans if he had ten years of service with Riverwood. Mr. Humphrey will not receive this benefit if his employment is terminated due to death, disability, or cause or if he terminates his employment not for good reason or retires prior to the end of the employment term.

The new agreement also amends the vesting schedule of special performance options granted to Mr. Humphrey under the Management Stock Option Agreement, dated as of January 1, 2002 between Mr. Humphrey and Riverwood. Pursuant to the terms of the new employment agreement, the special performance options granted under the option agreement shall vest one-third on the effective time of the merger, one-third on the second anniversary of the consummation of the merger, and one-third on the third anniversary of the effective time of the merger.

Pursuant to the terms of his new employment agreement, 75,000 of the unvested performance options granted to Mr. Humphrey under Riverwood stock incentive plans will be exchanged for 15,000

new stock options and 22,500 restricted units. These options and restricted units, as well as the other unvested performance options held by Mr. Humphrey, will vest one-third on each of the first three anniversaries of the merger.

Other Employment Agreements

Messrs. Blount and Saucier also have employment agreements with Riverwood. The agreements with Messrs. Blount and Saucier entered into as of September 1, 1998 and November 1, 1998, respectively, have an initial three year term that automatically extends for additional one-year periods following the expiration of the initial term. The agreements provide for minimum base salaries of at least $200,000 and $225,000, for each of Messrs. Blount and Saucier, respectively, and for bonuses and other benefits set forth in the Summary Compensation Table. In the event of termination of employment by us without cause or by the executive for good reason (in each case as defined in the respective employment agreement), the agreements provide for severance of a pro-rata incentive bonus for the year in which termination of employment occurs, and base salary and continued welfare benefits for the longer of the remainder of the employment term, one year or one month for each full year of service. The agreements also contain certain non-competition and non-solicitation provisions.

New Employment Agreements with Jeffrey H. Coors and David W. Scheible

Jeffrey H. Coors and David W. Scheible have employment agreements with Graphic. The combined company will succeed to the rights and obligations of Graphic under these employment agreements following the effective time of the merger. For a description of the terms of these agreements, see "Interests of Certain Persons in the Merger New Employment Agreements with Jeffrey H. Coors and David W. Scheible" on page 64.

STOCK PLANS

2003 Long-Term Incentive Plan

Establishment of 2003 LTIP. Effective March 25, 2003, Riverwood established the 2003 Riverwood Holding, Inc. Long-Term Incentive Plan, or the 2003 LTIP. The 2003 LTIP will provide for the award to eligible participants of (1) stock options, including incentive stock options (within the meaning of Section 422 of the Code); (2) restricted stock and restricted units; (3) stock appreciation rights; (4) incentive stock and incentive units; and (5) deferred shares and supplemental units. Any issuance of (1) options to purchase stock in the combined company or (2) restricted stock in the combined company to Mr. Coors or Mr. Scheible pursuant to their employment agreements, as described in "Interests of Certain Persons in the Merger New Employment Agreements with Jeffrey H. Coors and David W. Scheible" on page 64, will be issued under the 2003 LTIP.

Eligibility. Awards may be made to any director, officer or employee of Riverwood or the combined company, including any prospective employee, and to any consultant or advisor to Riverwood or the combined company selected by the compensation and benefits committee. The number of employees participating in the 2003 LTIP will vary from year to year.

Shares Subject to the 2003 LTIP. A total of 100,000 shares (before giving effect to Riverwood's anticipated stock split) of common stock will be authorized to be issued under the 2003 LTIP. If shares subject to an award under the 2003 LTIP or the 1996 stock incentive plan, the 1999 LTIP or the 2002 stock incentive plan, or collectively, the prior plans, cease to be subject to such award as a result of forfeiture or cancellation, or if an award under the 2003 LTIP or the prior plans otherwise terminates without a payment being made to the participant in the form of common stock, the shares subject to such awards will again be available for future awards under the 2003 LTIP. The total number of shares issued under the 2003 LTIP will include shares received by Riverwood or the combined company in connection with the exercise of any award granted under the 2003 LTIP or prior plans. Only the net

number of shares actually issued under the 2003 LTIP shall count against the limitation of shares that may be issued thereunder. If there is a change in the number or kind of outstanding shares of common stock by reason of any recapitalization, reorganization, merger, consolidation, stock split or any similar change affecting the common stock, the compensation and benefits committee may make appropriate adjustments to the type and number of shares covered by options and other awards then outstanding under the 2003 LTIP, the exercise price of outstanding options and the shares that remain available for award under the plan.

Limitations on Awards. The maximum number of shares of common stock with respect to which options may be granted to any one person in 2003 is 1,000,000 and, in each fiscal year that follows, is 110% of the maximum number of shares applicable for the preceding fiscal year.

Administration. The 2003 LTIP will be administered by the compensation and benefits committee, which may delegate its authority except to the extent that it relates to the compensation of our Chief Executive Officer, our four other most highly compensated executive officers or any other individual whose compensation the board of directors or compensation and benefits committee believes may become subject to Section 162(m) of the Code. The compensation and benefits committee will have the authority to construe, interpret and implement the 2003 LTIP and any agreements evidencing any awards under the plan, and to prescribe, amend and rescind rules and regulations relating to the 2003 LTIP. However, the committee may not take any steps that would have the effect of disqualifying the plan under section 422 of the Code. The determination of the compensation and benefits committee on all matters relating to the 2003 LTIP or any award agreement will be final and binding.

Stock Options. The compensation and benefits committee may grant options to purchase shares of common stock that are either "qualified," which are those awards that satisfy the requirements of Section 422 of the Code for incentive stock options, or "nonqualified," which are those awards that are not intended to satisfy the requirements of Section 422 of the Code. Under the terms of the 2003 LTIP, the exercise price of the options will, unless the compensation and benefits committee determines otherwise, not be less than the closing price of the common stock on the date of grant. The exercise price of the option is payable in cash or its equivalent or, as permitted by the compensation and benefits committee, by exchanging shares of common stock owned by the participant, or by a combination of the foregoing.

The options will generally have a term of ten years, unless the compensation and benefits committee specifies a shorter term, and, will become exercisable in accordance with the vesting schedule determined by the committee. An option holder who ceases employment with Riverwood or the combined company as a result of the holder's (1) death, (2) disability, (3) early retirement (with the consent of the compensation and benefits committee) or (4) normal retirement, the option holder (or his or her beneficiary or legal representative) may exercise any option, regardless of whether then vested, for a period of one year (or such greater or lesser period as determined by the compensation and benefits committee at or after grant), but in no event after the date the option otherwise expires. If an option holder's employment is terminated for any other reason other than cause (as defined in the 2003 LTIP), the option holder may exercise any vested option for a period of 30 days after the date of termination, but in no event after the date the option otherwise expires, and all unvested options will be terminated as of the date of termination. If an option holder's employment is terminated for cause, all options held by the option holder, whether or not vested, will terminate and be canceled as of the date of termination.

Restricted Stock and Restricted Units. The compensation and benefits committee may award restricted stock and restricted units. For purposes of the 2003 LTIP, restricted stock is an award of common stock and a restricted unit is a contractual right to receive common stock (or cash based on the closing price of common stock). These awards will be subject to such terms and conditions, if any, as the compensation and benefits committee deems appropriate. Unless otherwise determined by the compensation and benefits committee, participants will be entitled to receive either currently or at a future date, dividends or other distributions paid with respect to restricted stock and, if and to the extent determined by the compensation and benefits committee, either will be credited with or receive currently an amount equal to dividends paid with respect to the corresponding number of shares covered by restricted units. Restricted stock and restricted units will generally become vested and nonforfeitable and the restriction period will lapse pro rata in accordance with the vesting schedule determined by the committee. If a participant's employment terminates because of death, disability, early retirement (with the compensation and benefits committee's consent) or normal retirement during the period in which the transfer of shares is restricted the restricted stock or restricted units will become vested and nonforfeitable as to that percentage of the shares based upon the days worked as a percentage of total days in the restricted period (or such greater percentage as the compensation and benefits committee may determine). Unless otherwise determined by the compensation and benefits committee, if a participant terminates employment during the restriction period for any reason other than death, disability, early retirement or normal retirement, any restricted stock or restricted units will be forfeited and cancelled as of the date of termination. When restricted units become vested, a participant will receive one share of common stock for each restricted unit held by the participant or, if the compensation and benefits committee so determines, the participant may be paid the closing price of the shares underlying the restricted units as of the payment date.

Incentive Stock and Incentive Units. The compensation and benefits committee may also award incentive stock and incentive units. For purposes of the 2003 LTIP, incentive stock is an award of common stock and an incentive unit is a contractual right to receive common stock (or cash based on fair market value of common stock). These awards will be contingent upon the attainment, in whole or in part, of certain performance objectives over a period to be determined by the compensation and benefits committee including: (i) EBITDA, (ii) return on stockholders equity; (iii) return on the Riverwood or the combined company assets; (iv) increase in Riverwood or the combined company earnings; (v) sales growth; (vi) relative performance versus a peer group of companies; (vii) diversity factors; and (viii) safety performance. With regard to a particular performance period, the compensation and benefits committee will have the discretion, subject to the 2003 LTIP's terms, to determine the terms and conditions of awards, including the performance objectives to be achieved during the performance measurement period and the determination of whether and to what degree the specified objectives have been attained. Unless otherwise determined by the compensation and benefits committee, participants will be entitled to receive, either currently or at a future date, all dividends and other distributions paid with respect to the incentive stock and, if and to the extent determined by the compensation and benefits committee, either to be credited with or receive currently an amount equal to dividends paid with respect to the corresponding number of shares covered by the incentive units. If a participant's employment terminates because of death, disability, early retirement (with the compensation and benefits committee's consent) or normal retirement during the performance measurement period, an award of incentive stock or incentive units will become vested and nonforfeitable as to that percentage of the award that would have been earned based on the attainment of performance objectives for the days worked as a percentage of total days in the performance period (or such greater percentage as the compensation and benefits committee may determine). Unless the compensation and benefits committee determines otherwise, any incentive stock or incentive unit award will be forfeited in the event of any other termination of employment by a participant. When incentive units become vested, a participant will receive one share of common stock for each incentive unit held

by the participant or, if the compensation and benefits committee so determines, the participant may be paid the closing price of the shares underlying the restricted units as of the payment date.

Stock Appreciation Rights. The compensation and benefits committee may award stock appreciation rights under the 2003 LTIP. Stock appreciation rights may be granted alone or together with an option. Unless otherwise determined by the compensation and benefits committee, a stock appreciation right granted together with an option will have terms that are substantially identical to the option, to the extent applicable. Similarly and to the extent applicable, a stock appreciation right granted alone will have terms that are substantially identical to the options that are granted under the 2003 LTIP, to the extent applicable. Upon exercise of a stock appreciation right, the holder will be entitled to receive payment determined by multiplying (1) the excess of the closing price of a share of common stock on the date of exercise over the closing price of a share of common stock on the date of grant and (2) the number of shares of common stock with respect to which stock appreciation rights are exercised. Payments in respect of the exercise of a stock appreciation right may be made in cash, common stock or a combination of cash and common stock, as determined by the compensation and benefits committee.

Deferred Stock and Supplemental Units. The compensation and benefits committee may award deferred shares, which confer upon a participant the right to receive shares of common stock at the end of a specified deferral period. To the extent determined by the compensation and benefits committee, and upon such terms and conditions as the compensation and benefits committee may determine, a participant may also elect to defer all or a portion of his annual compensation and/or incentive bonus and receive in lieu of such payments deferred shares equal to the greatest whole number of shares determined by dividing (1) the amount of compensation or incentive bonus deferred by (2) the closing price of a share of common stock on the date such compensation or bonus would otherwise have been paid. To the extent determined by the compensation and benefits committee, a participant who elects to defer receipt of his compensation or bonus and receive deferred shares may also receive supplemental deferred shares, or supplemental units.

Deferred shares and supplemental units carry no voting rights until the underlying shares have been issued. The compensation and benefits committee will determine whether and to what extent any dividend equivalents attributable to deferred shares or supplemental units are to be paid currently or credited to the participant's account and deemed reinvested in deferred shares. Supplemental units and dividend equivalents with respect thereto will vest in accordance with the vesting schedule determined by the committee. Deferred shares and dividend equivalents with respect thereto will be fully vested at all times.

If a participant's employment terminates because of death, disability, early retirement (with the compensation and benefits committee's consent) or normal retirement during the vesting period, any supplemental units and related dividend equivalent granted to a participant will become vested and nonforfeitable. Unless the compensation and benefits committee determines otherwise, a participant's supplemental units and related dividend equivalent will be forfeited in the event of any other termination of a participant's employment except a termination for cause (as defined in the 2003 LTIP). If a participant's employment is terminated for cause, all supplemental units held by the participant, whether or not vested, will terminate and be cancelled as of the date of termination.

Unless the compensation and benefits committee determines otherwise, a participant will be entitled to receive one share of common stock for each vested deferred share or supplemental unit. However, the compensation and benefits committee may determine that, in lieu of issuing shares, deferred shares and supplemental units should be settled by payment to the participant of cash equal to the closing price of the underlying shares on the payment date.

Nontransferability of Awards. Awards under the 2003 LTIP will generally not be assignable or transferable other than by will or by the laws of descent and distribution, and all awards and rights will

be exercisable during the life of the participant only by the director or his or her legal representative. The compensation and benefits committee may, upon such terms and conditions as it determines appropriate, permit transfers to the participant's family members or to entities of which the participant or his or her family members are the sole beneficiaries or owners.

Status of Participants. The participants in the 2003 LTIP will be unsecured general creditors of Riverwood or the combined company. Unless otherwise provided in an award agreement, a participant will have no rights as a stockholder with respect to any shares covered by any award until the underlying shares are delivered. An award will not confer on a participant any right to continued employment. Unless otherwise required by law or determined by the compensation and benefits committee, awards under the 2003 LTIP will not be taken into account for purposes of any other compensation or benefit plan or arrangement of Riverwood or the combined company.

Tax Withholding. Riverwood or the combined company will be entitled to withhold from any payment any required withholding or other taxes, and may require that the participant provide sufficient funds to Riverwood or the combined company to satisfy any required withholding tax obligations before we will deliver any shares or make any other payment to the participant. The compensation and benefits committee may permit a participant to satisfy any required withholding tax obligations by delivering shares of common stock previously owned by the participant or by withholding a number of shares of common stock otherwise deliverable to the participant, in each case having a fair market value at the time equal to the amount of the required withholding taxes, and upon such other terms and conditions as the compensation and benefits committee determines appropriate.

Term and Amendment. The 2003 LTIP will have a ten-year term. The board of directors or the compensation and benefits committee may amend, suspend or terminate the 2003 LTIP. The expiration of the term of the plan, or any amendment, suspension or termination will not adversely affect any outstanding award held by a participant without the consent of the participant.

Change in Control. In the event of a change in control (as defined in the 2003 LTIP) all outstanding stock options shall, at the discretion of the compensation and benefits committee, become fully exercisable or be canceled in exchange for a payment in cash equal to the product of (1) the excess of the change in control price over the option exercise price, and (2) the number of shares of common stock covered by such stock options. All other awards granted under the 2003 LTIP will become vested and shall be immediately transferable or payable. In the event that a change in control is as a result of a merger or consolidation of Riverwood or the combined company, or as a result of the sale or transfer of substantially all of the assets of Riverwood or the combined company to a non-affiliate, a participant whose employment or service is terminated due to death or disability (as defined under the 2003 LTIP) or by Riverwood or the combined company for reasons other than cause (as defined under the 2003 LTIP) on or after the date that such transaction is approved by our stockholders will be treated as continuing to be employed or retained until the occurrence of the change in control.

Federal Income Tax Consequences. The following is a brief description of the material U.S. federal income tax consequences generally arising with respect to awards under the 2003 LTIP.

The grant of a stock option will give rise to no tax consequences for the option holder or us. Upon exercising a stock option, other than an incentive stock option, the option holder will generally recognize ordinary income equal to the difference between the exercise price and the closing price of the shares acquired on the date of exercise, and we generally will be entitled to a tax deduction in the same amount. A stock option holder generally will not recognize taxable income upon exercising an incentive stock option and we will not be entitled to any tax deduction with respect to an incentive stock option if the option holder holds the shares for the applicable periods specified in the Internal Revenue Code.

With respect to other awards, upon the payment of cash or the issuance of shares or other property that is either not restricted as to transferability or not subject to a substantial risk of forfeiture, the participant will generally recognize ordinary income equal to the cash or the fair market value of shares or other property delivered. The fair market value of the shares delivered will be the product of the number of shares delivered and the closing price of a share of common stock on the date of delivery of the shares. Riverwood or the combined company will be entitled to a deduction in an amount equal to the ordinary income recognized by the participant.

Directors Stock Incentive Plan

Establishment of Directors Stock Incentive Plan. Prior to the merger, Riverwood's board of directors will adopt and its stockholders will approve the 2003 Riverwood Holding, Inc. Directors Stock Incentive Plan, or the directors stock incentive plan. The directors stock incentive plan will provide for the grant of fee share awards, elective share awards and phantom stock following the closing of the merger.

Eligibility. Only members of the combined company's board of directors who are not employees of the combined company will be eligible to participate in the directors stock incentive plan. Such directors will be referred to in this discussion as "eligible directors."

Shares Subject to the Directors Stock Incentive Plan. The maximum number of shares of common stock authorized to be issued under the directors stock incentive plan is 3,750,000 (which reflects Riverwood's anticipated 15.21-to-1 stock split). If shares subject to an award under the directors stock incentive plan cease to be subject to such award because such award is canceled, terminated or otherwise settled without the issuance of common stock, the shares subject to such award will be available for future awards under the directors stock incentive plan. In the event that shares of common stock are received by Riverwood or the combined company in connection with the exercise of an award, only the net number of shares actually issued will count against the limitation on the number of shares that may be issued under the directors stock incentive plan. The shares that may be issued and delivered under the directors stock incentive plan may be treasury shares or authorized but unissued shares of Riverwood or the combined company that are not reserved for any other purpose. If there is a change in the number or kind of outstanding shares of common stock by reason of any recapitalization, reorganization, merger, consolidation, exchange of shares or any similar change affecting the common stock, the board will make appropriate adjustments to the type and number of shares covered by awards then outstanding under the directors stock incentive plan and/or the board may make provision for a cash payment to a person who has an outstanding award under the directors stock incentive plan.

Administration. The directors stock incentive plan will be administered by the board. The board will have the authority to construe and interpret the terms of the directors stock incentive plan and to determine additional terms and conditions of awards. The board will also have the authority to establish any rules and regulations that it may deem necessary for purposes of administering the directors stock incentive plan. The determination of the board on all matters relating to the directors stock incentive plan will be final. The board may delegate its authority to a committee of the board.

Fee Share Award. Under the terms of the directors stock incentive plan, if and to the extent so determined by the board, all or a portion of the annual retainer fee, annual committee chairman fee or other fee payable to an eligible director will be payable as a fee share award. The granting of a fee share award will result in the issuance to an eligible director of the greatest number of whole shares of the combined company's common stock derived when one-half of the director's annual retainer fee is divided by the closing price of a share of the combined company's common stock on the date of issuance of the shares, subject to such vesting conditions or other restrictions as the board may determine. The date of issuance will generally be the first business day of the calendar quarter with respect to which the annual retainer fee is payable.

Elective Share Award. An eligible director may elect to receive as an elective share award any portion of the annual retainer, committee chairman retainer fee, meeting fee or other fees payable in cash. The grant of an elective share award will result in the issuance to an eligible director of the greatest number of whole shares of the combined company's common stock derived when the cash fee otherwise payable to the eligible director is divided by the closing price of a share of the combined company's common stock on the date of issuance of the shares. The date of issuance with respect to cash fees that are annual retainer fees will generally be the first business day of the calendar quarter with respect to which the annual retainer fee is payable. The date of issuance with respect to any other cash fees will be the date on which such fees would otherwise have been payable to the eligible director.

Phantom Stock and Deferred Compensation. The directors stock incentive plan will permit an eligible director to elect to defer receipt of all or any part of his or her annual retainer fee, committee chairman retainer fee, meeting fee or other fees (whether payable in cash or shares) with respect to a calendar year following the year in which the election is made. A director who elects to defer cash fees will be credited with a number of "phantom" shares of common stock, or phantom stock, equal to the amount of the deferred fee divided by the closing price per share of common stock on the date the fee would otherwise have been payable. A director who elects to defer fees that would otherwise be payable as an elective share award or a fee share award will be credited with a number of phantom stock equal to the number of shares that the director would have received pursuant to the elective share award or the fee share award. If any dividends other than stock dividends are paid on the common stock, the director will be credited with additional shares of phantom stock equal to the dividend that would have been paid on the director's phantom stock divided by the closing price per share of common stock on the dividend payment date. If stock dividends are paid on the common stock, the director will be credited with additional shares of common stock equal to the number of shares payable with respect to a share of common stock multiplied by the number of shares of phantom stock credited to the director in the stock account maintained on behalf of the director. The board of directors will adjust the number of shares of phantom stock credited to a director if there is a change in the number or kind of outstanding shares of common stock by reason of any recapitalization, reorganization, merger, consolidation, stock split or any similar change affecting the common stock (including a stock dividend). A director's phantom stock will be credited to a stock account maintained by the combined company.

A director who elects to defer any portion of his or her fees will also elect whether (1) the aggregate amounts credited to his or her stock account will be distributed wholly in cash, in the greatest number of whole shares of common stock (with any fractional interest payable in cash) or a combination of cash and whole shares, (2) the distribution will commence immediately following the date he or she ceases to be a director or on the first business day of any calendar year following the calendar year in which he or she ceases to be a director and (3) the distribution will be in one lump-sum payment or in such number of annual installments (not to exceed ten) as he or she may designate. A director may also elect to receive a distribution of all or any portion of the amounts credited to his or her stock account as of a date at least one full year after the date when he or she initially elected to defer fees, but any director who does so will cease to be eligible to make any additional deferrals for the two immediately following calendar years.

A director to whom shares of phantom stock have been credited will have only the rights of a general unsecured creditor of Riverwood or the combined company and will have no rights as a stockholder of Riverwood or the combined company with respect to phantom stock with which he or she has been credited until the common stock underlying the phantom stock is delivered.

Change of Control. In the event of a change in control (as defined in the 2003 LTIP) all awards granted to a director will become vested and be immediately transferable or payable.

Federal Income Tax Consequences. The following is a brief description of the material U.S. federal income tax consequences generally arising with respect awards granted and fees deferred under the directors stock incentive plan.

A director who receives a fee share award or elective share award that is not subject to any restrictions will generally recognize ordinary income equal to the fair market value of the shares delivered. The fair market value of the shares delivered will be the product of the number of shares delivered and the closing price of a share of common stock on the date of delivery of the shares. A director who defers fees (whether payable in cash or shares) will generally not recognize ordinary income with respect to deferred fees when they are so deferred, but will generally recognize ordinary income equal to the amount of the cash or the fair market value of shares distributed in the year in which the cash or shares are distributed. Riverwood generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the director.

2002 Stock Incentive Plan

Establishment of the 2002 Stock Incentive Plan. Effective January 1, 2002, Riverwood established the Riverwood Holding, Inc. 2002 Stock Incentive Plan, or the 2002 stock incentive plan. The 2002 stock incentive plan provides for the award of nonqualified stock options or restricted stock units, subject to the terms and conditions thereunder. Before the completion of the proposed merger, the 2002 stock incentive plan will be amended to preclude the future grant of awards.

Eligibility. Executive officers and other key management employees of Riverwood selected by the board have been granted awards under the 2002 stock incentive plan.

Shares Subject to the 2002 Stock Incentive Plan. The maximum number of shares of common stock authorized to be issued under the 2002 stock incentive plan is 658,353 (before giving effect to Riverwood's anticipated stock split). As of March 31, 2003, shares of common stock (before giving effect to Riverwood's anticipated stock split) were subject to awards under the 2002 stock incentive plan. The shares to be issued and delivered under the 2002 stock incentive plan may be treasury shares or authorized but unissued shares of Riverwood or the combined company. If there is a change in the number or kind of outstanding shares of common stock by reason of any recapitalization, reorganization, merger, consolidation, exchange of shares or any similar change affecting the common stock, the board will make appropriate adjustments to the type and number of shares covered by awards then outstanding under the plan.

Administration. The 2002 stock incentive plan has been administered by the compensation and benefits committee, which has the authority to grant awards, determine the terms and conditions of awards, interpret the 2002 stock incentive plan and to make all determinations necessary and advisable for purposes of administering the 2002 stock incentive plan. The determination of the compensation and benefits committee on all matters relating to the 2002 stock incentive plan is final. The foregoing authority has been delegated to the compensation and benefits committee by the board pursuant to the terms of the 2002 stock incentive plan.

Stock Options. All outstanding stock options granted under the 2002 stock incentive plan are nonqualified options to purchase common stock. All stock options have been granted at a per share exercise price of $120.00 (before giving effect to Riverwood's anticipated stock split), an amount that is not less than the fair market value (as determined by the board) of a share of common stock on the grant date of each such stock option. The stock options will become one-third vested on the second anniversary of the grant date and two-thirds vested on the third anniversary of the grant date. The options will also become fully vested (1) in the event of a change in control of Riverwood or the combined company (see below), (2) if the option holder's employment is terminated other than for cause (as defined in the 2002 stock incentive plan) or for good reason (as defined in the applicable award agreement) after the sale of all of the common stock held by the CDR fund and its affiliates to

a non-affiliate, or (3) if the option holder's employment is terminated as a result of death, permanent disability (as defined in the 2002 stock incentive plan) or retirement (as defined in the 2002 stock incentive plan).

The stock options generally have a term of 10 years. If an option holder terminates employment with Riverwood or the combined company and its subsidiaries on account of death, permanent disability or retirement, all stock options will become vested as of the employment termination date and will remain exercisable until the earlier of (1) the first anniversary of the option holder's termination of employment and (2) the date the options would otherwise expire. If an option holder's employment terminates for cause, all stock options, whether or not vested, will terminate immediately. If an option holder's employment terminates for any other reason, his vested stock options will remain exercisable until the 60th day after the earlier of (1) the period during which Riverwood or the combined company and the CDR fund may exercise successive rights to repurchase the vested stock options and (2) the date the stock options would otherwise expire. Any stock options that have not become vested as of the date of the option holder's termination of employment will terminate and be cancelled immediately upon such termination of employment.

Following the consummation of an underwritten public offering or the completion of the merger, an option holder will be permitted to deliver to Riverwood or the combined company, in full or partial payment of the exercise price of such stock options, the shares of common stock owned by such option holder for at least 6 months.

Restricted Stock Units. Under the terms of the 2002 stock incentive plan, participants were also awarded restricted stock units in respect of which a participant would be eligible to receive cash or common stock. Subject to the continuous employment of the participant with Riverwood or the combined company and its subsidiaries, the restricted stock units will become fully vested on the second anniversary of the grant date. The restricted stock units will also become fully vested (1) in the event of a change in control of Riverwood or the combined company (see below), (2) if a participant's employment is terminated by reason of death, disability or retirement or (3) the participant's employment is terminated other than for cause or good reason after the sale of all the common stock held by the CDR fund and its affiliates to a non-affiliate. If a participant's employment with Riverwood or the combined company and its subsidiaries terminates for any other reason, the restricted units held by the participant will terminate.

Upon vesting of the restricted stock, Riverwood or the combined company may, in its sole discretion, (1) deliver to the participant the shares of common stock underlying such restricted stock units or (2) pay to the participant a cash amount equal to the product of (x) the fair market value of a share of common stock as of the vesting date and (y) the number of shares of common stock underlying the restricted stock units that have become so vested.

Change of Control. In the event of a change in control (as defined in the supplemental plan), all outstanding stock options will become vested and will be cancelled in exchange for a payment equal to the product of (1) the excess of the change in control price over the option exercise price and (2) the number of shares of common stock covered by such stock options. All restricted stock units will become fully vested upon a change in control and each holder of such restricted stock units will receive a payment equal to the product of (x) the change in control price and (y) the number of shares of common stock underlying the restricted stock units. Payments with respect to the cancelled stock options and restricted stock units may, at the discretion of the board, be made in shares of publicly traded common stock of the acquiring entity. The proposed merger will not constitute a change in control under this plan.

Federal Income Tax Consequences. For a brief summary of the U.S. federal income tax consequences of receiving the stock option awards and restricted stock unit awards, please see " 2003 LTIP Federal Income Tax Consequences" above.

1999 Long Term Incentive Plan

Establishment of the 1999 LTIP. Effective February 24, 1999, Riverwood established the Riverwood Holding, Inc. Supplemental Long-Term Incentive Plan, or the 1999 LTIP. The 1999 LTIP provides for the award of nonqualified stock options, incentive stock units and certain payments, subject to the terms and conditions thereunder. Before the completion of the proposed merger, the 1999 LTIP will be amended to preclude the future grant of awards.

Eligibility. Executive officers and other key management employees of Riverwood selected by the board have been granted awards under the 1999 LTIP. The number of participants in the 1999 LTIP has varied from year to year.

Shares Subject to the 1999 LTIP. The maximum number of shares of common stock authorized to be issued under the 1999 LTIP is 457,300 (before giving effect to Riverwood's anticipated stock split). As of March 31, 2003, shares of common stock (before giving effect to Riverwood's anticipated stock split) were subject to awards under the 1999 LTIP. The shares to be issued and delivered under the 1999 LTIP may be treasury shares or authorized but unissued shares of Riverwood or the combined company. If there is a change in the number or kind of outstanding shares of common stock by reason of any recapitalization, reorganization, merger, consolidation, exchange of shares or any similar change affecting the common stock, the board will make appropriate adjustments to the type and number of shares covered by awards then outstanding under the plan. Adjustments will also be made to the exercise price in respect of such awards.

Administration. The 1999 LTIP has been administered by the compensation and benefits committee, which has the authority to grant awards, determine the terms and conditions of awards, interpret the 1999 LTIP and to make all determinations necessary and advisable for purposes of administering the 1999 LTIP. The determination of the compensation and benefits committee on all matters relating to the 1999 LTIP is final. The foregoing authority has been delegated to the compensation and benefits committee by the board pursuant to the terms of the 1999 LTIP.

Stock Options. All outstanding stock options granted under the 1999 LTIP are nonqualified options to purchase common stock. The stock options are performance options that become vested upon the achievement by Riverwood or the combined company of certain EBITDA levels determined by the board for the fiscal years 1999, 2000 or 2001. All of the stock options granted under the 1999 LTIP will become vested on the date that is nine years and six months from the grant date of the stock options to the extent they have not previously vested, but only if the option holder is employed by Riverwood or the combined company or its subsidiaries on such date.

The stock options generally have a term of 10 years. If an option holder terminates employment with Riverwood or the combined company and its subsidiaries on account of death, permanent disability (as defined in the 1999 LTIP) or retirement (as defined in the 1999 LTIP), all stock options that have become vested as of the employment termination date will remain exercisable until the earlier of (1) the first anniversary of the option holder's termination of employment and (2) the date the options would otherwise expire. If an option holder's employment terminates for cause (as defined in the 1999 LTIP), all stock options, whether or not vested, will terminate immediately. If an option holder's employment terminates for any other reason, his or her vested stock options will remain exercisable until the 60th day after the earlier of (1) the period during which Riverwood or the combined company and the CDR fund may exercise successive rights to repurchase the vested stock options and (2) the date the stock options would otherwise expire. Any stock options that have not become vested as of the date of the option holder's termination of employment will terminate and be cancelled immediately upon such termination of employment.

Following the consummation of an underwritten public offering or the completion of the merger, an option holder will be permitted to deliver to Riverwood or the combined company, in full or partial payment of the exercise price of such stock options, the shares of common stock owned by such option holder for at least six months.

Incentive Stock Units and Payments. Under the terms of the 1999 LTIP, participants were also awarded incentive stock units in respect of which a participant would be eligible to receive cash or common stock. Incentive stock units are payable only if there is a change in control of Riverwood or the combined company, the change in control price (as defined in the 1999 LTIP) equals or exceeds a target change in control price, which ranges from $120 to $150 (before giving effect to Riverwood's anticipated stock split) and (1) the participant remains employed by Riverwood or the combined company and its subsidiaries until the date that the change in control occurs or (2) the participant's employment with Riverwood or the combined company or its subsidiaries is terminated without cause (as defined in the 1999 LTIP) or for good reason (as defined in the applicable award agreement) after the sale of all of the common stock held by the CDR fund and its affiliates to a non-affiliate and the termination occurs within six months of such change in control. The amount payable in respect of the incentive stock units that become payable as a result of a change in control transaction will equal the product of (x) the change in control price multiplied by (y) the number of shares of common stock covered by the incentive stock units that become so payable. The board may determine that such payment will be made in shares of common stock, rather than cash, of the acquiring entity having an aggregate fair market value equal to such payment, but only if the shares of the acquiring entity are publicly traded.

If a participant's employment is voluntarily or involuntarily terminated for any reason, all incentive stock units held by such participant will be cancelled on the date of such termination.

In the absence of a change in control, the incentive stock units will become vested nine years and six months from the date of grant, but only if the participant is employed by Riverwood, the combined company or its affiliates on such date. Upon vesting of the incentive stock units, the participant will receive the shares of common stock underlying such incentive stock units. In the event of a participant's termination of employment prior to an initial public offering of the common stock, Riverwood or the combined company and the CDR fund will have the right to repurchase the common stock delivered to a participant in connection with the vesting of an incentive stock unit.

Change of Control. In the event of a change in control (as defined in the 1999 LTIP), all outstanding stock options will become vested and will be cancelled in exchange for a payment equal to the product of (1) the excess of the change in control price *over* the option exercise price, and (2) the number of shares of common stock covered by such stock options. Payments will be made in respect of the incentive stock units as described above. The proposed merger will not constitute a change in control under this plan.

Federal Income Tax Consequences. For a brief summary of the U.S. federal income tax consequences of receiving the stock option awards and stock incentive unit awards, see " 2003 LTIP Federal Income Tax Consequences" above.

1996 Stock Incentive Plan

Establishment of 1996 Stock Incentive Plan. Effective April 8, 1996, Riverwood established the Riverwood Holding, Inc. Stock Incentive Plan, or 1996 stock incentive plan. The 1996 stock incentive plan provides for the granting of nonqualified stock options and rights to purchase common stock subject to the terms and conditions thereunder. Before the completion of the proposed merger, the 1996 stock incentive plan will be amended to preclude the future grant of awards.

Eligibility. Executive officers and other key management employees of Riverwood selected by the board have been granted awards under the 1996 stock incentive plan. The number of participants in the 1996 stock incentive plan has varied from year to year.

Shares Subject to the 1996 Stock Incentive Plan. The maximum number of shares common stock authorized to be issued under the 1996 stock incentive plan is 690,500 (before giving effect to Riverwood's anticipated stock split). As of March 31, 2003, shares of common stock (before giving effect to Riverwood's anticipated stock split) were subject to awards under the 1996 stock incentive plan. The shares that may be issued and delivered under the 1996 stock incentive plan may be treasury shares or authorized but unissued shares of Riverwood or the combined company. If there is a change in the number or kind of outstanding shares of common stock by reason of any recapitalization, reorganization, merger, consolidation, exchange of shares or any similar change affecting the common stock, the board will make appropriate adjustments to the type and number of shares covered by awards then outstanding under the 1996 stock incentive plan. Adjustments will also be made to the exercise price or purchase price in respect of such awards.

Administration. The 1996 stock incentive plan has been administered by the compensation and benefits committee, which has the authority to grant awards, determine the terms and conditions of awards, interpret the 1996 stock incentive plan and to make all determinations necessary and advisable for purposes of administering the 1996 stock incentive plan. The determination of the compensation and benefits committee on all matters relating to the 1996 stock incentive plan is final. The foregoing authority has been delegated to the compensation and benefits committee by the board pursuant to the terms of the 1996 stock incentive plan.

Stock Options. All outstanding 1996 stock options granted under the 1996 stock incentive plan are nonqualified options to purchase common stock. Stock options granted under the 1996 stock incentive plan are either service options or performance options. Some option holders have been granted only service options, while others have been granted both performance options and service options.

Service options become vested in five equal installments on each of the first five anniversaries of the grant date. Service options also become fully vested (1) in the event of a change in control of Riverwood or the combined company (see below) or (2) if the option holders' employment is terminated other than for cause (as defined in the 1996 stock incentive plan) or for good reason (as defined in the applicable award agreement) after the sale of all of the common stock held by the CDR fund and its affiliates to a non-affiliate.

Performance options become vested upon the achievement by Riverwood or the combined company of EBITDA targets determined by the board and provided that the option holder is employed by Riverwood, the combined company, or its subsidiaries on the date that the EBITDA target is achieved. Additionally, performance options become fully vested (1) upon a change in control of Riverwood or the combined company or (2) nine years and six months after the grant date regardless

of whether Riverwood or the combined company achieves the applicable EBITDA targets, but only if the option holder is employed by Riverwood, the combined company or its subsidiaries on such date.

The stock options generally have a term of ten years. If an option holder terminates employment with Riverwood or the combined company and its subsidiaries on account of death, permanent disability (as defined in the 1996 stock incentive plan) or retirement (as defined in the 1996 stock incentive plan), all service options and a proportionate share of the performance options will become vested. This "proportionate share" of performance options is determined by multiplying (1) the percentage obtained by dividing (x) the cumulative EBITDA achieved by Riverwood or the combined company as of the last day of the calendar quarter coinciding with or immediately preceding the option holder's termination of employment by (y) the EBITDA target specified by the board for the year of employment termination and (2) the total number of shares of common stock subject to the performance options. Performance options that do not become vested will terminate and be cancelled immediately upon the option holder's termination of employment. All vested stock options will remain exercisable until the earlier of the (1) first anniversary of such termination of employment and (2) the date the option would otherwise expire. If option holder's employment terminates for cause all stock options, whether or not vested, will terminate immediately. If an option holder's employment terminates for any other reason, his vested stock options will remain exercisable until the 60th day after the earlier of (1) period during which the Riverwood or the combined company and the CDR fund may exercise successive rights to repurchase the vested stock options and (2) the date the option would otherwise expire.

Following the consummation of an underwritten public offering or the completion of the merger, an option holder will be permitted to deliver to Riverwood or the combined company, in full or partial payment of the exercise price of such stock options, shares of common stock owned by the option holder for at least 6 months.

Offers to Purchase Common Stock. Offers to purchase common stock may be made to a participant pursuant to a stock subscription agreement. The purchase price per share of common stock is determined by the compensation and benefits committee. Neither the participant nor the participant's heirs or representatives may sell, transfer or otherwise dispose of the shares of common stock without allowing Riverwood or the combined company and the CDR fund to exercise their rights of first refusal with respect to such shares.

Change of Control. In the event of a change in control (as defined in the 1996 stock incentive plan), each unvested service option and each unvested performance options held by an option holder will become vested. Each vested stock option will be cancelled in exchange for a cash payment equal to the product of (1) the excess of the price paid for a share of common stock in the transaction constituting the change in control over the per share exercise price of the vested option and (2) the number of shares of common stock underlying such vested option. The proposed merger will not constitute a change in control under this plan.

Federal Income Tax Consequences. For a brief summary of the U.S. federal income tax consequences of stock option awards and awards of the right to purchase common stock, see " 2003 LTIP Federal Income Tax Consequences" on page 168.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RIVERWOOD

The CDR fund, which is one of Riverwood's largest stockholders, is a private investment fund managed by CD&R. The general partner of the CDR fund is CD&R Associates V Limited Partnership, or Associates V, and the general partners of Associates V are CD&R Investment Associates II Inc., or Associates II, Inc., CD&R Investment Associates, Inc., a Delaware corporation, and CD&R Cayman Investment Associates, Inc., a Cayman Islands exempted company. Mr. Ames, who is a principal of CD&R, a director of Investment Associates II and a limited partner of Associates V, is Chairman of Riverwood, RIC Holding and RIC. Mr. Conway, who is a principal of CD&R, a director of Investment Associates II and a limited partner of Associates V, is a director of Riverwood, RIC Holding and RIC. See "Management of the Combined Company Following the Merger and Other Information Directors & Executive Officers of the Combined Company" on page 151. The CDR fund purchased $225 million of equity of Riverwood in connection with the 1996 merger.

CD&R is a private investment firm which is organized as a Delaware corporation. CD&R is the manager of a series of investment funds, including the CDR fund. CD&R generally assists in structuring, arranging financing for and negotiating the transactions in which the funds it manages invest. After the consummation of such transactions, CD&R generally provides management and financial advisory and consulting services to the companies in which its investment funds have invested during the period of such fund's investment. Such services include helping the company to establish effective banking, legal and other business relationships and assisting management in developing and implementing strategies for improving the operational, marketing and financial performance of the company.

Pursuant to a consulting agreement dated as of March 27, 1996, CD&R receives an annual fee (and reimbursement of out-of-pocket expenses) for providing management and financial consulting services to Riverwood. Pursuant to the new stockholders agreement, after the effective time of the merger, CD&R will not have a consulting agreement with the combined company. During the year ended December 31, 2002, Riverwood paid CD&R annual fees in the amount of $470,000 for providing such management and financial consulting services. Under the terms of the stockholders agreement, immediately after the effective time of the merger, the combined company will pay a transaction fee of $10 million to CD&R for its services in connection with the merger. This fee is contingent on the completion of the merger.

CD&R, the CDR fund, Riverwood, RIC and RIC Holding entered into an indemnification agreement dated as of March 27, 1996, pursuant to which Riverwood, RIC Holding and RIC, have agreed to indemnify CD&R, the CDR fund, Associates V, Associates II, Inc., together with any other general partner of Associates V, and their respective directors, officers, partners, employees, agents, advisors, representatives and controlling persons against certain liabilities arising under the federal securities laws, liabilities arising out of the performance of the consulting agreement and certain other claims and liabilities.

Registration and Participation Agreement

Each of the 5% stockholders and certain other holders of Riverwood's common stock and options to purchase Riverwood's common stock, including certain executive officers and key employees, are currently parties to a registration rights and participation agreement, dated March 27, 1996. This agreement will be superseded by the amended and restated registration rights agreement that will become effective in connection with the merger. See "Material Terms of Related Agreements Amended and Restated Registration Rights Agreement" on page 87.

Stockholders Agreement

Riverwood's current stockholders agreement will terminate upon the consummation of the merger. The Coors family stockholders, the CDR fund, Exor and Riverwood have entered into a new stockholders agreement, dated as of March 25, 2003, as amended by amendment no. 1, dated as of April 29, 2003, which will enter into force immediately upon the completion of the merger. Certain other Riverwood stockholders are party to the other Riverwood stockholders side letter that will also enter into force upon the completion of the merger. See "Material Terms of Related Agreement Stockholders Agreements" on page 82.

Management

In November 1999, Riverwood lent Mr. Humphrey $5,000,000 pursuant to a full-recourse non-interest bearing promissory note entered into by Mr. Humphrey and Riverwood, which was amended in December 2001. The promissory note will generally become due and payable in March 26, 2007, or, earlier, if Mr. Humphrey voluntarily terminates his employment other than for "good reason" or if Riverwood terminates his employment for "cause," in each case, as defined in Mr. Humphrey's employment agreement. If payment on the notes is not made when due, the payment will bear interest, payable on demand, equal to 5.93% per year. Interest will also be payable on any amount that is prepaid. The note, together with any interest accrued thereon, will be forgiven and will not have to be repaid if, on or prior to March 26, 2007, Mr. Humphrey terminates his employment for "good reason," Riverwood terminates Mr. Humphrey's employment without "cause" or because of his "disability," in each case as defined in his employment agreement, or Mr. Humphrey's employment terminates because of his death.

During 2002 and through March 1, 2003, Riverwood repurchased 12,500 shares of Riverwood common stock from management investors at $120.00 per share.

Effective January 1, 2002, Riverwood adopted a 2002 Stock Incentive Plan that provides for, among other things, the grant of options to purchase shares of Riverwood common stock and restricted stock units with respect to a maximum of 658,353 shares of Riverwood common stock.

Effective March 25, 2003, Riverwood established the 2003 Long-Term Incentive Plan that provides for, among other things, the grant of options to purchase shares of Riverwood common stock, restricted stock and restricted units, stock appreciation rights, incentive stock and incentive units, and deferred shares and supplemental units with respect to 100,000 shares of Riverwood common stock.

GRAPHIC

William K. Coors, Joseph Coors, Jr., Jeffrey H. Coors (Graphic's President and Chief Executive Officer), John K. Coors, J. Bradford Coors, Peter H. Coors, Melissa E. Coors, and Darden K. Coors are co-trustees of one or more of the Coors family trusts, which collectively own approximately 41 percent of Graphic's common stock, 100 percent of the convertible preferred stock, and 31 percent of the non-voting common stock of ACCo. In addition, one of those trusts owns 100 percent of the voting common stock of ACCo and a related entity owns 100 percent of CoorsTek, Inc., or CoorsTek. Jeffrey H. Coors, John K. Coors, Joseph Coors, Jr., and Peter H. Coors are brothers. J. Bradford Coors and Darden K. Coors are Joseph Coors, Jr.'s children. J. Bradford Coors is an employee of Coors Brewing and Darden K. Coors is an employee of Graphic. Melissa E. Coors is Peter H. Coors' daughter and she is an employee of Coors Brewing. William K. Coors is a director of Graphic and ACCo. Peter H. Coors is an executive officer and director of ACCo and chairman of Coors Brewing. John K. Coors is an executive officer and director of CoorsTek. Graphic, ACCo, and CoorsTek, or their subsidiaries, have certain business relationships and have engaged or propose to engage in certain transactions with one another, as described below.

Transactions with ACCo

In connection with the spin-off of Graphic from ACCo, certain subsidiaries entered into market-based, long-term supply agreements with Coors Brewing to provide packaging and other products to Coors Brewing for use in its business.

Under the packaging supply agreement, Coors Brewing agreed to purchase and Graphic agreed to supply substantially all of Coors Brewing's paperboard and label packaging requirements through 1997. In early 1997, this agreement was modified and extended to a three-year, rolling term contract, and in 1998 was renegotiated through 2002 and later extended to March 31, 2003. In March 2003, Coors Brewing and Graphic entered into a new four-year supply agreement. Total sales under the packaging contract have been a material source of revenue for Graphic, accounting for sales of approximately $111 million in 2002 (representing approximately 10 percent of Graphic's consolidated gross revenue in 2002) and are anticipated to be approximately $111 million in 2003.

In addition, a subsidiary of Graphic is the general partner and Coors Brewing is a limited partner in a real estate partnership which owns, develops, operates and sells certain real estate previously owned by Coors Brewing or ACCo. Distributions were allocated equally between the partners until late 1999 when Coors Brewing recovered its investment. Thereafter, distributions are made 80% to the general partner and 20% to Coors Brewing. Distributions to Coors Brewing in 2002 were $500,000, and distributions to Coors Brewing in 2003 are estimated to be less than $100,000.

Transactions with CoorsTek, Inc.

The spin-off of CoorsTek from Graphic was made pursuant to a Distribution Agreement between Graphic and CoorsTek. It established the procedures to effect the spin-off and provided for the distribution of the CoorsTek common stock to the stockholders of Graphic, the allocation to CoorsTek of certain assets and liabilities and the transfer to and assumption by CoorsTek of those assets and liabilities. In the Distribution Agreement, CoorsTek agreed to repay all outstanding intercompany debt owed by CoorsTek to Graphic together with a special dividend. The total amount of the repayment and the special dividend was $200 million. Under the Distribution Agreement, Graphic and CoorsTek have each agreed to retain, and to make available to the other, books and records and related assistance for audit, accounting, claims defense, legal, insurance, tax, disclosure, benefit administration and other business purposes. CoorsTek also agreed to indemnify Graphic if the CoorsTek spin-off is taxable under certain circumstances or if Graphic incurs certain liabilities.

The Tax Sharing Agreement defines the parties' rights and obligations with respect to deficiencies and refunds of federal, state and other taxes relating to the CoorsTek business for tax years prior to the CoorsTek spin-off and with respect to certain tax attributes of CoorsTek after the CoorsTek spin-off. In general, Graphic is responsible for filing consolidated federal and combined or consolidated state tax returns and paying the associated taxes for periods through December 31, 1999. CoorsTek is required to pay Graphic an amount equal to the taxes that CoorsTek would have been required to pay on a stand-alone basis with respect to such combined or consolidated tax returns. Graphic and CoorsTek have agreed to cooperate with each other and to share information in preparing such tax returns and in dealing with other tax matters. Graphic and CoorsTek each will be responsible for their own taxes other than those described above.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF RIVERWOOD

Riverwood owns all of the outstanding common stock of RIC Holding. RIC Holding owns all of the outstanding common stock of RIC.

The following table sets forth certain information as of March 1, 2003 regarding the beneficial ownership of Riverwood common stock. The table includes:

- Each person who is known by Riverwood to be the beneficial owner of more than 5% of the outstanding common stock;
- Each of the Riverwood's directors;
- Each executive officer named in the "Summary Compensation Table"; and
- All directors and executive officers as a group.

Except as otherwise indicated, the persons and entities listed below have sole voting and investment power with respect to all shares of common stock beneficially owned by them, except to the extent such power may be shared with a spouse.

Name	Number of Shares	Percent of Class
5% Stockholders:		
Clayton, Dubilier & Rice Fund V Limited Partnership(1)	2,250,000	29.8%
EXOR Group S.A.(2)	2,250,000	29.8%
The 1818 Fund II, L.P.(3)	750,000	9.9%
HWH Investment Pte Ltd(4)	700,000	9.3%
J.P. Morgan Partners (BHCA), L.P.(5)	500,000	6.6%
First Plaza Group Trust(6)	500,000	6.6%
Madison Dearborn Capital Partners, L.P.(7)	500,000	6.6%
Directors and Named Executive Officers:		
B. Charles Ames(8)	0	0
Kevin J. Conway(8)	0	0
Leon J. Hendrix, Jr.(8)	0	0

Name	Number of Shares	Percent of Class
Hubbard C. Howe(8)	0	0
Alberto Cribiore(8)	0	0
Brian J. Richmand	0	0
Samuel M. Mencoff(7)	0	0
Lawrence C. Tucker(3)	0	0
G. Andrea Botta	0	0
Gianluigi Gabetti	0	0
John R. Miller	0	0
Martin D. Walker	0	0
Stephen M. Humphrey(9)	302,838	(10)
Steven D. Saucier(9)	14,842	(10)
Daniel J. Blount(9)	9,323	(10)
Wayne E. Juby	0	0
Robert W. Spiller	0	0
All directors and executive officers as a group (17 persons)(3)(7)(8)(9)	327,003	3.5%

Notes:

(1) CD&R Associates V Limited Partnership, a Cayman Islands exempted limited partnership, is the general partner of the CDR fund, a Cayman Islands exempted limited partnership, and has the power to direct the CDR fund as to the voting and disposition of shares held by the CDR fund. CD&R Investment Associates II, Inc., a Cayman Islands exempted company, is the managing general partner of Associates V and has the power to direct Associates V as to its direction of the CDR fund's voting and disposition of the shares held by the CDR fund. No person controls the voting and dispositive power of CD&R Investment Associates II, Inc. with respect to the shares owned by the CDR fund. Each of Associates V and CD&R Investment Associates II, Inc. expressly disclaims beneficial ownership of the shares owned by the CDR fund. The business address for each of the CDR fund, Associates V and CD&R Investment Associates II, Inc. is 1403 Foulk Road, Suite 106, Wilmington, Delaware 19803.

(2) Giovanni Agnelli e C. S.A.P.A.Z., an Italian company, is the beneficial owner of more than 60% of the equity interests of EXOR Group S.A. The business address for EXOR Group S.A. is 22-24, Boulevard Royal, L-2449 Luxembourg.

(3) Mr. Tucker may be deemed to share beneficial ownership of the shares owned of record by The 1818 Fund II, L.P. by virtue of his affiliation with such organization. Mr. Tucker expressly disclaims any such beneficial ownership. The business address for The 1818 Fund II, L.P. is c/o Brown Brothers Harriman & Co., 140 Broadway, 16th Floor, New York, NY 10005.

(4) The beneficial owner of HWH Investment Pte Ltd is Government of Singapore Investment Corporation (Ventures) Pte Ltd which is beneficially owned by Minister for Finance Inc. of the Government of Singapore. The business address for HWH Investment Pte Ltd is 250 North Bridge Road, Singapore 179101, Republic of Singapore.

(5) J.P. Morgan Partners (BHCA), L.P., formerly known as Chase Equity Associates, L.P., currently owns shares of the Class B common stock of Holding which do not have voting rights. The business address for J.P. Morgan Partners (BHCA), L.P. is 1221 Avenue of the Americas, New York, NY 10020.

(6) First Plaza Group Trust is a trust under and for the benefit of certain employee benefit plans, or the plans. General Motors Investment Management Corporation, or GMIMCo, serves as the investment advisor to First Plaza Group Trust and under the Employee Retirement Income Security Act of 1974, as amended, has the power to direct the voting and disposition of the shares listed above although it has no pecuniary interest therein. JPMorgan Chase Bank is the trustee with respect to First Plaza Group Trust. The shares are held by the trustee for the benefit of the plans and the participants therein. These statements should not be deemed an admission

that any of GMIMCo, the trustee or First Plaza Group Trust is the beneficial owner of such shares. The business address for First Plaza Group Trust is JPMorgan Chase Bank, N.A., as Trustee, c/o General Motors Investment Management Corporation, 767 Fifth Avenue, New York, NY 10153.

(7) Mr. Mencoff may be deemed to share beneficial ownership of the shares owned of record by Madison Dearborn Capital L.P., by virtue of his affiliation with such organization. Mr. Mencoff expressly disclaims any such beneficial ownership. The business address for Madison Dearborn Capital Partners, L.P., is Three First National Plaza, Chicago, IL 60602.

(8) Excludes shares of common stock owned by the CDR fund, as to which Messrs. Ames, Conway, Hendrix, Howe and Cribiore may be deemed to share beneficial ownership or have an economic interest. See footnote (1).

(9) Includes options to purchase 292,838, 10,842 and 6,323 shares of common stock which may be exercised by Messrs. Humphrey, Saucier and Blount, respectively.

(10) Less than 1%.

181

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF GRAPHIC

The following tables list beneficial ownership of Graphic common stock and convertible preferred stock as of March 25, 2003 by owners of more than five percent of the Graphic common stock, each director and executive officer of Graphic, and all directors and executive officers of Graphic as a group. All information is taken from or based upon ownership filings made by such persons with the Securities and Exchange Commission or upon information provided by such persons to Graphic. Unless otherwise indicated, the stockholders listed below have sole voting and investment power with respect to the shares reported as owned.

Pursuant to the voting agreement, the Coors family stockholders have granted Jeffrey H. Coors and, in the case of his inability to act, William K. Coors, an irrevocable proxy to vote 13,481,548 shares of Graphic common stock and all of the votes able to be cast by the holder of the convertible preferred stock (including the 24,242,424 votes which the holder of the convertible preferred is entitled to cast with the holders of Graphic common stock) in favor of the merger agreement and against any business combination with a third party. Except as provided in the voting agreement, each Coors family stockholder retains its respective voting power over such shares.

CLASS OF STOCK: COMMON

Name	Address for 5% Owners	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Adolph Coors, Jr. Trust (2)(3)	Coors Family Trusts Mailstop VR 900 P.O. Box 4030 Golden, Colorado 80401	2,800,000	8.3%
Grover C. Coors Trust (2)(3)(4)	Coors Family Trusts Mailstop VR 900 P.O. Box 4030 Golden, Colorado 80401	51,211,864	62.3%
May Kistler Coors Trust (3)(5)	Coors Family Trusts Mailstop VR 900 P.O. Box 4030 Golden, Colorado 80401	1,726,652	5.1%
Jeffrey H. Coors (3)(6)(7)(8)	Graphic Packaging Corporation 4455 Table Mountain Drive Golden, Colorado 80403	62,896,013	75.7%
Dimensional Fund Advisors Inc.	1299 Ocean Avenue, 11th Floor Santa Monica, California 90401	2,520,400	7.5%
State Street Research & Management Company	One Financial Center Boston, Massachusetts 02111-2690	2,204,000	6.6%
William K. Coors (3)(9)(10)		61,972,580	75.4%

CLASS OF STOCK: COMMON

	Graphic Packaging Corporation 4455 Table Mountain Drive Golden, Colorado 80403		
Joseph Coors, Jr. (3)(11)	Adolph Coors Company Mailstop VR 900 P.O. Box 4030 Golden, Colorado 80401	1,754,523	5.2%
Peter H. Coors (3)(12)	Adolph Coors Company Mailstop VR 900 P.O. Box 4030 Golden, Colorado 80401	1,735,726	5.2%

182

John K. Coors (3)(13)	CoorsTek, Inc. 16000 Table Mountain Parkway Golden, Colorado 80403	1,729,027	5.1%
John D. Beckett (14)		51,382	*
Harold R. Logan, Jr. (14)		16,703	*
James K. Peterson (14)		36,833	*
John Hoyt Stookey (12)(14)		25,710	*
Luis E. Leon (8)(15)		155,438	*
David W. Scheible (8)(16)		193,439	*
Jill B. W. Sisson (8)(17)		202,244	*
Marsha C. Williams (8)(18)		124,088	*
Directors and Executive Officers as a Group (10 persons) (4)(19)		63,701,850	76.2%

*

Holds less than 1 percent of the common stock.

(1)

Percentage is calculated based on 33,703,676 shares of Graphic common stock outstanding as of March 25, 2003.

(2)

Under the trust agreement evidencing each of the Adolph Coors, Jr. Trust and the Grover C. Coors Trust, the affirmative vote of a majority of the trustees is required to determine how shares of stock held by each trust will be voted or to dispose of any shares of stock held by each trust; therefore, each of the trustees of each trust disclaims beneficial ownership of shares held by that trust.

(3)

Pursuant to the voting agreement, the holder has granted Jeffrey H. Coors and, in case of his inability to act, William K. Coors, an irrevocable proxy to vote such shares in favor of the merger agreement and the transactions contemplated by the merger agreement and against any business combination with a third party. Except as provided in the voting agreement, the owner retains voting power over such shares.

(4)

Includes 48,484,848 shares of common stock into which shares of the convertible preferred stock may be converted, which shares may cast 24,242,424 votes with the holders of Graphic common stock.

(5)

The affirmative vote of all of the trustees of the May Kistler Coors Trust is required to determine how shares of stock held by the trust will be voted or to dispose of any shares of stock held by the trust; therefore, each of the trustees of the trust may be deemed to be the beneficial owner of all shares held by the trust.

(6)

Includes (1) 1,726,652 shares of Graphic common stock held by the May Kistler Coors Trust, as to which Jeffrey H. Coors has voting and investment power with William K. Coors, Joseph Coors, Jr., John K. Coors and Peter H. Coors as co-trustees; (2) 929,617 shares issuable pursuant to options that are exercisable or will be exercisable within 60 days of March 25, 2003; (3) 86,885 shares of restricted Graphic common stock; (4) 86,894 shares of Graphic common stock held in a Graphic 401(k) plan account; and (5) 48,484,848 shares of Graphic common stock issuable upon conversion of the convertible preferred stock held by the Grover C. Coors Trust of which Jeffrey H. Coors is a co-trustee. Excludes 164,155 shares of Graphic common stock restricted and unissued until the earlier of holder's retirement, death, disability or termination of employment, or the year 2004 (18,375 shares), 2005 (20,826 shares) and 2010 (22,965 shares).

(7)

Pursuant to the voting agreement, Jeffrey H. Coors is deemed to beneficially own 61,732,115 shares of Graphic common stock.

(8)

Excludes shares of restricted Graphic common stock to be granted under the 2003-2005 Long Term Incentive Plan, subject to stockholder approval at Graphic's Annual Meeting of Stockholders to be held on May 13, 2003, as follows: Jeffrey H. Coors 300,000 shares; Luis E. Leon 200,000 shares; David W. Schieble 250,000 shares; Jill B.W. Sisson 100,000 shares; and Marsha C. Williams 100,000 shares.

(9) Includes (1) 1,726,652 shares of Graphic common stock held by the May Kistler Coors Trust, as to which William K. Coors has voting and investment power with Jeffrey H. Coors, Joseph Coors, Jr., John K. Coors and Peter H. Coors as co-trustees; (2) 6,184 shares issuable pursuant to options that are exercisable or will be exercisable within 60 days of March 25, 2003; and (3) 48,484,848 shares of Graphic common stock issuable upon conversion of the convertible preferred stock held by the Grover C. Coors Trust of which William K. Coors is a co-trustee.

(10) Pursuant to the voting agreement, William K. Coors is deemed to beneficially own 61,707,636 shares of Graphic common stock.

(11) Includes 1,726,652 shares held by the May Kistler Coors Trust, as to which Joseph Coors, Jr. has voting and investment power with William K. Coors, Jeffrey H. Coors, John K. Coors and Peter H. Coors as co-trustees.

(12) Includes 1,726,652 shares held by the May Kistler Coors Trust, as to which Peter H. Coors has voting and investment power with William K. Coors, Jeffrey H. Coors, Joseph Coors, Jr., and John K. Coors as co-trustees.

(13) Includes 1,726,652 shares held by the May Kistler Coors Trust, as to which John K. Coors has voting and investment power with William K. Coors, Jeffrey H. Coors, Joseph Coors, Jr., and Peter H. Coors as co-trustees.

(14) Includes shares issuable pursuant to options that are currently exercisable or will be exercisable within 60 days of March 25, 2003, as follows: John D. Beckett 6,184; Harold R. Logan, Jr. 666; James K. Peterson 4,759; John Hoyt Stookey 7,276.

(15) Includes 54,918 shares of restricted stock, 520 shares held by the 401(k) Plan, and 100,000 shares issuable pursuant to options that are currently exercisable or will be exercisable within 60 days of March 25, 2003.

(16) Includes 65,574 shares of restricted stock, 2,865 shares held by the 401(k) Plan, and 125,000 shares issuable pursuant to options that are currently exercisable or will be exercisable within 60 days of March 25, 2003.

(17) Does not include 11,017 shares of common stock restricted and unissued until the earlier of grantee's retirement, death, disability or termination of employment, or the year 2008 (1,059 shares) and 2009 (11,983 shares). Includes 40,656 shares of restricted stock, 728 shares held by the 401(k) Plan, 4,050 shares purchased through the Employee Stock Purchase Plan, and 152,428 shares issuable pursuant to options that are currently exercisable or will be exercisable within 60 days of March 25, 2003.

(18) Includes 35,082 shares of restricted stock, 506 shares held by the 401(k) Plan, and 87,500 shares issuable pursuant to options that are currently exercisable or will be exercisable within 60 days of March 25, 2003.

(19) Includes 1,419,614 shares of Graphic common stock issuable pursuant to options that are currently exercisable or will be exercisable within 60 days of March 25, 2003.

CLASS OF STOCK: 10% SERIES B CONVERTIBLE PREFERRED STOCK

Name	Address for 5% Owners	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Grover C. Coors Trust	Coors Family Trusts Mailstop VR 900 P.O. Box 4030 Golden, Colorado 80401	1,000,000	100.0%

(1) The beneficial owner has sole voting and investment power. Until conversion, the 1,000,000 shares of convertible preferred stock are entitled to a total of 24,242,424 votes on all matters submitted to common stockholders, and the holder has the right, as a class, to vote on (a) any merger involving Graphic, (b) any sale of all or substantially all of the assets of Graphic, (c) any liquidation or dissolution of Graphic and (d) any matter as required by law.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

RIVERWOOD

There is no established public trading market for the Class A common stock or Class B common stock of Riverwood. The shares of Class A common stock and Class B common stock were held of record by 51 stockholders and one stockholder, respectively, at December 31, 2002. Riverwood did not pay any dividends on either class of common stock during 2002 or 2001. Riverwood's debt instruments restrict its ability to pay dividends.

GRAPHIC

The shares of Graphic common stock are currently traded on the NYSE under the symbol "GPK." The closing price per share of Graphic common stock on Tuesday, March 25, 2003, the last trading day before the announcement of the execution of the merger agreement, was $4.98.

The closing price per share of Graphic common stock as reported on the NYSE on , 2003, the most recent trading day practicable before the printing of this proxy statement/prospectus, was $.

The following table sets forth the intra-day high and low sales prices of shares of Graphic common stock, as reported on the NYSE, for the periods referred to below.

	Graphic Common Stock	
	High	**Low**
2002		
First Quarter	$ 6.40	$ 3.55
Second Quarter	$ 9.25	$ 6.26
Third Quarter	$ 8.79	$ 6.00
Fourth Quarter	$ 8.15	$ 5.60
2001		
First Quarter	$ 2.52	$ 1.25
Second Quarter	$ 4.88	$ 1.80
Third Quarter	$ 7.05	$ 4.50
Fourth Quarter	$ 6.50	$ 4.25
2000		
First Quarter	$ 8.44	$ 2.56
Second Quarter	$ 4.50	$ 2.13
Third Quarter	$ 3.00	$ 1.44
Fourth Quarter	$ 1.94	$ 1.06

No cash dividends have been paid during the last three years to Graphic's common stockholders. Graphic's credit facilities place substantial limitations on its ability to pay cash dividends on common stock. During 2002, 2001 and 2000, Graphic declared dividends of $10,000,000, $10,000,000 and $3,806,000, respectively, on the convertible preferred stock. The Trust has agreed to convert all of its shares of Graphic convertible preferred stock into Graphic common stock immediately before the effective time of the merger, in exchange for a payment by

Riverwood to the Trust in an amount equal to the estimated present value of the dividends, calculated using a discount rate of 8.5%, payable to the Graphic convertible preferred stock from the effective time of the merger through August 15, 2005, the first date as of which Graphic could have redeemed the Graphic convertible preferred stock.

Holders of Graphic common stock should obtain current market quotations for Graphic common stock. The market price of Graphic common stock could vary at any time before the merger.

COMBINED COMPANY

The combined company does not intend to pay a common stock dividend at this time rather, it intends to reinvest any earnings back into the company. At this time, we anticipate that we will retain any earnings and will not pay dividends in the foreseeable future. We also expect that our credit facility will limit our ability to pay dividends.

In connection with the merger, Riverwood will apply to have the combined company stock listed on the NYSE thereby establishing a public trading market.

COMPARISON OF STOCKHOLDER RIGHTS

If the merger is effected, the stockholders of Graphic, whose rights are presently governed by Colorado corporate law and by the Articles of Incorporation, as amended, and Amended and Restated Bylaws of Graphic, or the Graphic articles and Graphic bylaws, respectively, will become stockholders of the combined company, a Delaware corporation. Accordingly, their rights will be governed by the Delaware General Corporation Law and the Restated Certificate of Incorporation, and Amended and Restated By-Laws of the combined company, or the certificate of incorporation and by-laws, respectively. The table set forth below lays out a summary of the material differences between the current rights of the Graphic stockholders and their rights as stockholders of the combined company after the merger. The following summary is qualified by reference to the complete text of the certificate of incorporation and by-laws, copies of which have been filed with the SEC as exhibits to Riverwood's registration statement, of which this proxy statement/prospectus is a part. For information on how to obtain copies of the certificate of incorporation, by-laws or other exhibits, see "Where You Can Find More Information" on page 197.

	Current Graphic Stockholder Rights	**Combined Company Stockholder Rights**
Authorized Capital Stock	The authorized capital stock of Graphic currently consists of 100,000,000 shares of common stock, $0.01 par value, and 20,000,000 shares of preferred stock, $0.01 par value.	The authorized capital stock of the combined company will consist of 500,000,000 shares of common stock, par value $0.01 per share, and 50,000,000 shares of preferred stock, par value $0.01 per share.
	100,000 shares of preferred stock have been designated Series A Junior Participating Preferred Stock, and 1,000,000 shares have been designated 10% Series B convertible preferred stock.	shares of preferred stock will be designated Series A Junior Participating Preferred Stock.
Number of Directors	The Graphic board of directors currently consists of six directors.	The combined company's board will consist of nine directors.
Classification of board of directors	Graphic has a classified board consisting of three classes of two directors each.	The combined company will have a classified board consisting of three classes of three directors each.
Removal of directors	Graphic directors may be removed from office, with or without cause, by the affirmative vote of the holders of at least 80% of the shares entitled	Directors of the combined company will be removable from office, but only for cause, by the affirmative vote of the holders of at least a

	Current Graphic Stockholder Rights	Combined Company Stockholder Rights
	to vote at an election of directors.	majority of the shares entitled to vote at an election of directors.

Stockholder action by written consent	Colorado law permits any action required to be taken at a meeting of stockholders to be taken without a meeting if a written consent is signed by the holders of all of the outstanding shares entitled to vote.	Unless prohibited in the certificate of incorporation, Delaware law permits any action required to be taken at a meeting of stockholders to be taken without a meeting if a written consent is signed by the holders of not less than the minimum number of votes that would be necessary to authorize such action at a meeting at which all such shares entitled to vote were present and voted.
	The Graphic articles and Graphic bylaws permit stockholder actions by unanimous written consent.	The combined company's certificate of incorporation and by-laws will prohibit stockholder action by written consent.
Amendment of articles of incorporation and bylaws	Generally, the Graphic articles may be amended by the vote of holders of at least two-thirds of the voting power of Graphic common stock. Amendment of the provisions regarding written consents, special stockholders' meetings, business combinations with interested stockholders, bylaws, board considerations and certain board actions requires the vote of the holders of at least 80% of the voting power of Graphic common stock.	Generally, the combined company's certificate of incorporation will be amendable by the vote of the holders of at least a majority of the shares of the combined company's common stock. Amendment of the provisions regarding board of directors, indemnification, written consents and amendment requires the vote of the holders of at least three-fourths of the shares of the combined company's common stock.
	The Graphic articles authorize Graphic's board of directors, without additional stockholder approval, to issue preferred stock with rights and preferences determined by the board.	The combined company's certificate of incorporation will authorize the combined company's board of directors, without additional stockholder approval, to issue preferred stock with rights and preferences determined by the board.
	The Graphic bylaws may be amended by the vote of the holders of at least 80% of the voting power of Graphic common stock, or by a majority of the board of directors.	The combined company's by-laws will be amendable by the vote of the holders of at least three-fourths of the shares of the combined company's common stock or by a majority of the board of directors.

Voting power	Each share of Graphic common stock has one vote.	Each share of the combined company's common stock will have one vote.
Dividends	Colorado law permits a corporation to declare and pay dividends unless, after paying them, the corporation would not be able to pay its debts or the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy the preferential rights superior to those receiving the distribution on	Delaware law permits a corporation to declare and pay dividends out of surplus or if there is not a surplus, out of net profits, as long as the amount of capital following the payment is not less than the aggregate amount of capital represented by the issued and outstanding stock of all classes having preference in the distribution of assets.

	dissolution.	
Appraisal/ dissenters' rights	Colorado law provides for dissenters' rights for mergers when approval by stockholders is required by law or the articles of incorporation, or when the corporation is a 90% owned subsidiary that is merged with its parent. Colorado law also provides for dissenters' rights for share exchanges, dispositions of all or substantially all of the corporation's property if the stockholders were legally entitled to vote on the disposition, or reverse stock splits that result in ownership of a fraction of a share.	Delaware law provides that appraisal rights are generally available only for mergers.
	Stockholders are not entitled to dissenters' rights if they surrender and receive stock that is listed for trading on a stock exchange.	Stockholders are not entitled to appraisal rights if they surrender and receive stock that is listed for trading on a stock exchange.
Stockholders Rights Plan	One stockholder right is attached to each share of Graphic's common stock under a rights plan, as further described in note 12 to Graphic's consolidated financial statements on page F-78, under which Coors family stockholders are excluded from the definition of acquiring persons.	The combined company will adopt a stockholder rights plan with terms and conditions customary to such plans. Coors family stockholders will be subject to the definition of acquiring persons (with a carve-out for existing holdings) and the rights plan will apply to limit acquisitions of shares by the Coors family stockholders.

DESCRIPTION OF THE COMBINED COMPANY'S CAPITAL STOCK

OVERVIEW

The combined company's restated certificate of incorporation, which will become effective before the effective time of the merger, will authorize up to 500,000,000 shares of common stock, par value $0.01 per share and 50,000,000 shares of preferred stock, par value $0.01 per share. We refer to this restated certificate of incorporation in this proxy statement/prospectus as the "certificate of incorporation." As of the effective time of the merger, giving effect to the reclassification of each outstanding share of Riverwood's Class A common stock and Riverwood's non-voting Class B common stock into 15.21 shares of common stock to be completed before the effective time of the merger, approximately 204 million fully diluted shares of the combined company's common stock will be issued, held of record by   stockholders, and no shares of preferred stock will be issued and outstanding.

The following descriptions of the combined company's capital stock and provisions of its certificate of incorporation and amended and restated by-laws, which will become effective before the effective time of the merger and are referred to in this proxy statement/prospectus as the "by-laws," are summaries of all of their material terms and provisions and are qualified by reference to the complete text of the certificate of incorporation and by-laws, copies of which have been filed with the SEC as exhibits to Riverwood's registration statement of which this proxy statement/prospectus is a part. For information on how to obtain copies of the certificate of incorporation, by-laws or other exhibits, see "Where You Can Find More Information" on page 197. The descriptions reflect changes to Riverwood's capital structure, certificate of incorporation and by-laws that will occur at the effective time of the merger.

COMMON STOCK

Holders of the combined company's common stock will be entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Holders of common stock will be entitled to receive proportionately any dividends that may be declared by the combined company's board of directors, subject to the preferences and rights of any shares of preferred stock. In the event of our liquidation, dissolution or winding-up, holders of common stock will be entitled to receive proportionately any of our assets remaining after the payment of debts and liabilities and subject to the preferences and rights of any shares of preferred stock. Holders of common stock will have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are, and the shares of common stock to be issued in the merger will be, when issued, fully paid and non-assessable. The rights and privileges of holders of the combined company's common stock will be subject to any series of preferred stock that the combined company may issue in the future, as described below.

PREFERRED STOCK

The certificate of incorporation will provide that the combined company's board of directors has the authority, without further vote or action by the stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the number of shares constituting any such series and the preferences, limitations and relative rights, including dividend rights, dividend rate, voting rights, terms of redemption, redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series. The issuance of preferred stock could adversely affect the rights of holders of common stock. The combined company has no present plans to issue any shares of preferred stock after the effective time of the merger.

The certificate of incorporation will authorize shares of Series A junior participating preferred stock in connection with the combined company's anticipated stockholder rights plan. See " Stockholder Rights Plan" below.

STOCKHOLDERS AGREEMENTS

Certain individuals and entities that will be stockholders of the combined company after the completion of the merger have entered into a stockholders agreement, dated as of March 25, 2003, under which the parties have made certain agreements regarding the voting of their shares and the governance of Riverwood. Certain other stockholders of Riverwood before the completion of the merger have entered into a side letter with respect to certain observation and information rights. See "Material Terms of Related Agreements Stockholders Agreements" on page 82.

CHANGE OF CONTROL RELATED PROVISIONS OF THE COMBINED COMPANY'S CERTIFICATE OF INCORPORATION AND BY-LAWS, AND DELAWARE LAW

A number of provisions in the combined company's certificate of incorporation and by-laws and under the Delaware General Corporation Law, or the DGCL, may make it more difficult to acquire control of the combined company. These provisions may have the effect of delaying, deferring, discouraging, preventing or rendering more difficult a future takeover attempt which is not approved by the combined company's board of directors but which individual stockholders may deem to be in their best interests or in which stockholders may receive a substantial premium for their shares over then current market prices. As a result, stockholders who might desire to participate in such a transaction may not have an opportunity to do so. In addition, these provisions may adversely affect the prevailing market price of the common stock. These provisions are intended to:

- enhance the likelihood of continuity and stability in the composition of the combined company's board of directors;
- discourage some types of transactions that may involve an actual or threatened change in control of the combined company;
- discourage certain tactics that may be used in proxy fights;
- ensure that the combined company's board of directors will have sufficient time to act in what the board believes to be in the best interests of the combined company and its stockholders; and
- encourage persons seeking to acquire control of the combined company to consult first with the combined company's board to negotiate the terms of any proposed business combination or offer.

Unissued Shares of Capital Stock

Common Stock. The combined company currently plans to issue an estimated 204 million fully diluted shares of its authorized common stock. The remaining shares of authorized and unissued common stock will be available for future issuance without additional stockholder approval. While the additional shares are not designed to deter or prevent a change of control, under some circumstances the combined company could use the additional shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing those shares in private placements to purchasers who might side with the combined company's board of directors in opposing a hostile takeover bid.

Preferred Stock. The certificate of incorporation will grant the combined company's board of directors the authority, without any further vote or action by the combined company's stockholders, to issue preferred stock in one or more series and to fix the number of shares constituting any such series and the preferences, limitations and relative rights, including dividend rights, dividend rate, voting rights, terms of redemption, redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series. The existence of authorized but unissued preferred stock could reduce the combined company's attractiveness as a target for an unsolicited takeover bid since the combined company could, for example, issue shares of preferred stock to parties who might oppose

such a takeover bid or shares that contain terms the potential acquirer may find unattractive. This may have the effect of delaying or preventing a change in control, may discourage bids for the common stock at a premium over the market price of the common stock, and may adversely affect the market price of, and the voting and other rights of the holders of, common stock.

Classified Board of Directors, Vacancies and Removal of Directors

The certificate of incorporation and by-laws will provide that the combined company's board of directors will be divided into three classes of even number or nearly even number, with each class elected for staggered three-year terms expiring in successive years. Any effort to obtain control of the combined company's board of directors by causing the election of a majority of the board of directors may require more time than would be required without a staggered election structure. Under the DGCL, for companies like the combined company with a classified board of directors, stockholders may remove directors only for cause. Vacancies (including a vacancy created by increasing the size of the board) in our board of directors may only be filled by a majority of the combined company's directors. Any director elected to fill a vacancy will hold office for the remainder of the full term of the class of directors in which the vacancy occurred (including a vacancy created by increasing the size of the board) and until such director's successor shall have been duly elected and qualified. No decrease in the number of directors will shorten the term of any incumbent director. The combined company's certificate of incorporation and by-laws will provide that the number of directors will be fixed and increased or decreased from time to time by resolution of the board of directors, but the board of directors will at no time consist of fewer than three directors. These provisions may have the effect of slowing or impeding a third party from initiating a proxy contest, making a tender offer or otherwise attempting a change in the membership of the combined company's board of directors that would effect a change of control.

Advance Notice Requirements for Nomination of Directors and Presentation of New Business at Meetings of Stockholders; Action by Written Consent

The combined company's by-laws will provide for advance notice requirements for stockholder proposals and nominations for director. Generally, to be timely, notice must be delivered to the secretary of the combined company at its principal executive offices not fewer than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. In addition, under the provisions of both the certificate of incorporation and by-laws, action may not be taken by written consent of stockholders; rather, any action taken by the stockholders must be effected at a duly called annual or special meeting. A special meeting may only be called by the combined company's board of directors. These provisions make it more procedurally difficult for a stockholder to place a proposal or nomination on the meeting agenda or to take action without a meeting, and therefore may reduce the likelihood that a stockholder will seek to take independent action to replace directors or seek a stockholder vote with respect to other matters that are not supported by management.

Business Combination Under Delaware Law

As a Delaware corporation, the combined company will be subject to Section 203 of the DGCL, unless it elects in its certificate of incorporation not to be governed by the provisions of Section 203. The combined company does not plan to make that election. Subject to specified exceptions, Section 203, as currently in effect, prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless:

- before that date, the board of directors approved either the business combination or the transaction in which such stockholder became an interested stockholder;

upon consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than statutorily excluded shares; or

on or after that date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the holders of at least 66$^{2}/_{3}$% of the combined company's outstanding voting stock which is not owned by the interested stockholder.

A "business combination", as further defined by the DGCL, includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Except as otherwise described in the DGCL, an "interested stockholder" is defined to include (1) any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately before the date of determination, and (2) the affiliates and associates of any such person.

The CDR fund, Exor and their affiliates or associates will not be subject to the restrictions imposed by Section 203 because, among other reasons, they have each been an interested stockholder for purposes of Section 203 for a period greater than three years. Additionally, the Coors family stockholders and their affiliates or associates will not be subject to the restrictions imposed by Section 203 because the combined company's board of directors approved the merger, *i.e.*, the business combination in which any such stockholder may have become an interested stockholder.

Limitation of Liability of Directors

The certificate of incorporation will provide that no director will be personally liable to the combined company or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that this limitation on or exemption from liability is not permitted by the DGCL and any amendments to that law. As currently enacted, the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

any breach of the director's duty of loyalty to the corporation or its stockholders;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

payments of unlawful dividends or unlawful stock repurchases or redemptions; or

any transaction from which the director derived an improper personal benefit.

The principal effect of this limitation on liability provision is that a stockholder will be unable to recover monetary damages against a director for breach of fiduciary duty unless the stockholder can demonstrate that one of the exceptions listed in the DGCL applies. This provision, however, will not eliminate or limit director liability arising in connection with causes of action brought under the federal securities laws. The combined company's certificate of incorporation will not eliminate its directors' fiduciary duties. The inclusion of this provision in the certificate of incorporation may, however, discourage or deter stockholders or management from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited the combined company and its stockholders. This provision should not affect the availability of equitable remedies such as injunction or rescission based upon a director's breach of his or her fiduciary duties.

The DGCL provides that a corporation may indemnify its directors and officers as well as its other employees and agents against judgments, fines, amounts paid in settlement and expenses, including attorneys' fees, in connection with various proceedings, other than an action brought by or in the right of the corporation, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe his or her conduct was unlawful. A similar standard is applicable in the case of an action brought by or in the right of the corporation, except that indemnification in such a case may only extend to expenses, including attorneys' fees, incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The combined company's certificate of incorporation and, with regard to its officers, its by-laws will provide that the combined company will indemnify its directors and officers to the fullest extent permitted by Delaware law. Under these provisions and subject to the Delaware General Corporation Law, the combined company will be required to indemnify its directors and officers for all judgments, fines, settlements, legal fees and other expenses incurred in connection with pending or threatened legal proceedings because of the director's or officer's position with the combined company or another entity that the director or officer serves as a director, officer, employee or agent at the combined company's request, subject to various conditions, and to advance funds to the combined company's directors and officers before final disposition of such proceedings to enable them to defend against such proceedings. To receive indemnification, the director or officer must have been successful in the legal proceeding or have acted in good faith and in what was reasonably believed to be a lawful manner in the best interest of the combined company. The by-laws also specifically authorize the combined company to maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the combined company, or is or was serving at the combined company's request as a director, officer, employee or agent of another entity, against certain liabilities.

Riverwood also has agreed that the combined company will include and cause to be maintained in effect in its certificate of incorporation and by-laws, for a period of six years after the effective time of the merger, the current provisions regarding elimination of liability of directors, indemnification of officers, directors and employees and advancement of expenses contained in the articles of incorporation and by-laws of Graphic. See "Interests of Certain Persons in the Merger Indemnification of Directors and Officers" on page 68.

Supermajority Voting Requirement for Amendment of Certain Provisions of the Combined Company's Certificate of Incorporation and By-Laws

The provisions of the combined company's certificate of incorporation governing, among other things, the classified board, the liability of directors, the elimination of stockholder actions by written consent and the prohibition on the right of stockholders to call a special meeting, may not be amended, altered or repealed unless the amendment is approved by the vote of holders of 75% of the combined voting power of the then outstanding shares entitled to vote at an election of directors. This requirement exceeds the majority vote of the outstanding stock that would otherwise be required by the DGCL for the repeal or amendment of such provisions of the certificate of incorporation. The combined company's by-laws may be amended by the board of directors or by the vote of holders of 75% of the combined voting power of the then outstanding shares entitled to vote at an election of directors. These provisions make it more difficult for any person to remove or amend any provisions that may have an anti-takeover effect.

STOCKHOLDER RIGHTS PLAN

The combined company's board of directors intends to adopt a stockholder rights plan under which each outstanding share of the combined company's common stock will be coupled with a stock

purchase right. The description and terms of the rights will be found in a rights agreement to be entered into between the combined company and Wells Fargo Bank Minnesota, N.A., as the rights agent. Although the material provisions of the rights agreement have been accurately summarized, the statements below concerning the rights agreement are not necessarily complete, and in each instance are qualified by reference to the complete text of the form of rights agreement, a copy of which will be filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part. Each statement in this summary is qualified in its entirety by such reference. For information on how to obtain copies of the rights agreement or other exhibits, see "Where You Can Find More Information" on page 197.

Initially, the rights will be attached to the certificates representing outstanding shares of common stock, and no separate rights certificates will be distributed. The rights are transferable only with the common stock until a distribution date (as described below). Each right will entitle the holder to purchase one one-thousandth of a share of the combined company's Series A junior participating preferred stock at an exercise price of $, subject to adjustment. Each one one-thousandth of a share of Series A junior participating preferred stock will have economic and voting terms approximately equivalent to one share of the combined company's common stock. Until it is exercised, the right itself will not entitle the holder of the right to any rights as a stockholder, including the right to receive dividends or to vote at stockholder meetings.

The rights are not exercisable until the distribution date and will expire at the close of business on the tenth anniversary of the record date under the rights agreement, unless earlier redeemed or exchanged by us. As soon as practicable after the distribution date, the combined company would issue separate certificates representing the rights which would trade separately from the shares of the combined company's common stock. A distribution date would generally occur upon the earlier of:

the tenth day after the first public announcement by or communication to the combined company that a person or group of affiliated or associated persons (referred to as an acquiring person) has acquired beneficial ownership of 15% or more of the combined company's outstanding common stock (the date of such announcement or communication is referred to as the stock acquisition time); or

the tenth business day after the commencement or first public announcement of the intention to commence a tender offer or exchange offer that would result in a person or group becoming an acquiring person.

However, an acquiring person will not include the combined company, any of its subsidiaries, any of its employee benefit plans or any person or entity acting under its employee benefit plans. In addition, an acquiring person will not include stockholders of the combined company who beneficially own 15% or more of its outstanding common stock as of the effective time of the merger (referred to as "grandfathered persons," provided that any such stockholder will cease to be a grandfathered person at such time when such stockholder beneficially owns less than 15% of the combined company's outstanding common stock) unless any such stockholder acquires or proposes to acquire an additional 2% of the combined company's outstanding common stock.

If any person becomes an acquiring person, each right will represent, instead of the right to acquire one one-thousandth of a share of Series A junior participating preferred stock, the right to receive upon exercise a number of shares of common stock having a value equal to two times the purchase price of the right, subject to certain exceptions. All rights that are beneficially owned by an acquiring person or its transferee will become null and void.

If at any time after a public announcement has been made or the combined company has received notice that a person has become an acquiring person:

the combined company is acquired in a merger or other business combination, or

50% or more of the assets, cash flow or earning power of the combined company and its subsidiaries (taken as a whole) is sold or transferred, each right, except rights that previously have been voided as described above, will represent the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the purchase price of the right.

At any time until the earlier of (1) the stock acquisition time or (2) the tenth anniversary of the record date under the rights agreement, the combined company may redeem all the rights at a price of $0.001 per right. At any time after a person has become an acquiring person and before the acquisition by such person and its affiliates of 50% or more of the outstanding shares of the combined company's common stock, the combined company may exchange the rights, in whole or in part, at an exchange ratio of one share of common stock per right.

The purchase price of the rights, the number of thousandths of a share of Series A junior participating preferred stock and the amount of common stock, cash or other securities or property issuable upon exercise of, or exchange for, the rights, and the number of such rights outstanding, are subject to adjustment from time to time to prevent dilution. Except as provided in the rights agreement, no adjustment in the purchase price or the number of shares of Series A junior participating preferred stock issuable upon exercise of a right will be required until the cumulative adjustment would require an increase or decrease of at least 1% in the purchase price or number of shares for which a right is exercisable.

Before the time that a person or group becomes an acquiring person, and subject to specified limitations, the rights agreement may be supplemented or amended by the combined company and the rights agent, without the approval of the holders of the rights.

The stockholder rights plan is designed to protect stockholders in the event of unsolicited offers to acquire Riverwood and other coercive takeover tactics which, in the opinion of the combined company's board of directors, could impair its ability to represent stockholder interests. The rights will not prevent a takeover of the combined company. However, the provisions of the stockholder rights plan may render an unsolicited takeover more difficult or less likely to occur, even though such takeover may offer the combined company's stockholders the opportunity to sell their stock at a price above the prevailing market rate and/or may be favored by a majority of the combined company's stockholders.

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

Riverwood, the parties to the stockholders agreement and the other stockholders of Riverwood immediately before the completion of the merger have entered into an amended and restated registration rights agreement, dated as of March 25, 2003, under which the parties have agreed to amend and restate Riverwood's previous registration rights agreement in connection with the transactions contemplated by the merger agreement. See above "Material Terms of Related Agreements Amended and Restated Registration Rights Agreement" on page 87.

LISTING

Riverwood will file an application to have the combined company's common stock listed on the NYSE under the ticker symbol "   ."

EXCHANGE AGENT AND REGISTRAR

The exchange agent and registrar for our common stock and Series A junior participating preferred stock will be Wells Fargo Bank Minnesota, N.A.

LEGAL MATTERS

The validity of the issuance of the shares of the combined company's common stock to be issued to Graphic stockholders in the merger will be passed upon for Riverwood by Debevoise & Plimpton, New York, New York. Franci J. Blassberg, Esq., a member of Debevoise & Plimpton, is married to Joseph L. Rice, III, who is a shareholder of the general partner of the general partner of Clayton, Dubilier & Rice Fund V Limited Partnership. Certain United States federal income tax consequences of the merger will be passed upon for Graphic by Holme Roberts & Owen LLP, Denver, Colorado.

EXPERTS

The consolidated financial statements of Riverwood as of December 31, 2001 and for each of the two years in the period ended December 31, 2001 (none of which are presented herein) and the related financial statement schedule, as it relates to information as of December 31, 2001 and 2000 and for the years then ended, included elsewhere in this registration statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein and such financial schedule is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements and financial statement schedule of Riverwood Holding, Inc. as of December 31, 2002 and for the year then ended, included in this registration statement have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements and financial statement schedule of Graphic Packaging International Corporation as of December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002, included in this registration statement have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

INDEPENDENT ACCOUNTANTS

Representatives of PricewaterhouseCoopers LLP, current independent accountants of Graphic, are expected to be present at the Graphic special meeting and will be available to respond to appropriate questions.

FUTURE STOCKHOLDER PROPOSALS

If the proposed merger is not consummated, Graphic will hold an annual meeting of stockholders following the end of the 2003 fiscal year. If such meeting is held, in order to include a stockholder proposal in Graphic's proxy statement and form of proxy relating to such meeting, it must be received in writing by Graphic no later than December 2, 2003. For nominations or other business to be properly brought before the next annual meeting of stockholders following the end of the 2003 fiscal year, you must give notice in writing to the Secretary of Graphic no later than January 1, 2004. Stockholder proposals should be addressed to Jill B.W. Sisson, General Counsel and Secretary, Graphic Packaging International Corporation, 4455 Table Mountain Drive, Golden, Colorado 80403. If next year's annual meeting is held, Graphic intends to hold such meeting in May 2004.

WHERE YOU CAN FIND MORE INFORMATION

Riverwood files annual, quarterly and special reports and other information with the SEC. Graphic files annual, quarterly and special reports, proxy statements and other information with the SEC. These documents contain specific information regarding Riverwood and Graphic. These documents, including exhibits and schedules thereto, may be inspected without charge at the SEC's principal office in

Washington, D.C., and copies of all or any part thereof may be obtained from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 after payment of fees prescribed by the SEC. The SEC also maintains a World Wide Web site which provides online access to reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at the address http://www.sec.gov.

You may also obtain information about Graphic at http://www.graphicpkg.com. The information contained on Graphic's website does not form a part of this proxy statement/prospectus. You can also inspect reports, proxy and registration statements and other information about Graphic at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Riverwood has filed with the SEC a registration statement on Form S-4 under the Securities Act for the registration of the common stock offered by this prospectus. This proxy statement/prospectus, which is a part of the registration statement, does not contain all of the information included in the registration statement and the exhibits and schedules to the registration statement. Any statement made in this proxy statement/prospectus concerning the contents of any contract, agreement or other document is not necessarily complete. For further information regarding Riverwood and Graphic and the common stock offered by this prospectus, please refer to the registration statement, including its exhibits and schedules, and the other reports and filings referenced above. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the documents or matter involved.

You may obtain, without charge, copies of documents filed as exhibits to the registration statement from Riverwood by requesting them in writing or by telephone as follows:

Riverwood Holding, Inc.
814 Livingston Court
Marietta, Georgia 30067
Attention: Edward W. Stroetz, Jr.

Telephone: 1-770-644-3000

In order for you to receive timely delivery of the documents in advance of the special meeting of the stockholders of Graphic, Riverwood should receive your request no later than , 2003.

You should rely only on the information contained in this proxy statement/prospectus to vote on the approval of the merger agreement. Neither Graphic, Riverwood nor Acquisition Sub has authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. This proxy statement/prospectus is dated as of the date set forth on the cover page. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other that this date and neither the mailing of this proxy statement/prospectus to stockholders nor the delivery of shares of the combined company's common stock in the merger shall create any implications to the contrary.

INDEX TO FINANCIAL STATEMENTS

RIVERWOOD HOLDING, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)

	December 31, 2002	As Restated December 31, 2001
ASSETS		
Current Assets:		
Cash and Equivalents	$ 13,757	$ 7,369
Receivables, Net of Allowances	137,284	121,409
Inventories	174,383	161,349 296,028
Prepaid Expenses	8,566	5,901
Total Current Assets	333,990	296,028
Property, Plant and Equipment, at Cost		
Land and Improvements	38,774	38,216
Buildings	113,248	109,988
Machinery and Equipment	1,857,970	1,800,778
	2,009,992	1,948,982
Less, Accumulated Depreciation	777,047	659,597

	December 31, 2002	As Restated December 31, 2001
Property, Plant and Equipment, Net	1,232,945	1,289,385
Deferred Tax Assets	11,376	7,923
Investments in Net Assets of Equity Affiliates	4,832	4,017
Goodwill	268,284	276,482
Other Assets	106,245	127,261
Total Assets	$ 1,957,672	$ 2,001,096
LIABILITIES		
Current Liabilities:		
Short-Term Debt	$ 98,696	$ 18,082
Accounts Payable	80,863	89,706
Compensation and Employee Benefits	31,766	24,689
Income Taxes	729	2,175
Interest Payable	35,764	41,588
Other Accrued Liabilities	31,530	29,885
Total Current Liabilities	279,348	206,125
Long-Term Debt, Less Current Portion	1,423,664	1,523,082
Deferred Income Taxes	13,533	14,422
Other Noncurrent Liabilities	108,601	52,691
Total Liabilities	1,825,146	1,796,320
Contingencies and Commitments (Note 15)		
Class A Redeemable Common Stock $120/share redemption value; 57,930 and 67,180 shares issued and outstanding at December 31, 2002 and 2001, respectively	6,951	8,061
SHAREHOLDERS' EQUITY		
Common Stock par value $.01 per Share;		
Class A Common Stock, 9,000,000 shares authorized; 7,057,930 and 7,067,180 shares designated at December 31, 2002 and 2001, respectively; 7,000,000 shares of non-redeemable Common Stock issued and outstanding at December 31, 2002 and 2001	70	70
Class B Common Stock, 3,000,000 shares authorized; 500,000 shares of non-redeemable Common Stock issued and outstanding at December 31, 2002 and 2001	5	5
Capital in Excess of Par Value	748,748	748,753
Accumulated Deficit	(515,107)	(503,845)
Accumulated Derivative Instruments Loss	(6,135)	(4,570)
Minimum Pension Liability Adjustment	(71,304)	
Cumulative Currency Translation Adjustment	(30,702)	(43,698)
Total Shareholders' Equity	125,575	196,715
Total Liabilities and Shareholders' Equity	$ 1,957,672	$ 2,001,096

The accompanying notes are an integral part of the consolidated financial statements

RIVERWOOD HOLDING, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(In thousands of dollars)

	Year ended December 31, 2002	As Restated Year ended December 31, 2001	As Restated Year ended December 31, 2000
Net Sales	$ 1,247,314	$ 1,201,613	$ 1,192,362
Cost of Sales	984,771	953,901	930,786
Selling, General and Administrative	117,335	116,510	112,200
Research, Development and Engineering	5,227	5,111	4,554
Restructuring Credit			(2,600)
Gain on Sale of Investment			(70,863)
Other (Income) Expense, Net	(631)	18,825	4,731
Income from Operations	140,612	107,266	213,554
Interest Income	1,350	944	848
Interest Expense	147,407	158,910	181,285
(Loss) Income before Income Taxes and Equity in Net Earnings of Affiliates	(5,445)	(50,700)	33,117
Income Tax (Benefit) Expense	(4,664)	6,627	3,009
(Loss) Income before Equity in Net Earnings of Affiliates	(781)	(57,327)	30,108
Equity in Net Earnings of Affiliates	1,028	993	3,356
Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	247	(56,334)	33,464
Extraordinary Loss on Early Extinguishment of Debt, Net of Tax of $0	(11,509)	(8,724)	(2,117)
(Loss) Income before Cumulative Effect of a Change in Accounting Principle	(11,262)	(65,058)	31,347
Cumulative Effect of a Change In Accounting Principle Net of Tax of $0		(499)	
Net (Loss) Income	(11,262)	(65,557)	31,347
Other Comprehensive (Loss) Income, Net of Tax:			
Derivative Instruments Loss	(1,565)	(4,570)	
Minimum Pension Liability Adjustment	(71,304)		
Foreign Currency Translation Adjustments	12,996	(10,136)	(14,238)
Comprehensive (Loss) Income	$ (71,135)	$ (80,263)	$ 17,109

The accompanying notes are an integral part of the consolidated financial statements.

RIVERWOOD HOLDING, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (Loss) Income	$ (11,262)	$ (65,557)	$ 31,347
Noncash Items Included in Net (Loss) Income:			
Depreciation and Amortization	133,840	137,143	143,541
Cumulative Effect of a Change in Accounting Principle		499	
Extraordinary Loss on Early Extinguishment of Debt	2,967	8,724	2,117
Current and Deferred Income Taxes	(10,655)	(731)	(2,538)
Pension, Postemployment and Postretirement Benefits Expense, Net of Contributions	8,343	4,908	1,822
Restructuring Credit			(2,600)
Gain on Sale of Investment			(70,863)
Net Gain on Sale of Assets			(691)
Equity in Net Earnings of Affiliates, Net of Dividends	(415)	(283)	1,727
Amortization of Deferred Debt Issuance Costs	6,867	7,564	10,261
Other, Net	1,529	5,719	
Changes in Operating Assets & Liabilities:			
Receivables	(9,590)	17,261	15,677
Inventories	(10,328)	(13,799)	1,904
Prepaid Expenses	(7,062)	2,839	(3,181)
Accounts Payable	(11,933)	(4,742)	5,582
Compensation and Employee Benefits	(1,904)	(11,471)	(7,606)
Income Taxes	(1,491)	614	1,024
Other Accrued Liabilities	(584)	(1,494)	(26,927)
Other Noncurrent Liabilities	(825)	505	(1,742)
Net Cash Provided by Operating Activities	87,497	87,699	98,854
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of Property, Plant and Equipment	(56,042)	(57,297)	(62,062)
Payment for Acquisitions			(12,500)
Payment for Settlement of Tax Matters Relating to the Merger		(29,500)	
Proceeds from Sales of Assets, Net of Selling Costs			205,714
Increase in Other Assets	(2,672)	(3,185)	(3,849)
Net Cash (Used in) Provided by Investing Activities	(58,714)	(89,982)	127,303
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowing under Revolving Credit Facilities	279,900	523,910	373,400
Payments on Revolving Credit Facilities	(288,303)	(617,637)	(445,690)
Proceeds from Issuance of Debt	250,000	592,500	
Increase in Debt Issuance Costs	(3,805)	(18,983)	
Premium Paid on Early Extinguishment of Debt	(8,542)		
Payment on Debt	(252,446)	(488,972)	(151,469)
Repurchases of Redeemable Common Stock	(420)	(360)	(48)
Issuance of Redeemable Common Stock	25	300	560

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
Net Cash Used in Financing Activities	(23,591)	(9,242)	(223,247)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,196	477	1,399
Net Increase in Cash and Equivalents	6,388	(11,048)	4,309
Cash and Equivalents at Beginning of Period	7,369	18,417	14,108
CASH AND EQUIVALENTS AT END OF PERIOD	$ 13,757	$ 7,369	$ 18,417

The accompanying notes are an integral part of the consolidated financial statements

RIVERWOOD HOLDING, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands of dollars)

	Class A Non-Redeemable Common Stock		Class B Non-Redeemable Common Stock							
	Shares	Amount	Shares	Amount	Capital in Excess of Par Value	As Restated Retained Earnings (Accumulated Deficit)	Minimum Pension Liability Adjustment	As Restated Cumulative Currency Translation Adjustment	Accumulated Derivative Instruments Loss	As Restated Total Shareholders' Equity
Balances at December 31, 1999	7,000,000	$ 70	500,000	$ 5	$ 749,161	$ (469,635)	$	$ (19,324)	$	$ 260,277
Net Income						31,347				31,347
Currency Translation Adjustment								(14,238)		(14,238)
Adjustment to Redemption Value of Redeemable Common Stock, Net of (Repurchases) Issuance					(348)					(348)
Balances at December 31, 2000	7,000,000	70	500,000	5	748,813	(438,288)		(33,562)		277,038
Net (Loss)						(65,557)				(65,557)
Accumulated Deriviative Instruments Loss									(4,570)	(4,570)
Currency Translation Adjustment								(10,136)		(10,136)
(Repurchases) Issuance of Redeemable Common Stock, Net					(60)					(60)
Balances at December 31, 2001	7,000,000	70	500,000	5	748,753	(503,845)		(43,698)	(4,570)	196,715
Net (Loss)						(11,262)				(11,262)
									(1,565)	(1,565)

Accumulated Deriviative Instruments Loss	Class A Non-Redeemable Common Stock		Class B Non-Redeemable Common Stock			As Restated Retained Earnings (Accumulated Deficit)		As Restated Cumulative Currency Translation Adjustment		
Minimum Pension Liability Adjustment							(71,304)			(71,304)
Currency Translation Adjustment								12,996		12,996
(Repurchases) Issuance of Redeemable Common Stock, Net					(5)					(5)
Balances at December 31, 2002	7,000,000	$ 70	500,000	$ 5	$ 748,748	$ (515,107)	$ (71,304)	$ (30,702)	$ (6,135)	$ 125,575

The accompanying notes are an integral part of the consolidated financial statements.

RIVERWOOD HOLDING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

Riverwood Holding, Inc. ("Riverwood Holding") and its wholly-owned subsidiary RIC Holding, Inc. ("RIC Holding") and the corporation formerly named CDRO Acquisition Corporation were incorporated in 1995 to acquire the stock of our predecessor, the corporation formerly named Riverwood International Corporation ("RIC").

On March 27, 1996, Riverwood Holding, through its wholly-owned subsidiaries, acquired all of the outstanding shares of common stock of RIC. On such date, CDRO Acquisition Corporation was merged into RIC. RIC, as the surviving corporation in the Merger, became a wholly-owned subsidiary of RIC Holding. On March 28, 1996, RIC transferred substantially all of its properties and assets to the corporation formerly named Riverwood International USA, Inc., other than the capital stock of Riverwood International USA, Inc, and RIC was merged into RIC Holding. Thereupon, Riverwood International USA, Inc. was renamed "Riverwood International Corporation." Upon consummation of the Subsequent Merger, RIC Holding, as the surviving corporation in the Subsequent Merger, became the parent company of Riverwood International Corporation ("Riverwood International").

Riverwood Holding and RIC Holding, a wholly-owned subsidiary, conducted no significant business and have no independent assets or operations other than in connection with the Merger and related transactions through March 27, 1996. Riverwood Holding and RIC Holding fully and unconditionally guarantee substantially all of the debt of Riverwood International.

In connection with the Merger, the purchase method of accounting was used to establish and record a new cost basis for the assets acquired and liabilities assumed. The difference between the purchase price and the fair market values of the assets acquired and liabilities assumed was recorded as goodwill.

References to the "Company" are to Riverwood Holding and its subsidiaries.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Company.

(A) PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include all of the accounts of Riverwood Holding and its majority-owned and controlled subsidiaries. The accompanying consolidated financial statements include the worldwide operations of the Coated Board segment which includes the paperboard, packaging, and packaging machinery businesses and the Containerboard segment. All significant transactions and balances between the consolidated operations have been eliminated.

(B) CASH AND EQUIVALENTS

Cash and equivalents include time deposits, certificates of deposit and other marketable securities with original maturities of three months or less.

(C) INVENTORIES

Inventories are stated at the lower of cost or market with cost determined principally by the first-in, first-out ("FIFO") basis (see Note 5). Average cost basis is used to determine the cost of supplies inventories. Inventories are stated net of an allowance for slow-moving and obsolete inventory,

which is based on estimates. If the condition of the inventories or the state of the Company's business would deteriorate, additional allowances may be required which would reduce income.

(D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repairs and maintenance charges are expensed as incurred. The Company's cost and related accumulated depreciation applicable to assets retired or sold are removed from the accounts and the gain or loss on disposition is recognized in income.

Costs directly associated with the development and testing of computer information systems for internal use are deferred and included in property, plant and equipment. Such costs are amortized on a straight-line basis over the expected useful life of 5 years. Costs indirectly associated with such projects and ongoing maintenance costs are expensed as incurred. A total of $1.0 million and $1.4 million in costs relating to software development were capitalized in 2002 and 2001, respectively, and were included in property, plant and equipment at December 31, 2002 and December 31, 2001.

Interest is capitalized on major projects. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Capitalized interest was approximately $1.3 million, $2.1 million, and $1.3 million in the years ended December 31, 2002, 2001, and 2000, respectively.

(E) DEPRECIATION AND AMORTIZATION

Depreciation and amortization are principally computed using the straight-line method based on the following estimated useful lives of the related assets:

Buildings	10 to 40 years
Land improvements	3 to 20 years
Machinery and equipment	2 to 40 years
Furniture and fixtures	1 to 12 years
Automobiles and light trucks	2 to 5 years

For certain major capital additions, the Company computes depreciation on the units-of-production method until the asset's designed level of production is achieved and sustained.

The Company assesses its long-lived assets, including goodwill and certain identifiable intangibles, for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable (see Note 26). To analyze recoverability, the Company projects future cash flows, undiscounted and before interest, over the remaining life of such assets. If these projected cash flows are less than the carrying amount, an impairment would be recognized, resulting in a write-down of assets with a corresponding charge to earnings. The impairment loss is measured based upon the difference between the carrying amount and the fair value of the assets. The Company assesses the appropriateness of the useful life of its long-lived assets periodically.

Intangible assets with a determinable life are amortized on a straight-line basis over that period. The related amortization expense is included in Other Expense, Net.

(F) INTERNATIONAL CURRENCY

The functional currency for most of the international subsidiaries is the local currency for the country in which the subsidiaries own their primary assets. The translation of the applicable currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. Any related translation adjustments are recorded directly to Shareholders' Equity. Gains and losses on foreign currency transactions are included in Other Expense, Net for the period in which the exchange rate changes.

The Company pursues a currency hedging program which utilizes derivatives to limit the impact of foreign currency exchange fluctuations on its consolidated financial results. Under this program, the Company has entered into forward exchange and option contracts in the normal course of business to hedge certain foreign currency denominated transactions. Realized and unrealized gains and losses on these forward contracts are included in the measurement of the basis of the related foreign currency transaction when recorded. The premium on an option contract is reflected in Other Expense, Net, during the period in which the contract expires.

(G) INCOME TAXES

The Company accounts for income taxes under the asset and liability method whereby the effect of changes in corporate tax rates on deferred income taxes is recognized currently as an adjustment to income tax expense. The asset and liability method also requires that deferred tax assets or liabilities be recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A valuation allowance is established for deferred tax assets when it is more likely than not that the benefits of such assets will not be realized.

(H) REVENUE RECOGNITION

The Company recognizes revenue when pervasive evidence of a sales arrangement exists, delivery has occurred, the price to the buyer is fixed and determinable, and the collectibility of the sales price is reasonably assured which is primarily when goods are shipped to customers. Payments received in advance from packaging machinery use agreements are recognized on a straight-line basis over the term of the agreements. Customer returns and allowances are provided based on estimates.

(I) SHIPPING AND HANDLING COSTS

The Company includes shipping and handling costs in Cost of Sales.

(J) INSURANCE RESERVES

It is the Company's policy to self-insure or fund a portion of certain expected losses related to group health benefits. Provisions for losses expected are recorded based on the Company's estimates, on an undiscounted basis, of the aggregate liabilities for known claims and estimated claims incurred but not reported.

(K) ENVIRONMENTAL REMEDIATION RESERVES

The Company records accruals for environmental obligations based on estimates developed in consultation with environmental consultants and legal counsel. Accruals for environmental liabilities are established in accordance with the American Institute of Certified Public Accountants Statement of Position 96-1, *"Environmental Remediation Liabilities."* The Company records a liability at the time when it is probable and can be reasonably estimated. Such liabilities are not reduced for potential recoveries from insurance carriers. Costs of future expenditures are not discounted to their present value.

(L) STOCK-BASED COMPENSATION

As permitted by SFAS No. 123 "Accounting for Stock-Based Compensation", the Company continues to apply intrinsic value accounting for its stock option plans under Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees". Compensation cost for stock options, if any, is measured as the excess of the market price of the Company's common stock at the date of grant over the exercise price to be paid by the grantee to acquire the stock. The Company has adopted disclosure-only provisions of SFAS No. 123 and SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure an Amendment of FASB Statement No. 123". The Company's pro forma net earnings based upon the fair value at the grant dates for awards under the Company's plans are disclosed below.

If the Company had elected to recognize compensation expense based upon the fair value at the grant dates for awards under these plans, the Company's net (loss) income would have been reduced as follows:

	For the Year Ended December 31,		
	2002	2001	2000
	(Amounts in thousands)		
Net (loss) income, as reported	$ (11,262)	$ (65,557)	$ 31,347
Deduct: Total additional stock-based employee compensation cost, net of tax, that would have been included in net (loss) income under fair value method	(266)	(399)	(501)
Pro forma net (loss) income	$ (11,528)	$ (65,956)	$ 30,846

The Company recognized compensation expense on stock options for which the exercise price was less than the fair value at the date of grant in the amount of $1.9 million, $1.5 million, and $1.8 million for the years ended December 31, 2002, 2001, and 2000, respectively.

(M) RECLASSIFICATION

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

(N) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 3 RECEIVABLES

The components of receivables at December 31 were as follows:

	2002	2001
	(In thousands of dollars)	
Trade	$ 127,425	$ 118,650
Less, allowance	1,955	3,294
	125,470	115,356
Other	11,814	6,053
	$ 137,284	$ 121,409

NOTE 4 FINANCIAL INSTRUMENTS

The Company has financial instruments which include foreign currency option and forward exchange contracts and interest rate swap agreements. These instruments involve, to varying degrees, elements of market and credit risk in excess of the amounts recognized in the Consolidated Balance Sheets. The Company does not hold or issue such financial instruments for trading purposes.

The Company enters into forward exchange contracts to effectively hedge substantially all accounts receivable and certain accounts payable resulting from transactions denominated in foreign currencies. The purpose of the forward exchange contracts is to protect the Company from the risk that the eventual functional currency cash flows resulting from the collection of the hedged accounts receivable or payment of the hedged accounts payable will be adversely affected by changes in exchange rates. At December 31, 2002 and 2001, the Company had various foreign currency forward exchange contracts, with maturities ranging up to six months. When aggregated and measured in U.S. dollars at year-end exchange rates, the notional amount of these forward currency exchange contracts totaled approximately $20.6 million and $20.0 million at December 31, 2002 and 2001, respectively. Generally, unrealized gains and losses resulting from these contracts are recognized currently in operations and approximately offset corresponding unrealized gains and losses recognized on the hedged accounts receivable or accounts payable.

During 2002 and 2001, the Company entered into option and forward exchange contracts to hedge certain anticipated foreign currency transactions. The purpose of the option contracts and forward exchange contracts is to protect the Company from the risk that the eventual functional currency cash flows resulting from anticipated foreign currency transactions will be adversely affected by changes in exchange rates. At December 31, 2002, various option contracts existed, which expire on various dates through the year 2003. When measured in U.S. dollars at year-end exchange rates, the year 2002

notional amount of the purchased option contracts totaled approximately $120.1 million. Gains and losses, if any, related to these contracts are recognized in income when the anticipated transaction affects income. The premium on an option contract is reflected in Other Expense, Net, during which the period in which the contract expires. At December 31, 2001, no option contracts existed.

The Company uses interest rate swap agreements to fix a portion of its variable rate Term Loan Facility to a fixed rate in order to reduce the impact of interest rate changes on future income. The differential to be paid or received under these agreements is recognized as an adjustment to interest expense related to the debt. At December 31, 2002, the Company had interest rate swap agreements with a notional amount of $410 million, which expire on various dates through the year 2003 and 2004, under which the Company will pay fixed rates of 2.21% to 3.52% and receive three-month LIBOR. At December 31, 2001, the Company had interest rate swap agreements with a notional amount of $225 million, which expired on various dates through the year 2002, under which the Company paid fixed rates of 4.75% to 6.53% and received three-month LIBOR.

The Company's customers are not concentrated in any specific geographic region, but are concentrated in certain industries. Customers of the Coated Board business segment include the beverage and consumer products packaging industries. Customers of the Containerboard business segment include integrated and non-integrated containerboard converters. During 2002, the Company had one customer who accounted for approximately 16% of the Company's net sales and another customer who accounted for approximately 12% of the Company's net sales. During 2001, the Company had one customer who accounted for approximately 13% of the Company's net sales and another customer who accounted for approximately 11% of the Company's net sales. During 2000, the Company had two customers who each accounted for approximately 11% of the Company's net sales. There were no significant accounts receivable from a single customer at December 31, 2002 or 2001. The Company reviews a customer's credit history before extending credit of which the payment terms are generally 30 days domestically, but vary internationally according to local business practices. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information.

The Company enters into fixed price natural gas contracts designed to effectively hedge prices for a substantial portion of its natural gas requirements at its two U.S. mills. The purpose of the fixed price natural gas contracts is to eliminate or reduce price risk with a focus on making cash flows more predictable. As of December 31, 2002, the Company had entered into contracts to hedge substantially all of its natural gas requirements for its two U.S. mills through and including October 2003. The contract price and fair value of these natural gas contracts was approximately $16.3 million and $19.9 million, respectively. These contracts are not accounted for as derivative instruments under Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities* ("SFAS No. 133"), as they qualify for the normal purchase exemption.

The following methods and assumptions were used to estimate the fair value of each category of financial instrument for which it is practicable to estimate that value:

NONTRADE RECEIVABLES AND SHORT TERM BORROWINGS

The carrying amount of these instruments approximates fair value due to their short-term nature.

LONG-TERM DEBT

The fair value of long-term debt is based on quoted market prices.

FORWARD EXCHANGE AND OPTION CONTRACTS

The fair value of forward exchange and option contracts is based on quoted market prices.

INTEREST RATE SWAP AGREEMENTS

The fair value of interest rate swap agreements is based on quoted market prices by counter parties.

The carrying amounts and estimated fair value of the Company's financial instruments as of December 31 were as follows:

	2002		2001	
	Carrying Amounts	**Fair Value**	**Carrying Amounts**	**Fair Value**
	(In thousands of dollars)			
Nontrade receivables	$ 11,814	$ 11,814	$ 6,053	$ 6,053
Short-term borrowings	$ 20,281	$ 20,281	$ 16,340	$ 16,340
Long-term debt	$ 1,502,079	$ 1,520,945	$ 1,524,824	$ 1,556,045
Currency forward exchange contracts	$ (376)	$ (376)	$ 212	$ 212
Currency option contracts	$ 451	$ 451	$	$
Interest rate swap contracts	$ (5,058)	$ (5,058)	$ (5,389)	$ (5,389)

NOTE 5 INVENTORIES

The major classes of inventories at December 31 were as follows:

	2002	As Restated 2001
	(In thousands of dollars)	
Finished goods	$ 78,518	$ 78,306
Work-in progress	15,175	11,815
Raw materials	42,841	35,537
Supplies	37,849	35,691
	$ 174,383	$ 161,349

In the fourth quarter of 2002, the Company changed its method of valuing inventory from the last-in, first-out ("LIFO") method to the FIFO method as over time it more closely matches revenues with costs. The FIFO method more accurately reflects the cost related to the actual physical flow of raw materials and finished goods inventory. Accordingly, the Company believes the FIFO method of valuing inventory will result in a better measurement of operating results. All previously reported results have been restated to reflect the retroactive application of the accounting change as required by generally accepted accounting principles in the United States (see Note 27). The accounting change decreased the Net Loss for the year ended December 31, 2001 by approximately $12.3 million and decreased the Net Income for the year ended December 31, 2000 by approximately $6.9 million.

NOTE 6 INVESTMENTS IN NET ASSETS OF EQUITY AFFILIATES

Investments are accounted for using the equity method of accounting. The most significant of these investments was Igaras, an integrated containerboard producer located in Brazil of which the Company owned 50 percent. On July 1, 2000, Igaras spun off the multiple packaging portion of its business into a newly formed company, of which the Company owned 50 percent. On October 3, 2000, the Company, along with its joint venture partner, Cia Suzano de Papel e Celulose, completed the sale of the jointly-held subsidiary Igaras for approximately $510 million, including the assumption of $112 million of debt. The Company recognized a gain of $70.9 million, in connection with the sale. On October 12, 2000, the Company purchased the remaining 50 percent of the newly formed company for $12.5 million.

During 2002 and 2001, the Company received dividends from its equity investment in Rengo Riverwood Packaging Ltd. ("Rengo") totaling $0.6 million and $0.6 million, respectively, net of taxes of $0.1 million and $0.1 million, respectively.

NOTE 7 OTHER ASSETS

Other Assets included intangible assets at December 31, and consisted of the following:

	2002	2001
	(In thousands of dollars)	
Patents, licenses and trademarks	$ 66,873	$ 67,148
Less, accumulated amortization	(24,029)	(20,353)
	42,844	46,795
Deferred debt issuance costs, net	26,647	32,385
Pension/intangible asset	2,524	13,594
Capitalized spare parts	24,396	23,303
Deferred design costs	1,442	1,985
Other	8,392	9,199
	$ 106,245	$ 127,261

NOTE 8 SHORT-TERM DEBT

Short-Term Debt at December 31, consisted of the following:

	2002	2001
	(In thousands of dollars)	
Short-term borrowings	$ 20,281	$ 16,340
Current portion of long-term debt	78,415	1,742
	$ 98,696	$ 18,082

Short-term borrowings are principally at the Company's international subsidiaries. The weighted average interest rate on Short-term borrowings as of December 31, 2002 and 2001 was 2.0% and 3.4%, respectively.

In connection with the Merger, the Company called $125 million of Convertible Subordinated Notes, of which $0.2 million was not redeemed at December 31, 2002 and 2001, and is included in Current portion of long-term debt.

NOTE 9 COMPENSATION AND EMPLOYEE BENEFITS

Accruals for future compensated employee absences, principally vacation, were $12.9 million and $12.1 million at December 31, 2002 and 2001, respectively, and were included in Compensation and Employee Benefits on the Consolidated Balance Sheets.

NOTE 10 LONG-TERM DEBT

In connection with the Merger, the Company entered into a credit agreement that provided for senior secured credit facilities consisting of a term loan facility and a $400 million revolving credit facility. Such credit agreement, term loan facility and revolving facility, as in effect prior to the August 10, 2001 amendment and restatement discussed below, are referred to herein as the "Prior Credit Agreement", the "Prior Term Loan Facility" and the "Prior Revolving Facility", respectively. In addition, Riverwood International Machinery, Inc., a wholly-owned subsidiary of Riverwood, entered into a credit agreement providing for a $140 million secured revolving credit facility (the "Machinery Facility") for the purpose of financing or refinancing packaging machinery. In connection with the Merger, the Company also completed an offering of $250 million aggregate principal amount of $10^{1}/_{4}$% Senior Notes due 2006 (the "1996 Senior Notes") and $400 million aggregate principal amount of $10^{7}/_{8}$% Senior Subordinated Notes due 2008 (the "1996 Senior Subordinated Notes" and together with the 1996 Senior Notes, the "1996 Notes").

On July 28, 1997, the Company completed an offering of $250 million principal amount of $10^{5}/_{8}$% Senior Notes due 2007 (the "Initial Notes"). The net proceeds of this offering were applied to prepay certain revolving credit borrowings under the Prior Revolving Facility (without any commitment reduction) and to refinance certain Tranche A term loans and other borrowings under the Prior Credit Agreement. A registration statement under the Securities Act of 1933, as amended, registering senior notes of the Company identical in all material respects to the Initial Notes (the "Exchange Notes") offered in exchange for the Initial Notes became effective October 1, 1997. On November 3, 1997, the Company completed its exchange offer of the Initial Notes for the Exchange Notes. The Initial Notes and the Exchange Notes are referred to herein as the 1997 Notes.

In connection with the sale of Igaras on October 3, 2000, the Company entered into Amendment No. 5 dated September 12, 2000, effective October 3, 2000, to the Prior Credit Agreement. Pursuant to the amendment, the Company applied $145 million of the sale proceeds to term loan maturities under the Prior Term Loan Facility. The Company recognized a loss on the early extinguishment of debt of approximately $2.1 million, net of tax of nil, in the fourth quarter of 2000. The Company applied the remaining portion of the proceeds (approximately $48 million) to the Prior Revolving Facility (without any commitment reduction). In connection with Amendment No. 5, the Company canceled its Machinery Facility.

On June 21, 2001, the Company completed an offering of $250 million principal amount of $10^{5}/_{8}$% Senior Notes due 2007 (the "Initial 2001 Notes"). The Initial 2001 Notes were sold at a price of 103% of par. The proceeds from this offering of approximately $251.5 million, net of approximately $6 million of transaction fees and expenses, were applied to prepay a portion of the outstanding borrowings under the Prior Term Loan Facility. During the second quarter of 2001, the Company recorded a non-cash, extraordinary charge to earnings of approximately $2.8 million, net of tax of nil, related to the write-off of the applicable portion of deferred debt issuance costs on the term loans. In connection with this offering, on June 6, 2001, the Company entered into Amendment No. 6 to the Prior Credit Agreement. The amendment modified certain financial and other covenants, including minimum EBITDA requirements, in the Prior Credit Agreement to reflect recent financial results and market and operating conditions. A registration statement under the Securities Act registering senior notes of the Company identical in all material respects to the Initial 2001 Notes (the "Exchange 2001 Notes") offered in exchange for the Initial 2001 Notes became effective on August 27, 2001. On October 5, 2001, the Company completed its exchange offer of the Initial 2001 Notes for the Exchange 2001 Notes. The Initial 2001 Notes and the Exchange 2001 Notes are referred to herein as the 2001 Notes.

On August 10, 2001, the Company entered into an amendment and restatement of the Prior Credit Agreement (the "Senior Secured Credit Agreement") with certain lenders providing for senior secured credit facilities with aggregate commitments not to exceed $635 million (together with the 2002 Term Loan Facility referred to below, the "Facilities"), including a $335 million term loan facility (the "2001 Term Loan Facility") and a $300 million revolving credit facility (the "Revolving Facility"). The proceeds of the initial borrowings under the Facilities of approximately $386 million, including $51 million under the Revolving Facility, were applied to repay in full the outstanding borrowings under the Prior Term Loan Facility and the Prior Revolving Facility and to pay approximately $12 million of the $14 million of fees and expenses incurred in connection with the amendment and restatement of the Prior Credit Agreement. During the third quarter of 2001, the Company recorded a non-cash, extraordinary charge to earnings of approximately $6.0 million, net of tax of nil, related to the write-off of the applicable remaining deferred debt issuance costs on the Prior Term Loan Facility and the Prior Revolving Facility.

In April 2002, the Company entered into an amendment of the Senior Secured Credit Agreement which provided for a new, tranche B, term loan facility of $250 million ("2002 Term Loan Facility"). The 2002 Term Loan Facility was drawn on April 23, 2002 and the proceeds, together with borrowings under the Revolving Facility of approximately $12.0 million, were used to redeem the 1996 Senior Notes which occurred on May 23, 2002 and to pay related fees, costs and expenses. In the second quarter of 2002, the Company recorded a non-cash extraordinary charge to earnings of approximately $3.0 million, net of tax of nil, related to the write-off of the remaining deferred debt issuance costs on

the 1996 Senior Notes and an extraordinary charge of approximately $8.6 million, net of tax of nil, related to the call premium paid upon redemption of the 1996 Senior Notes.

The Senior Secured Credit Agreement, which governs the Facilities, imposes restrictions on the Company's ability to make capital expenditures and both the Senior Secured Credit Agreement and the indentures governing the 1996 Senior Subordinated Notes, the 1997 Notes and the 2001 Notes limit the Company's ability to incur additional indebtedness. Such restrictions, together with the highly leveraged nature of the Company, could limit the Company's ability to respond to market conditions, meet its capital spending program, provide for unanticipated capital investments or take advantage of business opportunities. The covenants contained in the Senior Secured Credit Agreement, among other things, restrict the ability of the Company and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness or amend other debt instruments, pay dividends, create liens on assets, enter into sale and leaseback transactions, make investments, loans or advances, make acquisitions, engage in mergers or consolidations, change the business conducted by Riverwood and its subsidiaries, make capital expenditures and engage in certain transactions with affiliates. The covenants contained in the indentures governing the 1996 Senior Subordinated Notes, the 1997 Notes and the 2001 Notes also impose restrictions on the operation of the Company's business.

The financial covenants in the Senior Secured Credit Agreement specify, among other things, the following requirements for each four quarter period ended during the following test periods:

Test Period		Consolidated Debt to Credit Agreement EBITDA(a) Leverage Ratio	Consolidated Interest Expense Ratio
December 31, 2002	December 30, 2003	5.50 to 1.00	2.00 to 1.00
December 31, 2003	December 30, 2004	5.00 to 1.00	2.10 to 1.00
December 31, 2004	December 30, 2005	4.70 to 1.00	2.25 to 1.00
December 31, 2005	December 30, 2006	4.40 to 1.00	2.25 to 1.00
December 31, 2006	March 31, 2007	4.40 to 1.00	2.25 to 1.00

Note:

(a) Credit Agreement EBITDA as defined in the 2001 Senior Secured Credit Agreement

At December 31, 2002, the Company was in compliance with the financial covenants in the Senior Secured Credit Agreement. The Company's ability to comply in future periods with the financial covenants in the Senior Secured Credit Agreement will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, business and other factors, many of which are beyond the Company's control and will be substantially dependent on the selling prices for the Company's products, raw material and energy costs, and the Company's ability to successfully implement its overall business and profitability strategies. If a violation of any of the covenants occurred, the Company would attempt to get a waiver or an amendment from its lenders, although no assurance can be given that the Company would be successful in this regard. The Senior Secured Credit Agreement and the indentures governing the 1996 Senior Subordinated Notes, 1997 Notes and 2001 Notes have covenants as well as certain cross-default or cross-acceleration provisions; failure to comply with these covenants in any agreement could result in a violation of such agreement which could, in turn, lead to violations of other agreements pursuant to such cross default or cross-acceleration provisions.

The Senior Secured Credit Agreement is collateralized by substantially all of the Company's assets.

The Revolving Facility matures on December 31, 2006. At December 31, 2002, the Company and its U.S. and international subsidiaries had the following amounts of commitments, amounts outstanding and amounts available under revolving credit facilities:

	Total Amount of Commitments	Total Amount Outstanding	Total Amount Available(A)
	(In thousands of dollars)		
Revolving Facility	$ 300,000	$ 14,850	$ 284,508
International Facilities	18,384	12,090	6,294
	$ 318,384	$ 26,940	$ 290,802

Note:

(A) In accordance with its debt agreements, the Company's availability under its Revolving Facility as of December 31, 2002 has been reduced by the amount of standby letters of credit issued of approximately $0.6 million.

The Company is required by its insurance company to have a standby letter of credit to secure payment of Workers' Compensation claims. The letter of credit, with a value of $0.4 million, expired on February 20, 2003 and was subsequently extended. The letter of credit will automatically be extended without amendment for successive one year period from the current expiration date and any future expiration date unless at least 45 days prior to the expiration date the Company is notified that the financial institution elects not to renew it.

In addition, the Ohio Bureau of Workers' Compensation requires the Company to have a standby letter of credit for non-performance according to the conditions and obligations as provided under Workers' Compensation law. It is a further condition of the letter of credit to cover all injuries or occupational disease claims incurred in any period prior to and/or during the present term should the Company not perform. The letter of credit, with a value of $0.2 million, was renewed on September 20, 2002 and is automatically extended without amendment for successive one year period from the current expiration date and any future expiration date unless at least 60 days prior to the expiration date the Company is notified that the financial institution elects not to renew it.

Long-Term Debt at December 31 consisted of the following:

	2002	2001
	(In thousands of dollars)	
Senior Notes with interest payable semi-annually at 10.625%, payable in 2007	$ 250,000	$ 250,000
Senior Notes with interest payable semi-annually at 10.25%, payable in 2006		250,000

	2002	2001
Senior Subordinated Notes with interest payable semi-annually at 10.875%, payable in 2008	400,000	400,000
Senior Secured Term Loan Facility with interest payable at various dates less than one year at floating rates (3.90% to 4.26% at December 31, 2002), payable through 2007	248,750	
Senior Secured Term Loan Facility with interest payable at various dates less than one year at floating rates (4.15% to 4.59% at December 31, 2002), payable through 2006	335,000	335,000
Senior Notes with interest payable semi-annually at 10.625%, payable in 2007	250,000	250,000
Senior Secured Revolving Facility with interest payable at various dates less than one year at floating rates (4.19% to 6.00% at December 31, 2002) payable in 2006	14,850	35,150
Senior Subordinated Notes with interest payable semi-annually at 11.25%, payable in 2002		804
Convertible Subordinated Notes with interest payable semi-annually at 6.75%, payable in 2003, convertible beginning March 27, 1996	209	209
Pollution control revenue bonds with interest payable semi-annually at 6.25%, payable through 2007	1,000	1,000
International Notes payable to banks with interest payable at various dates at interest rates of 7.79% to 10.0% at December 31, 2002, payable through 2004	213	533
Capitalized leases with interest payable of 5.62%, payable through 2006	2,038	2,099
Other	19	29
	1,502,079	1,524,824
Less, current portion	78,415	1,742
	$ 1,423,664	$ 1,523,082

Long-term debt maturities and expirations of funded long-term working capital commitments at December 31, 2002, were as follows:

(In thousands of dollars)	
2003	$ 78,415
2004	77,975
2005	95,715
2006	110,206
2007	739,750
After 2007	400,018
	$ 1,502,079

NOTE 11 REDEEMABLE COMMON STOCK

During the nine months ended December 31, 1996, Riverwood Holding completed an offering of Riverwood Holding Common Stock to certain members of management and key employees of the Company. As of December 31, 1996, the Company had issued 111,900 shares of Riverwood Holding Class A Common Stock to Management Investors at fair value for gross cash proceeds of $11.2 million. During 2000, the Company issued 5,000 shares of additional Redeemable Common Stock to Management Investors at fair value for gross cash proceeds of $0.6 million. The common stock held by Management Investors is mandatorily redeemable at fair market value as determined by the Executive Committee of the Board of Directors and in certain circumstances the Management Investors can require the Company to repurchase the Riverwood Holding Class A Common Stock. These shares are classified as Redeemable Common Stock on the Consolidated Balance Sheets and are carried at their redemption value of $120 per share at December 31, 2002 and 2001. During 2002 and 2001, the Company repurchased 3,500 and 3,000 shares of Redeemable Common Stock at a weighted average price of $120.00 per share and $120.00 per share, respectively. During 2002, Riverwood Holding issued 250 shares of additional Redeemable Common Stock to Management Investors for gross cash proceeds of approximately $25,000. During 2001, Riverwood Holding issued 3,000 shares of additional Redeemable Common Stock to Management Investors for gross cash proceeds of approximately $0.3 million.

In connection with the issuance of Redeemable Common Stock to Management Investors, the Company has guaranteed loans, with full recourse, from a bank to certain Management Investors totaling approximately $0.4 million and $0.3 million at December 31, 2002 and 2001, respectively. As guarantor of the loans, the Company fully and unconditionally guarantees to the Lender the prompt and complete payment of all principal and interest on the Loans and all other amounts owed under the letter agreements when due and payable (whether at the stated maturity, by acceleration or otherwise) in the amounts and with respect to each of the borrowers listed in the agreement. The Company has the right of subrogation should a borrower default.

NOTE 12 NONREDEEMABLE COMMON STOCK

On March 27, 1996, Riverwood Holding completed an offering of 7,000,000 shares of Class A Common Stock with a par value of $0.01 per share to certain institutional investors for $700 million.

Total Class A Common Stock authorized for issuance at December 31, 2002 was 9,000,000 shares, of which amount 7,057,930 shares were outstanding, including 57,930 shares issued to Management Investors as Redeemable Common Stock (see Note 11). Also on March 27, 1996, Riverwood Holding completed an offering of 500,000 shares of Class B Common Stock with a par value of $0.01 per share to an institutional investor for $50 million. Total Class B Common Stock, which is non-voting, authorized for issuance at December 31, 2002 was 3,000,000 shares, of which 500,000 shares were outstanding.

NOTE 13 STOCK INCENTIVE PLANS

The Company has developed three Stock Incentive Plans ("SIP") designed to provide certain key executives and management options to purchase shares of Redeemable Class A Common Stock. These plans are the 1996 Stock Incentive Plan ("1996 SIP"), the 2002 Stock Incentive Plan ("2002 SIP") and the 1999 Supplemental Long-Term Incentive Plan ("SLTP"). The following table summarizes information pertaining to options outstanding and exercisable at December 31, 2002:

Plan	Grant Date	Number Outstanding	Granted Weighted Average Exercise Price	Vesting Reference	Number Exercisable(8)	Exercisable Weighted Average Exercise Price
SIP/2002 SIP	Jan-Sep 2002	620,485	$ 120	(1)		$ 120
SIP	November 2000	4,000	115	(2)	1,600	115
SLTP	November 2000	5,000	115	(3)	1,667	115
SLTP	May-Dec, 1999	153,223	100	(4)	71,036	100
SIP	June-Dec, 1999	49,800	100	(5)	21,120	100
SIP	March 1997	225,000	75	(6)	213,348	75
SIP	June 1996	51,410	100	(7)	47,660	100
	Total	1,108,918	$ 106.24		356,431	$ 85.17

Notes:

(1)
305,485 of these options vest one-third on the second anniversary of date of grant and two-thirds on the third anniversary of the date of grant. 165,000 of the options vest when the Company achieves certain financial targets. 150,000 of the options vest if a change of control of the company takes place before the third anniversary of the date of grant. Should any of those options not vest as described above, they will vest assuming the employee is still employed at the Company, nine years and six months following the date of grant.

(2)

Options vest in five equal annual installments on the first five anniversaries of the date of grant, subject to continuous employment.

(3)

Options vest based upon a range of certain financial goals for two years. Each year, the vesting starts at 30% for achievement of a minimum financial target, and increases to a maximum of 50% per year, prorated on a straight-line basis for achievement of certain results above the minimum. Those options which do not vest in this period will vest, assuming the employee is still employed, nine years and six months following the date of grant.

(4)

Options vest based upon a range of certain financial goals over the next three years. Each year, the vesting starts at 20% for achievement of a minimum financial target, and increases to a maximum of $33^1/_3$% per year, prorated on a straight-line basis for achievement of certain financial results above the minimum. Those options which do not vest in this three-year period, will vest, assuming the employee is still employed at the Company, on December 31, 2008.

(5)

35,200 of the options will vest in five equal annual installments on each of the first five anniversaries of the date of grant, subject to continuous employment. The remaining 14,600 options vest on the date that the Company achieves certain financial targets. Should those options not vest as described above, they will vest assuming the employee is still employed at the Company, nine years and six months following the date of grant.

(6)

112,500 of these options will vest in five annual installments on each of the first five anniversaries of the date of grant, subject to continuous employment, and the remaining 112,500 have accelerated vesting based on achievement of certain financial goals or on September 30, 2006, whichever occurs first.

(7)

47,660 of the options will vest in five equal annual installments on the first five anniversaries of the date of grant, subject to continuous employment. The remaining 3,750 options vest on the date that the Company achieves certain financial targets. Should those options not vest as described above, they will vest assuming the employee is still employed at the Company, nine years and six months following the date of grant.

(8)

As of December 31, 2001 and 2000, there were exercisable options in the amount of 332,769 and 277,397, respectively.

A summary of option activity during the three years ended December 31, 2002 is as follows:

	Shares	**Exercise Price**
Outstanding December 31, 1999	553,910	$ 89.84
Granted	13,000	115.00
Exercised		
Canceled	(1,700)	(100.00)
Outstanding December 31, 2000	565,210	$ 90.39
Granted		
Exercised	(7,069)	(120.00)
Canceled	(12,731)	(103.77)
Outstanding December 31, 2001	545,410	$ 89.70
Granted	667,153	120.00
Exercised	(250)	(100.00)
Canceled	(103,395)	(109.14)
Outstanding December 31, 2002	1,108,918	$ 106.11

	Shares	Exercise Price

The weighted average contractual life of the outstanding options at December 31, 2002, is 8 years. The Company applies APB Opinion No. 25, "*Accounting for Stock Issued to Employees*," and related

Interpretations in accounting for the Stock Options. Accordingly, the Company recognizes compensation expense for Stock Options when the exercise price is less than the related fair value at the date of grant or when the performance criteria is met. During the years ended December 31, 2002, 2001 and 2000, the Company recognized compensation expense of $1.9 million, $1.5 million, and $1.8 million, respectively, related to Stock Options. Had compensation expense for the Company's grants of Stock Options been determined in accordance with Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*" ("SFAS No. 123"), the Company's Net (Loss) Income for the years ended December 31, 2002, 2001, and 2000, would have been approximately $(11.5) million, $(65.9) million, and $30.8 million, respectively. The weighted average fair value of the stock options was estimated to be $28.37 per option on the date of grant for stock options granted in 2002 and 30.91 per option on the date of grant for stock options granted in 2000. The Company used the Black-Scholes option-pricing model to value the Stock Options with the following assumptions: dividend yield of zero, no volatility, risk-free interest rates ranging from 4.622% to 6.75%, a zero forfeiture rate and an expected life of 3 to 10 years.

On January 1, 2002, 16,200 restricted stock units ("RSUs") were issued to key employees of the company under the 2002 Stock Incentive Plan. The RSUs vest on the second anniversary date of grant provided that the recipients are still employed by the company. The aggregate market value of the restricted stock at the date of issuance was $1.9 million and is being recorded as deferred compensation over the two-year vesting period. During 2002, 2,500 of the RSUs were cancelled. The RSUs outstanding at December 31, 2002 were 13,700 of which none were vested.

NOTE 14 CURRENCY TRANSLATION ADJUSTMENT

An analysis of changes in the Cumulative Currency Translation Adjustment included in Shareholders' Equity at December 31 was as follows:

	2002	As Restated 2001	As Restated 2000
		(In thousands of dollars)	
Cumulative currency translation adjustment at beginning of period	$ (43,698)	$ (33,562)	$ (19,324)
Currency translation adjustments	12,996	(10,136)	(14,238)
	$ (30,702)	$ (43,698)	$ (33,562)

NOTE 15 CONTINGENCIES AND COMMITMENTS

Total rental expense was approximately $8.0 million, $10.4 million, and $11.7 million for the years ended December 31, 2002, 2001, and 2000, respectively.

At December 31, 2002, total commitments of the Company under long-term, non-cancelable contracts were as follows:

	Payment Due by Period

	Payment Due by Period				
	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
	(In thousands of dollars)				
Long-Term Debt	$ 78,415	$ 173,690	$ 849,956	$ 400,018	$ 1,502,079
Operating Leases	15,664	5,408	2,239	946	24,257
Unconditional Purchase Obligations(A)	34,291	24,674	20,381	81,609	160,955
Total Contractual Cash Obligations	$ 128,370	$ 203,772	$ 872,576	$ 482,573	$ 1,687,291

Note:

(A) Unconditional Purchase Obligations primarily consist of commitments related to wood processing and handling, natural gas and electricity and firm transportation of natural gas.

As of December 31, 2002, the Company had approximately 4,150 employees worldwide (excluding employees of joint ventures), approximately 2,950 of whom were members of unions and covered by collective bargaining agreements.

The Company is committed to compliance with all applicable foreign, federal, state and local environmental laws and regulations. Environmental law is, however, dynamic rather than static. As a result, costs that are unforeseeable at this time, may be incurred when new laws are enacted, and when environmental agencies adopt or revise rules and regulations. In general, the environmental laws that the Company is subject to regulate discharges and emissions of constituents to the air, soil and water, prescribe procedures for the use, reuse, reclamation, recycling and disposal of designated waste materials and impose liability and requirements relating to the cleanup of contamination. In certain instances, state environmental laws may be stricter than their federal counterparts.

The federal Clean Air Act imposes stringent limits on air emissions, establishes a federal permit program (Title V) and provides for civil and criminal enforcement sanctions. In response to these requirements, in the early 1990's the Company switched from solvent-based to water-based inks and varnishes at its converting operations in order to reduce and meet requirements with respect to emissions of volatile organic compounds. Where necessary, the Company's plants have received or submitted an application to the appropriate permitting authority for a Title V permit.

The federal Clean Water Act establishes a system of minimum national effluent standards for each industry, water quality standards for the nation's waterways and a permit program that provides discharge limitations. It also regulates releases and spills of oil and hazardous materials and wastewater and stormwater discharges. The Company's mill in West Monroe, Louisiana is the only one of the Company's facilities that is a direct discharger to a water body and a permit currently covers its discharges to the Ouachita River. The Company's other operations discharge to publicly owned treatment works and are subject to pretreatment requirements and limitations.

The federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") establishes liability for waste generators, current and former site owners and operators and others in connection with releases of hazardous materials. In certain instances, the Company has been identified as a Potentially Responsible Party ("PRP") under CERCLA and similar state laws.

In 1998, the U.S. Environmental Protection Agency adopted regulations (generally referred to as the "cluster rules") that mandated more stringent controls on air and water discharges from United States pulp and paper mills. Over the next three years, the Company anticipates that it will spend approximately $22 million at its two U.S. mills to comply with these regulations.

The Company is involved in environmental investigation and remediation projects for certain properties currently or formerly owned or operated by the Company, and at certain waste disposal sites. Some of these projects are being addressed under federal and state statutes, such as the CERCLA and analogous state laws. The Company's costs in certain instances cannot be reliably estimated until the remediation process is substantially underway or liability has been addressed. The Company accrues reserves for these contingencies when the liability is probable and the costs are reasonably estimable. The Company believes that based on current information and regulatory requirements, its accruals for environmental matters are adequate. However, there can be no assurance that the Company will not incur significant costs in excess of accrued amounts in connection with remediation activities and other environmental matters.

In late 1995, the Louisiana Department of Environmental Quality (the "DEQ") notified the Predecessor of potential liability for the remediation of hazardous substances at a former wood treatment site in Shreveport, Louisiana (known as the Line Avenue Site) that the Predecessor or its predecessors previously operated. In August 2001, the Company entered into an agreement with the DEQ and the landowners to remediate the site. The agreement required the removal of soils containing wood-treating constituents in excess of regulatory standards, consolidation of these soils in a sub-portion of the site, capping of the sub portion, land use restrictions, future operations and maintenance ("O&M") to ensure the integrity of the cap, long-term monitoring of the groundwater, and a recorded prohibition on the use of on-site groundwater. The Company contracted with a qualified contractor to remediate the site at a cost of approximately $1.3 million. In addition, each of the O&M and groundwater monitoring costs for the initial five years are expected to be approximately $0.1 million (no such costs are estimated beyond the initial five-year period). As of December 31, 2002, all of the required soil excavation and consolidation has been completed. The Company expects to complete construction of the cap by April 2003. As of December 31, 2002, the Company has paid its contractor approximately $0.6 million to remediate the site. The Company has been reimbursed approximately half of these costs from a PRP that has entered into a settlement agreement with the Company.

On July 6, 2000, the Company and the DEQ entered into a Settlement Agreement for remediation of a site in Caddo Parish, Louisiana (known as the Shoreline Refinery Site). The principal contamination at this site was an approximately 5 acre impoundment of oil-based sludge that appeared to originate from an oil refinery that was operated by prior operators. The remedial action contemplated by the Settlement Agreement required the neutralization, stabilization and consolidation of sludges and soils at the site, capping of the consolidated materials, the establishment of a vegetative cover, and five years of post-closure care of the capped area. The Company contracted to complete the remedial action in accordance with the terms of the Settlement Agreement. In a November 26, 2002

letter to the Company, the DEQ stated that all required construction activities were accomplished and that the five-year post-closure care and reporting period would commence. The Company conveyed the property to its contractor on October 22, 2000.

The Company is a party to a number of lawsuits arising out of the ordinary conduct of its business. While there can be no assurance as to their ultimate outcome, the Company does not believe that these lawsuits will have a material impact on the results of operations, cash flows or financial condition of the Company.

The Company has been a plaintiff in actions filed in the U.S. District Court for the Northern District of Georgia against The MeadWestvaco Corporation ("MeadWestvaco"), successor by merger to The Mead Corporation, and R.A. Jones Co. Inc. ("R.A. Jones") claiming infringement of the Company's patents for its packaging machines and seeking damages sufficient to compensate for such infringement. The patents in suit were found infringed but invalid by a jury in a trial against R.A. Jones in August 2001. This finding of invalidity as to U.S. Patent Nos. 5,666,789 and 5,692,361 was appealed to the Court of Appeals for the Federal Circuit (the "CAFC"). The suit against MeadWestvaco was dismissed by mutual agreement, subject to being refiled, pending the outcome of the appeal of the decision in the case against R.A. Jones. The CAFC vacated the holding of invalidity as to U.S. Patent Nos. 5,666,789 and 5,692,361 and remanded to the District Court for determination of proper inventive entity. The finding of infringement was affirmed by the CAFC. Further proceedings consistent with the decision of the CAFC will follow in the District Court.

NOTE 16 PENSIONS

U.S. HOURLY AND SALARIED PENSION PLANS

All of the Company's U.S. hourly union employees are participants in the Company's noncontributory defined benefit hourly plan (the "Hourly plan"). The pension expense of the Hourly plan is based primarily on years of service and the pension rate near retirement. The Company's U.S. salaried and nonunion hourly employees are participants in the Company's noncontributory defined benefit plan that was established during 1992 (the "Salaried plan").

The Company's funding policies with respect to its U.S. pension plans are to contribute funds to trusts as necessary to at least meet the minimum funding requirements of the U.S. Internal Revenue Code. Plan assets are invested primarily in equities and fixed income securities.

(A) PENSION EXPENSE

The pension expense related to the Hourly plan and Salaried plan consisted of the following:

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
		(In thousands of dollars)	
Components of net periodic pension cost (credit):			
Service cost	$ 5,226	$ 5,142	$ 4,806
Interest cost	16,457	16,106	15,444
Expected return on plan assets	(18,767)	(21,019)	(22,101)
Amortizations:			
Prior service cost	1,032	1,029	1,026
Actuarial gain	(34)	(10)	(2,039)
Net periodic pension cost (credit)	$ 3,914	$ 1,248	$ (2,864)

Certain assumptions used in determining the pension expense related to the Hourly plan and Salaried plan were as follows:

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Assumptions:			
Discount rate	7.50%	7.50%	7.50%
Rate of increase in future compensation levels	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	8.50%	8.50%	8.50%

(B) FUNDED STATUS

The funded status of the Company's U.S. Hourly plan and Salaried plan as of December 31, were as follows:

	2002	2001
	(In thousands of dollars)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 228,244	$ 220,881
Service cost	5,226	5,142
Interest cost	16,457	16,106
Actuarial loss (gain)	25,851	(504)
Amendments	25	130
Benefits paid	(13,849)	(13,511)
Benefit obligation at end of year	$ 261,954	$ 228,244
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 227,566	$ 253,831
Actual return on plan assets	(10,964)	(12,783)

	2002	2001
Employer contributions	29	29
Benefits paid	(13,849)	(13,511)
Fair value of plan assets at end of year	$ 202,782	$ 227,566
Plan assets (less than) in excess of projected benefit obligation	$ (59,172)	$ (678)
Unrecognized net actuarial loss (gain)	64,866	9,252
Unrecognized prior service cost	1,200	2,206
Net amount recognized	$ 6,894	$ 10,780
Amounts recognized in the Consolidated Balance Sheets consist of:		
Prepaid pension cost	$	$ 13,601
Intangible asset	2,475	
Accrued pension liability	(50,596)	(2,821)
Accumulated Other Comprehensive Income (a)	55,015	
Net amount recognized	$ 6,894	$ 10,780
Assumptions:		
Discount rate	6.50%	7.50%
Rates of increase in future compensation levels	4.50%	4.50%

(a) During 2002, the Company recorded a charge to Other Comprehensive (Loss) Income of approximately $55.0 million in its Consolidated Statement of Operations and Comprehensive (Loss) Income due to unfavorable market conditions.

INTERNATIONAL PENSION PLANS

(A) PENSION EXPENSE

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

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

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
		(In thousands of dollars)	
Components of net periodic pension cost:			
Service cost	$ 90	$ 431	$ 1,229
Interest cost	4,875	5,210	4,697
Expected return on plan assets	(4,792)	(5,485)	(5,384)

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Amortizations:			
Actuarial loss		2,072	
Net periodic pension cost	$ 173	$ 2,228	$ 542
Assumptions:			
Discount rate	5.50%	5.75%	5.50%
Rates of increase in future compensation levels	6.00%	4.00%	4.00%
Expected long-term rate of return on plan assets	5.75%	6.00%	6.00%

Approximately 300 employees participate in a multi-employer pension plan that provides defined benefits to employees under certain union-employer organization agreements. Pension expense for this plan was $3.9 million, $3.5 million, and $4.0 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Effective March 31, 2001, the Company's Defined Benefit Pension Plan in the U.K. (the "U.K. Plan") was curtailed. No curtailment gain was recorded as the unrecognized net loss of the U.K. Plan at March 31, 2001 exceeded any gain calculated as a result of the curtailment. Effective March 31, 2001, the Company began a defined contribution savings plan in the U.K. to replace the curtailed U.K. Plan.

(B) FUNDED STATUS

The following table sets forth the funded status of the international pension plans as of December 31:

	2002	2001
	(In thousands of dollars)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 96,554	$ 101,529
Service cost	90	431
Interest cost	4,875	5,210
Plan participants contributions		173
Actuarial loss (gain)	1,360	(6,431)
Benefits paid	(4,108)	(4,358)
Benefit obligation at end of year	$ 98,771	$ 96,554
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 89,676	$ 97,003
Actual return on plan assets	(632)	(5,524)
Employer contributions		2,382
Plan participants contributions		173
Benefits paid	(4,108)	(4,358)
Fair value of plan assets at end of year	$ 84,936	$ 89,676
Plan assets less than projected benefit obligation	$ (13,835)	$ (6,878)

	2002	2001
Unrecognized net actuarial loss	15,232	8,099
Net amount recognized	$ 1,397	$ 1,221
Amounts recognized in the Consolidated Balance Sheets consist of:		
Prepaid pension cost	$ 49	$ 1,221
Accrued pension liability	(14,940)	
Accumulated Other Comprehensive Income (a)	16,288	
Net amount recognized	$ 1,397	$ 1,221
Assumptions:		
Discount rate	5.50%	5.75%
Rates of increase in future compensation levels	0.00%	4.00%

(a) During 2002, the Company recorded a charge to Other Comprehensive (Loss) Income of approximately $16.3 million in its Consolidated Statement of Operations and Comprehensive (Loss) Income due to unfavorable market conditions.

As of December 31, 2002 and 2001, accrued retirement contributions for the international pension plans included in Compensation and Employee Benefits on the Consolidated Balance Sheets were $1.3 million and $1.4 million, respectively.

DEFINED CONTRIBUTION PLANS

The Company provides defined contribution plans for eligible U.S. employees. Salaried employees may make contributions of up to 16% of their compensation (percentage of pretax and after tax contributions can be any combination not to exceed a combined total of 16%). The Company matches 3% and may match up to a total of 6% of the eligible compensation, depending on the Company's performance.

Hourly employees may make contributions of up to 16% of their compensation (pretax and after tax percentages vary based on negotiated union contracts). The Company matches various percentages of the eligible compensation based on negotiated union contracts.

Contributions to these plans for the years ended December 31, 2002, 2001, and 2000 were $2.9 million, $2.5 million, and $2.3 million, respectively.

Accrued plan contributions included in Compensation and Employee Benefits on the Consolidated Balance Sheets were $0.8 million and $0.1 million at December 31, 2002 and 2001, respectively.

NOTE 17 OTHER POSTRETIREMENT BENEFITS

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

The other postretirement benefits expense consisted of the following:

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000

	(In thousands of dollars)		
Service cost	$ 348	$ 272	$ 255
Interest cost	1,890	1,669	1,645
Amortizations:			
Prior service cost	(162)	(162)	(162)
Actuarial loss	311	151	124
Net periodic postretirement benefits cost	$ 2,387	$ 1,930	$ 1,862
Assumptions:			
Discount rate	7.5%	7.5%	7.5%
Initial health care cost trend rate	7.0%	7.5%	5.5%
Ultimate health care cost trend rate *	5.0%	5.0%	4.5%
Ultimate year *	2006	2006	2001

* The salaried plan's cost was capped beginning in 1999.

The accrued postretirement benefit obligation at December 31 was as follows:

	2002	2001
	(In thousands of dollars)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 22,940	$ 22,703
Service cost	348	272
Interest cost	1,890	1,669
Actuarial loss	3,795	2,013
Assumptions	2,467	
Benefits paid	(2,884)	(3,717)
Benefit obligation at end of year	$ 28,556	$ 22,940
Fair value of plan assets at end of year		
Accumulated postretirement benefit obligation in excess of plan assets	$ (28,556)	$ (22,940)
Unrecognized net actuarial loss	8,611	2,660
Unrecognized prior service credit	(1,514)	(1,676)
Total accrued postretirement benefit obligation	$ (21,459)	$ (21,956)
Assumptions:		
Discount rate	6.50%	7.50%
Initial health care cost trend rate	9.00%	7.00%

	2002	2001
Ultimate health care cost trend rate *	5.00%	5.00%
Ultimate year *	2007	2006

	1 Percentage Point Increase	1 Percentage Point Decrease
Health care trend rate sensitivity:		
Effect on total of interest and service cost components	$ 44	$ (38)
Effect on year-end postretirement benefit obligation	$ 432	$ (382)

* The salaried plan assumes no future increases in employer subsidies.

NOTE 18 FOREIGN CURRENCY MOVEMENT EFFECT

Net international currency transaction (losses) gains included in determining Income from Operations for the years ended December 31, 2002, 2001 and 2000 were $1.8 million, $(1.4) million and $(0.1) million, respectively.

NOTE 19 INCOME TAXES

The U.S. and international components of (Loss) Income before Income Taxes and Equity in Net Earnings of Affiliates consisted of the following:

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
		(In thousands of dollars)	
U.S.	$ (21,945)	$ (65,213)	$ 23,339
International	16,500	14,513	9,778
(Loss) Income before Income Taxes and Equity in Net Earnings of Affiliates	$ (5,445)	$ (50,700)	$ 33,117

The provisions for Income Tax (Benefit) Expense on (Loss) Income before Income Taxes and Equity in Net Earnings of Affiliates consisted of the following:

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
		(In thousands of dollars)	
Current:			
U.S. Federal	$ (696)	$	$ 850
U.S. State and Local	(823)	1,651	(768)
International	(3,145)	4,976	2,927

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
Total Current	(4,664)	6,627	3,009
Income Tax (Benefit) Expense	$ (4,664)	$ 6,627	$ 3,009

A reconciliation of Income Tax (Benefit) Expense on (Loss) Income before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle including Equity in Net Earnings of Affiliates at the federal statutory rate of 35% compared with the Company's actual Income Tax (Benefit) Expense is as follows:

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
	(In thousands of dollars)		
(Benefit) Expense Income tax at U.S. statutory rate	$ (1,906)	$ (17,745)	$ 12,584
U.S. federal taxes (benefit) expense AMT	(696)		850
U.S. state and local tax (benefit) expense	(823)	1,651	(768)
Limitation on use of net operating losses	9,631	23,173	(9,162)
International tax rate differences	(1,998)	(1,087)	(1,637)
Valuation Allowance Adjustment	(9,274)		
Foreign witholding tax	402	635	1,142
Income Tax (Benefit) Expense	$ (4,664)	$ 6,627	$ 3,009

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, were as follows:

	2002	As Restated 2001
	(In thousands of dollars)	
Property, plant and equipment	$ (308,925)	$ (274,194)
Other	1,968	(5,321)
Deferred tax liabilities	$ (306,957)	$ (279,515)
Net operating loss carryforwards	522,571	498,795
Other	2,333	(6,032)
Deferred tax assets	524,904	492,763
Valuation allowance	(220,104)	(219,747)
Net deferred tax liability	$ (2,157)	$ (6,499)

The Company's deferred tax assets and deferred tax liabilities recorded in the Company's Consolidated Balance Sheet at December 31, consisted of the following:

	2002	As Restated 2001
	(In thousands of dollars)	
Jurisdictions with deferred tax assets	$ 11,376	$ 7,923
Jurisdictions with deferred tax liabilities	(13,533)	(14,422)
Net deferred tax liability	$ (2,157)	$ (6,499)

The Company has reviewed the net deferred tax assets as of December 31, 2002 and 2001 and has determined that most deferred tax assets will not be realized. The need for a valuation allowance is made on a country-by-country basis and the amount of the valuation allowance has increased as of December 31, 2002 over 2001 primarily due to operating activities in various countries in 2002. As of December 31, 2002, the Company has concluded that due to years of sustained profitability and forecasted future profitability, realization is more likely than not on the deferred tax assets related to certain of the Company's international operations and as a result, the valuation allowance of $9.3 million for these international operations was released in 2002 and the related deferred tax asset recorded. The net result of the release of the valuation allowances against the increase in the valuation allowance resulting from 2002 operations is a net increase in the valuation allowance of approximately $0.4 million. The valuation allowance of $220.1 million and $219.7 million at December 31, 2002 and 2001, respectively, is maintained on the remaining net deferred tax assets for which the Company has not determined that realization is more likely than not.

The U.S. federal net operating loss carryforward amount totals $1,248.8 million, and expires in 2011, 2012, 2018, 2019, 2021 and 2022 in the amounts of $91.1 million, $421.5 million, $295.0 million, $196.8 million, $158.8 million and $85.6 million, respectively. International net operating loss carryforward amounts total $76.9 million of which $5.2 million expire through 2011 and $71.7 million have no expiration date.

Undistributed earnings intended to be reinvested indefinitely by the international subsidiaries totaled approximately $51.5 million at December 31, 2002. No U.S. deferred income tax has been recorded on these undistributed earnings.

NOTE 20 EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT

On April 23, 2002, the Company borrowed $250 million pursuant to an amendment to its Senior Secured Credit Agreement. The proceeds were applied to redeem in full the 1996 Senior Notes. In addition, the Company borrowed $12 million under its Revolving Facility to pay fees, costs and expenses related to the refinancing transaction. In the second quarter of 2002, the Company recorded a non-cash extraordinary charge to earnings of approximately $3.0 million, net of tax of nil, related to the write-off of the remaining deferred debt issuance costs on the 1996 Senior Notes and an extraordinary charge of approximately $8.6 million, net of tax of nil, related to the call premium paid upon redemption of the 1996 Senior Notes.

On August 10, 2001, the Company entered into the Senior Secured Credit Agreement. The proceeds of the initial borrowings under the Facilities of approximately $386 million, including $51 million in revolving credit borrowings, were applied to repay in full the outstanding borrowings under the Prior Term Loan Facility and the Prior Revolving Facility and to pay approximately $12 million of the $14 million of fees and expenses incurred in connection with the amendment and restatement of the Prior Credit Agreement. During the third quarter of 2001, the Company recorded a non-cash, extraordinary charge to earnings of approximately $6.0 million, net of tax of nil, related to the write-off of the applicable remaining deferred debt issuance costs on the Prior Term Loan Facility and the Prior Revolving Facility.

On June 21, 2001, the Company completed an offering of $250 million principal amount of the 2001 Notes, bearing interest at $10^5/_8$% annually. The net proceeds of this offering were applied to prepay a portion of the Term Loan Facility resulting in a non-cash, extraordinary charge to earnings of approximately $2.8 million, net of tax of nil, related to the write-off of the applicable portion of deferred debt issuance costs on the term loans.

On October 3, 2000, the Company completed the sale of its 50 percent investment in Igaras (see Note 6). The Company applied $120 million and $25 million of the sale proceeds to its 2001 and 2002 term loan maturities under the Prior Term Loan Facility, respectively. The Company recognized a loss on the early extinguishment of debt of approximately $2.1 million, net of tax of nil, in the fourth quarter of

2000.

NOTE 21 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to fluctuations in interest rates on its variable rate debt and fluctuations in foreign currency transaction cash flows. The Company actively monitors these fluctuations and uses derivative instruments from time to time to manage its exposure. In accordance with its risk management strategy, the Company uses derivative instruments only for the purpose of managing risk associated with fluctuations in the cash flow of the underlying exposures identified by management. The Company does not trade or use derivative instruments with the objective of earning financial gains on interest or currency rates, nor does it use leveraged instruments or instruments where there are no underlying exposures identified. The Company's use of derivative instruments may result in short-term gains or losses and may increase volatility in its earnings.

On January 1, 2001, the Company adopted SFAS No. 133 which requires all derivative instruments to be measured at fair value and recognized on the balance sheet as either assets or liabilities. In addition, all derivative instruments used in hedging relationships must be designated, reassessed and documented pursuant to the provisions of SFAS No. 133. Upon adoption of SFAS No. 133, the Company recognized a one-time after-tax transition adjustment to decrease earnings by approximately $0.5 million and decrease other comprehensive income by approximately $1.1 million. These amounts have been presented as a cumulative effect of a change in accounting principle in the accompanying Consolidated Statement of Operations and Comprehensive (Loss) Income for the year ended December 31, 2001.

The following is a summary of the Company's derivative instruments as of December 31, 2002 and the accounting policies it employs:

Hedges of Anticipated Cash Flows

The following is a reconciliation of current period changes in the fair value of the interest rate swap agreements and foreign currency forward and option contracts which have been recorded as Accumulated Derivative Instruments Loss in the accompanying Consolidated Balance Sheets at December 31, 2002 and December 31, 2001 and as Derivative Instruments Loss in the accompanying Consolidated Statements of Operations and Comprehensive (Loss) Income for the years ended December 31, 2002 and 2001.

(In thousands of dollars)		
SFAS No. 133 transition adjustment	$	(1,094)
Reclassification to earnings		3,898
Current period decrease in fair value		(7,374)
Balance at December 31, 2001		(4,570)
Reclassification to earnings		6,014
Current period decrease in fair value		(7,579)
Balance at December 31, 2002	$	(6,135)

At December 31, 2002, there was no material ineffective portion related to the changes in fair value of the interest rate swap agreements or foreign currency forward and option contracts and there were no amounts excluded from the measure of effectiveness. During the second quarter of 2002, the Company de-designated certain of its foreign currency forward and option contracts due to such contracts no longer meeting the Company's established effectiveness test. As a result, during the second quarter of 2002, the Company recognized a mark-to-market loss of approximately $1.8 million in the accompanying Consolidated Statement of Operations and Comprehensive (Loss) Income; had the foreign currency forward and option contracts not been de-designated, this approximate $1.8 million mark-to-market loss would have been deferred into Other Comprehensive (Loss) Income and would have been recognized in the Consolidated Statement of Operations and Comprehensive (Loss) Income over the remaining two quarters. At December 31, 2002, all mark to market losses relating to the de-designated hedges had been recorded in the Consolidated Statement of Operations and Comprehensive (Loss) Income.

The balance of $6.1 million recorded in Accumulated Derivative Instruments Loss at December 31, 2002 is expected to be reclassified into future earnings, contemporaneously with and offsetting changes in the related hedged exposure. The estimated amount to be reclassified into future earnings as interest expense over the next twelve months through December 31, 2003 is approximately $4.3 million. The actual amount that will be reclassified to future earnings over the next twelve months may vary from this amount as a result of changes in market conditions. No amounts were reclassified to earnings during 2002 in connection with forecasted transactions that were no longer considered probable of occurring.

The Company uses interest rate swap agreements to fix a portion of its variable rate Term Loan Facility to a fixed rate in order to reduce the impact of interest rate changes on future income. The differential to be paid or received under these agreements is recognized as an adjustment to interest expense related to the debt. At December 31, 2002, the Company had interest rate swap agreements with a notional amount of $410 million, which expire on various dates through the year 2003 and 2004, under which the Company will pay fixed rates of 2.21% to 3.52% and receive three-month LIBOR.

Derivatives not Designated as Hedges

The Company has foreign currency forward contracts used to hedge the exposure associated with foreign currency denominated receivables. These contracts are presently being marked-to-market through the income statement and will continue to be marked-to-market through the income statement.

The Company enters into fixed price natural gas contracts designed to effectively hedge prices for a substantial portion of its natural gas requirements at its two U.S. mills. The purpose of the fixed price natural gas contracts is to eliminate or reduce price risk with a focus on making cash flows more predictable. As of December 31, 2002, the Company had entered into contracts to hedge substantially all of its natural gas requirements for its two U.S. mills through October 31, 2003. The contract price and fair value of these natural gas contracts was approximately $16.3 million and $19.9 million, respectively. These contracts are not accounted for as derivative instruments under SFAS No. 133, as they qualify for the normal purchase exemption.

NOTE 22 SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and cash paid, net of refunds, for income and franchise taxes was as follows:

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
		(In thousands of dollars)	
Interest	$ 147,670	$ 145,752	$ 173,180
Income and Franchise Taxes	$ 4,892	$ 32,483	$ 5,780

NOTE 23 RESTRUCTURING ACTIVITIES

In connection with the global restructuring program initiated in the fourth quarter of 1998, the Company began reducing its European workforce by approximately 300 employees and implemented other initiatives designed to improve productivity and profitability across the global organization. The initial cost of this program was approximately $25.6 million of which approximately $0.8 million was

used in December 1998 and related to severance payments. The following table provides information that details payments on this restructuring plan since December 31, 1998:

	Severance	Other Exit Costs	Total
		(In thousands of dollars)	

	Severance	Other Exit Costs	Total
Balance at 12/31/98	$ 21,205	$ 3,537	$ 24,742
Charges against accrual in 1999	(11,527)	(791)	(12,318)
Balance at 12/31/99	9,678	2,746	12,424
Net charges against accrual in 2000	(6,669)	(2,499)	(9,168)
Balance at 12/31/00	3,009	247	3,256
Net charges against accrual in 2001	(3,009)	(247)	(3,256)
Balance at 12/31/01	$	$	$

During 2000, the Company substantially completed the restructuring plan and reduced the reserve by $4.8 million. In addition, $2.2 million of new restructuring activities aligned with the overall objectives of the initial plan were completed in 2000. The Company completed this program during 2001 resulting in a reduction of its European workforce related to the 1998 restructuring by approximately 250 employees.

NOTE 24 BUSINESS SEGMENT AND GEOGRAPHIC AREA INFORMATION

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

The Company's four separate geographic areas are the United States, Central/South America, Europe and Asia-Pacific. The United States area includes paper mills, beverage and folding carton plants, and packaging machinery facilities. The Central/South America area includes beverage and folding carton operations. The Europe area includes a coated recycled paperboard mill, beverage and folding carton operations, and a packaging machinery facility. The Asia-Pacific area includes beverage and folding carton operations.

Business segment information is as follows:

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
		(In thousands of dollars)	
NET SALES:			
Coated Board	$ 1,165,702	$ 1,107,937	$ 1,065,813
Containerboard	81,612	93,676	126,549
	$ 1,247,314	$ 1,201,613	$ 1,192,362
INCOME FROM OPERATIONS:			
Coated Board	$ 186,108	$ 147,958	$ 156,634
Containerboard	(23,989)	(15,180)	2,986
Corporate and Eliminations (A)	(21,507)	(25,512)	53,934

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
	$ 140,612	$ 107,266	$ 213,554
CAPITAL EXPENDITURES:			
Coated Board	$ 50,731	$ 51,479	$ 57,669
Containerboard	2,806	2,562	3,231
Corporate	2,505	3,256	1,162
	$ 56,042	$ 57,297	$ 62,062
DEPRECIATION AND AMORTIZATION:			
Coated Board	$ 112,144	$ 115,753	$ 123,893
Containerboard	12,707	13,787	17,252
Corporate	8,989	7,603	2,396
	$ 133,840	$ 137,143	$ 143,541

	2002	As Restated 2001
	(In thousands of dollars)	
IDENTIFIABLE ASSETS AT DECEMBER 31:		
Coated Board (B)	$ 1,720,041	$ 1,708,810
Containerboard (B)	156,919	191,598
Corporate (C)	80,712	100,688
	$ 1,957,672	$ 2,001,096

Business geographic area information is as follows:

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
		(In thousands of dollars)	
NET SALES:			
United States	$ 1,011,242	$ 986,462	$ 974,868
Central/South America	13,372	17,372	15,473
Europe	230,851	203,393	208,794
Asia Pacific	92,798	93,559	97,357
Eliminations (D)	(100,949)	(99,173)	(104,130)
	$ 1,247,314	$ 1,201,613	$ 1,192,362
INCOME FROM OPERATIONS:			
United States	$ 118,106	$ 82,268	$ 188,139
Central/South America	(5,203)	(4,023)	(925)
Europe	19,942	12,477	12,030

	Year Ended December 31, 2002	As Restated Year Ended December 31, 2001	As Restated Year Ended December 31, 2000
Asia Pacific	10,827	13,085	7,668
Eliminations (D)	(3,060)	3,459	6,642
	$ 140,612	$ 107,266	$ 213,554

	2002	As Restated 2001
	(In thousands of dollars)	
IDENTIFIABLE ASSETS AT DECEMBER 31:		
United States	$ 1,629,369	$ 1,698,174
Central/South America	22,476	29,330
Europe	180,884	147,050
Asia Pacific	44,037	25,428
Corporate (C)	80,712	100,688
Eliminations (D)	194	426
	$ 1,957,672	$ 2,001,096

Notes:

(A) Primarily consists of unallocated general corporate expenses and the gain on the sale of Igaras (see Note 6) in 2000.

(B) Certain mill assets are allocated based on production.

(C) Corporate assets are principally the equity investment in Igaras (up to the date of sale), (see Note 6), cash and equivalents, prepaid pension costs and other prepayments, deferred loan costs, deferred tax assets and a portion of property, plant and equipment.

(D) Represents primarily the elimination of intergeographic sales and profits from transactions between the Company's U.S., Europe, Asia-Pacific and Central/South America operations.

NOTE 25 RELATED PARTY TRANSACTIONS

On November 18, 1999, the Company loaned $5.0 million to a principal employee in a non-interest bearing note due March 26, 2002. On December 19, 2001, the Company extended the maturity of the loan through March 26, 2007. At December 31, 2002 and 2001 this receivable was included in Other Assets on the Consolidated Balance Sheets.

The Company receives certain management services provided by Clayton, Dubilier and Rice, Inc. ("CD&R"), an affiliate of an equity investor in the Company. Charges for such services, including reimbursement of expenses, totaled approximately $0.5 million, $0.5 million, and $0.6 million for the years ended December 31, 2002, 2001, and 2000, respectively, and were included in Selling, General and Administrative in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

NOTE 26 NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "*Business Combinations*" ("SFAS No. 141"), which was effective as of January 1, 2002. SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company adopted SFAS No. 141 on January 1, 2002 and the adoption did not have a significant impact on its financial position and results of operations.

In June 2001, the FASB issued SFAS No. 142 "*Goodwill and Other Intangible Assets*" ("SFAS No. 142"), which was effective January 1, 2002. SFAS No. 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. SFAS No. 142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The adoption of SFAS No. 142 resulted in the discontinuation of amortization of goodwill recorded at December 31, 2001 of approximately $8 million annually. Intangible assets with a determinable life will continue to be amortized over the appropriate periods. The Company adopted SFAS No. 142 on January 1, 2002. The following table shows Net (Loss)

Income for the year ended December 31, 2002 and Adjusted Net (Loss) Income for the years ended December 31, 2001 and 2000 exclusive of goodwill amortization:

	Year ended December 31, 2002	As Restated Year ended December 31, 2001	As Restated Year ended December 31, 2000
	(In thousands of dollars)		
Net (Loss) Income	$ (11,262)	$ (65,557)	$ 31,347
Plus: Amortization of Goodwill		7,740	7,948
Adjusted Net (Loss) Income	$ (11,262)	$ (57,817)	$ 39,295

The following table shows Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle for the year ended December 31, 2002 and Adjusted Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle for the years ended December 31, 2001 and 2000 exclusive of goodwill amortization:

	Year ended December 31, 2002	As Restated Year ended December 31, 2001	As Restated Year ended December 31, 2000
	(In thousands of dollars)		
Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 247	$ (56,334)	$ 33,464
Plus: Amortization of Goodwill		7,740	7,948
Adjusted Income (Loss) before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 247	$ (48,594)	$ 41,412

NOTE 26 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The following table displays the intangible assets that continue to be subject to amortization and aggregate amortization expense as well as intangible assets not subject to amortization as of December 31, 2002 and December 31, 2001:

	As of December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Patents	$ 23,633	$ 9,471	$ 14,162
Licenses	3,598	1,207	2,391
Trademarks	39,642	13,351	26,291
	$ 66,873	$ 24,029	$ 42,844
Unamortized intangible assets:			
Goodwill	$ 268,284		$ 268,284

	As of December 31, 2001		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Patents	$ 23,926	$ 7,986	$ 15,940
Licenses	3,598	997	2,601
Trademarks	39,624	11,370	28,254
	$ 67,148	$ 20,353	$ 46,795
Unamortized intangible assets:			
Goodwill	$ 321,976	$ 45,494	$ 276,482

Amortization expense for intangible assets subject to amortization was approximately $3.7 million for 2002, and is expected to be approximately $4 million annually for the next five fiscal years.

In February 2003, the Company received $7 million of cash from a third-party in settlement of a tax matter related to the Merger. This settlement has been recorded as a reduction of Goodwill and an increase in Other Receivables as of December 31, 2002.

In the fourth quarter of 2002, in accordance with SFAS No. 109, *"Accounting for Income Taxes"*, the Company reduced Goodwill and Other Noncurrent Liabilities by approximately $1.2 million as the Company determined that certain income tax exposures that had been identified as part of the 1996 purchase price allocation were no longer considered to be an exposure to the Company.

In June 2001, the FASB issued SFAS No. 143, *"Accounting for Asset Retirement Obligations"* ("SFAS No. 143"), which is effective January 1, 2003. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company does not believe that the adoption of SFAS No. 143 will have a significant impact on its financial position and results of operations.

In August 2001, the FASB issued SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*" ("SFAS No. 144"), which was effective January 1, 2002. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets, as well as eliminating the exception to consolidation for a subsidiary for which control is likely to be temporary. The Company adopted

SFAS No. 144 on January 1, 2002 and the adoption did not have a significant impact on its financial position and results of operations.

In April 2002, the FASB issued SFAS No. 145, *"Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002"* ("SFAS No. 145"). This statement rescinds SFAS No. 4, *"Reporting Gains and Losses from Extinguishment of Debt" ("SFAS No. 4"),* and an amendment of that Statement, SFAS No. 64, *"Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements."* This Statement also rescinds SFAS No. 44, *"Accounting for Intangible Assets of Motor Carriers."* This Statement amends SFAS No. 13, *"Accounting for Leases"*, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 will be effective for fiscal 2003, which begins January 1, 2003. Management expects that the adoption of this statement will result in an approximate impact on the Company's Income from Operations of $11.5 million, $8.7 million and $2.1 million for years ended December 31, 2002, 2001 and 2000, respectively, associated with the rescission of SFAS No. 4.

In July 2002, the FASB issued SFAS No. 146, *"Accounting for Costs Associated with Exit or Disposal Activities"* ("SFAS No. 146"), which was effective December 31, 2002. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, *"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)."* This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, and concludes that an entity's commitment to an exit plan does not by itself create a present obligation that meets the definition of a liability. This Statement also establishes that fair value is the objective of initial measurement of the liability. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company will adopt SFAS No. 146 effective January 1, 2003.

In December 2002, the FASB issued SFAS No. 148, *"Accounting for Stock-Based Compensation Transition and Disclosure, Amendment of SFAS No. 123"* ("SFAS No. 148"). This Statement provides additional transition guidance for those entities that elect to voluntarily adopt the provisions of SFAS No. 123, *"Accounting for Stock Based Compensation."* Furthermore, SFAS No. 148 mandates new disclosures in both interim and year-end financial statements within the Company's Significant Accounting Policies footnote. The Company has elected not to adopt the recognition provisions of SFAS No. 123, as amended by SFAS No. 148.

NOTE 27 RESTATEMENT AND CHANGE IN ACCOUNTING

During the fourth quarter of 2002, the Company changed its method of determining the cost of inventories from the LIFO method to the FIFO method. Prior to 2002, the majority of the Company's operations used the LIFO method of valuing inventory. The Company has concluded that the FIFO method will result in a better measurement of current inventory costs with revenues because the Company's operations have realized and expect to continue to realize cost reductions in its

manufacturing operations. The Company applied this change by retroactively restating its financial statements as required by Accounting Principles Board Opinion No. 20, "Accounting Changes," which resulted in an increase to the accumulated deficit as of January 1, 2000 of approximately $15.5 million.

	2001 As Previously Reported	LIFO Adjustments	As Restated
	(In thousands of dollars)		
December 31:			
Inventories	180,854	(19,505)	161,349
Total Shareholders' Equity	216,220	(19,505)	196,715
Cost of Sales	966,236	(12,335)	953,901
Income from Operations	94,931	12,335	107,266
Net Loss	(77,892)	12,335	(65,557)

	2000 As Previously	LIFO Adjustments	As Restated

	Reported		
	(In thousands of dollars)		
December 31:			
Total Shareholders' Equity	303,962	(26,924)	277,038
Cost of Sales	923,851	6,935	930,786
Income from Operations	220,489	(6,935)	213,554
Net Income	38,282	(6,935)	31,347

NOTE 28 SUBSEQUENT EVENTS

In February 2003, the Company received $7 million of cash from a third-party in settlement of a tax matter related to the Merger. This settlement has been recorded as a reduction of Goodwill and an increase in Other Receivables as of December 31, 2002.

On May 3, 2002, Riverwood Holding filed a Form S-1 registration statement with the Securities and Exchange Commission ("SEC") for the registration under the Securities Act of 1933 of $350 million of its common stock in a proposed initial public offering. As of December 31, 2002, the Company had deferred approximately $1.9 million of costs associated with this proposed transaction. On March 27, 2003, Riverwood Holding filed with the SEC an application to withdraw the registration statement. As a result, the Company will record an approximate $1.9 million charge in the first quarter of 2003.

On March 25, 2003, Riverwood Holding, Riverwood Acquisition Sub LLC, a Delaware limited liability company and a wholly-owned subsidiary of Riverwood Holding ("Merger Sub") and Graphic Packaging International Corporation, a Colorado corporation ("Graphic") entered into an Agreement and Plan of Merger (the "2003 Merger Agreement"). Pursuant to the 2003 Merger Agreement and other related transaction documents, Graphic will merge with and into Merger Sub (the "2003 Merger"). Prior to consummation of the 2003 Merger, Riverwood Holding will effect a stock split. In connection with the 2003 Merger, the shareholders of Graphic will receive one share of Riverwood Holding common stock and associated Riverwood Holding shareholder rights for each share of Graphic

common stock and associated Graphic shareholder rights they own immediately prior to the 2003 Merger. Upon completion of the transaction, holders of Riverwood Holding common stock will own 57.5% and holders of Graphic common stock will own 42.5% of the common stock of Riverwood Holding. The 2003 Merger Agreement has been approved by the respective Boards of Directors of Riverwood Holding and Graphic. Consummation of the 2003 Merger is subject to customary closing conditions, including approval by Graphic's shareholders and regulatory approvals.

In connection with the execution of the 2003 Merger Agreement, Riverwood Holding and certain major shareholders of Graphic entered into a Voting Agreement dated March 25, 2003 (the "Voting Agreement") pursuant to which such shareholders agreed to vote for the 2003 Merger and against any other transaction involving Graphic. In addition, pursuant to the Voting Agreement and as a condition to the effectiveness of the 2003 Merger, the holder of Graphic's 10% Series B Convertible Preferred Stock (the "Preferred Stock") has agreed to convert all of the outstanding shares of the Preferred Stock into Graphic common stock in exchange for a payment of the present value of future dividends on the Preferred Stock that would have been payable by Graphic from the effective time of the 2003 Merger until the Preferred Stock could have been redeemed by Graphic.

RIVERWOOD HOLDING, INC.
SELECTED QUARTERLY FINANCIAL DATA
(UNAUDITED)

Results of operations for the four quarters of 2002 and 2001 are shown below.

(Quarter)	Net Sales	Gross Profit	Income From Operations	(Loss) Income Before Extraordinary Item and	Net (Loss) Income

				Cumulative Effect of a Change in Accounting Principle	
			(In thousands of dollars)		
2002					
First (D)(E)	$ 291,184	$ 57,329	$ 30,869	$ (7,717)	$ (7,717)
Second (A)(D)(E)	334,428	74,611	40,246	1,824	(9,685)
Third (D)(E)	326,060	72,278	41,086	4,705	4,705
Fourth (D)	295,642	58,325	28,411	1,435	1,435
Total	$ 1,247,314	$ 262,543	$ 140,612	$ 247	$ (11,262)
2001					
First (D)(E)	$ 277,323	$ 48,900	$ 10,086	$ (29,664)	$ (30,162)
Second (B)(D)(E)	326,827	68,933	36,463	(3,939)	(6,709)
Third (C)(D)(E)	309,593	69,760	38,385	(2,871)	(8,826)
Fourth (D)(E)	287,870	60,119	22,332	(19,860)	(19,860)
Total	$ 1,201,613	$ 247,712	$ 107,266	$ (56,334)	$ (65,557)

Notes:

(A)

During the second quarter of 2002, the Company recorded an extraordinary charge to earnings of approximately $3.0 million, net of tax of nil, related to the write-off deferred debt issuance costs and an extraordinary charge of approximately $8.6 million, net of tax of nil, related to the call premium paid (see Note 20 in Notes to Consolidated Financial Statements).

(B)

During the second quarter of 2001, the Company recorded an extraordinary charge to earnings of approximately $2.8 million, net of tax of nil, related to the write-off deferred debt issuance costs (see Note 20 in Notes to Consolidated Financial Statements).

(C)

During the third quarter of 2001, the Company recorded an extraordinary charge to earnings of approximately $6.0 million, net of tax of nil, related to the write-off deferred debt issuance costs (see Note 20 in Notes to Consolidated Financial Statements).

(D)

During the fourth quarter of 2002, the Company changed its method of determining the cost of inventories from the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method. Prior to 2002, the majority of the Company's operations used the LIFO method of valuing inventory. The Company has concluded that the FIFO method will result in a better measurement of current inventory costs with revenues because the Company's operations have realized and expect to continue to realize cost reductions in its manufacturing operations. The Company applied this change by retroactively restating its financial statements as required by Accounting Principles Board Opinion No. 20, "Accounting Changes," which resulted in an increase to the accumulated deficit as of January 1, 2000 of approximately $15.5 million (see Note 27 in Notes to the Consolidated Financial Statements).

(E)

The Company by means of this filing, is restating its Selected Quarterly Financial Data for the first three quarters of 2002, to report its investment in Rengo using the equity method, and the first three quarters of 2002 and the four quarters of 2001 to report its change in its method of determining the cost of inventories from LIFO to FIFO.

	Net Sales	Gross Profit	Income from Operations	(Loss) Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	Net (Loss) Income
First quarter 2002 as reported	$ 300,112	$ 59,523	$ 31,181	$ (7,715)	$ (7,715)
First quarter 2002 Rengo adjustment	(8,928)	(2,194)	(312)	(2)	(2)
First quarter 2002 LIFO adjustment					
First quarter 2002 as restated	$ 291,184	$ 57,329	$ 30,869	$ (7,717)	$ (7,717)
Second quarter 2002 as reported	$ 348,046	$ 78,071	$ 41,151	$ 1,824	$ (9,685)
Second quarter 2002 Rengo adjustment	(13,618)	(3,460)	(905)	0	0
Second quarter 2002 LIFO adjustment					
Second quarter 2002 as restated	$ 334,428	$ 74,611	$ 40,246	$ 1,824	$ (9,685)
Third quarter 2002 as reported	$ 339,934	$ 87,394	$ 53,657	$ 16,549	$ 16,549
Third quarter 2002 Rengo adjustment	(13,874)	(3,272)	(727)	0	0
Third quarter 2002 LIFO adjustment		(11,844)	(11,844)	(11,844)	(11,844)
Third quarter 2002 as restated	$ 326,060	$ 72,278	$ 41,086	$ 4,705	$ 4,705
First quarter 2001 as reported	$ 277,323	$ 48,900	$ 10,086	$ (29,664)	$ (30,162)
First quarter 2001 LIFO adjustment					
First quarter 2001 as restated	$ 277,323	$ 48,900	$ 10,086	$ (29,664)	$ (30,162)
Second quarter 2001 as reported	$ 326,827	$ 68,202	$ 35,732	$ (4,670)	$ (7,440)
Second quarter 2001 LIFO adjustment		731	731	731	731
Second quarter 2001 as restated	$ 326,827	$ 68,933	$ 36,463	$ (3,939)	$ (6,709)
Third quarter 2001 as reported	$ 309,593	$ 70,804	$ 39,429	$ (1,827)	$ (7,782)
Third quarter 2001 LIFO adjustment		(1,044)	(1,044)	(1,044)	(1,044)
Third quarter 2001 as restated	$ 309,593	$ 69,760	$ 38,385	$ (2,871)	$ (8,826)
Fourth quarter 2001 as reported	$ 287,870	$ 47,471	$ 9,684	$ (32,508)	$ (32,508)
Fourth quarter 2001 LIFO adjustment		12,648	12,648	12,648	12,648
Fourth quarter 2001 as restated	$ 287,870	$ 60,119	$ 22,332	$ (19,860)	$ (19,860)
Full year 2001 as reported	$ 1,201,613	$ 235,377	$ 94,931	$ (68,669)	$ (77,892)
Full year 2001 LIFO adjustment		12,335	12,335	12,335	12,335
Full year 2001 as restated	$ 1,201,613	$ 247,712	$ 107,266	$ (56,334)	$ (65,557)

Report of Independent Accountants

To the Stockholders and Directors of Riverwood Holding, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Riverwood Holding, Inc. and subsidiaries at December 31, 2002 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index at Item 21(b) presents fairly, in all material respects, the information set forth therein as of and for the year ended December 31, 2002, when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 26 and 27 to the financial statements, the Company adopted SFAS No. 142 and changed its method of accounting for the cost of inventories, respectively, in 2002.

We also audited the adjustments in Note 27 that were applied to restate the 2001 and 2000 consolidated financial statements to give retroactive effect to the change in the method of accounting for the cost of inventories from the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method. In our opinion, such adjustments are appropriate and have been properly applied.

PricewaterhouseCoopers LLP
Atlanta, Georgia
February 7, 2003, except for Note 27 as to which the date is April 10, 2003

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Directors of Riverwood Holding, Inc.:

We have audited the consolidated balance sheet of Riverwood Holding, Inc. and subsidiaries (the "Company") as of December 31, 2001, and the related consolidated statements of operations and comprehensive (loss) income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2001 (none of which are presented herein). Our audits also included the financial statement schedule listed in the Index at Item 21(b) as it relates to information as of December 31, 2001 and 2000 and for the years then ended. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Riverwood Holding, Inc. and subsidiaries at December 31, 2001, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule as it relates to information as of December 31, 2001 and 2000 and for the years then ended, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 21 to the consolidated financial statements, effective January 1, 2001, the Company changed its method of accounting for derivative instruments and hedging activities.

As discussed in a note to the 2001 consolidated financial statements (such note is not included herein), the 2001 consolidated financial statements have previously been restated.

DELOITTE & TOUCHE LLP

Atlanta, Georgia
February 15, 2002
(April 10, 2003 as to the effect of the restatement referred to in the fifth paragraph above)

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Graphic Packaging International Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Graphic Packaging International Corporation (the "Company") at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index at Item 21(b) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2002 the Company changed its method of accounting for goodwill and other intangible assets.

PricewaterhouseCoopers LLP

Denver, Colorado
February 11, 2003

GRAPHIC PACKAGING INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Year Ended December 31,		
	2002	**2001**	**2000**
Sales to unrelated parties	**$ 946,833**	$ 989,716	$ 990,390
Sales to Coors Brewing Company	**111,010**	122,819	112,200

	Year Ended December 31,		
Total net sales	**1,057,843**	1,112,535	1,102,590
Cost of goods sold	**930,581**	960,258	963,979
Gross profit	**127,262**	152,277	138,611
Selling, general and administrative expense	**64,620**	62,874	61,134
Goodwill amortization		20,649	20,634
Asset impairment and restructuring charges		8,900	5,620
Operating income	**62,642**	59,854	51,223
Gain from sale of businesses and other assets		3,650	19,172
Interest expense	**(44,640)**	(52,811)	(82,071)
Income (loss) before income taxes, extraordinary item and cumulative effect of change in accounting principle	**18,002**	10,693	(11,676)
Income tax (expense) benefit	**(7,035)**	(4,257)	4,678
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	**10,967**	6,436	(6,998)
Extraordinary loss on early extinguishment of debt, net of tax of $6,149	**(9,617)**		
Income (loss) before cumulative effect of change in accounting principle	**1,350**	6,436	(6,998)
Cumulative effect of change in goodwill accounting, net of tax of $0	**(180,000)**		
Net income (loss)	**(178,650)**	6,436	(6,998)
Preferred stock dividends declared	**(10,000)**	(10,000)	(3,806)
Net loss attributable to common shareholders	**$ (188,650)**	$ (3,564)	$ (10,804)
Net income (loss) attributable to common shareholders per basic share of common stock:			
Before extraordinary item and cumulative effect of change in accounting principle	**$ 0.03**	$ (0.11)	$ (0.37)
Extraordinary loss	**(0.30)**		
Cumulative effect of change in accounting principle	**(5.50)**		
Net income (loss) attributable to common shareholders per basic share	**$ (5.77)**	$ (0.11)	$ (0.37)
Weighted average shares outstanding basic	**32,715**	31,620	29,337
Net income (loss) attributable to common shareholders per diluted share of common stock:			
Before extraordinary item and cumulative effect of change in accounting principle	**$ 0.03**	$ (0.11)	$ (0.37)
Extraordinary loss	**(0.28)**		
Cumulative effect of change in accounting principle	**(5.28)**		
	$ (5.53)	$ (0.11)	$ (0.37)

	Year Ended December 31,		
Net income (loss) attributable to common shareholders per diluted share			
Weighted average shares outstanding diluted	**34,065**	31,620	29,337

See Notes to Consolidated Financial Statements.

GRAPHIC PACKAGING INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Year Ended December 31,		
	2002	**2001**	**2000**
Net income (loss)	**$ (178,650)**	$ 6,436	$ (6,998)
Other comprehensive income (loss):			
Foreign currency translation adjustments	**279**	(905)	(355)
Interest rate swap agreements:			
Cumulative effect of change in accounting principle, net of tax of $2,012		(3,217)	
Recognition of hedge results to interest expense during the period, net of tax of $2,595 and $1,861	**4,177**	2,973	
Change in fair value of cash flow hedges during the period, net of tax of $275 and $2,753	**498**	(4,397)	
Change in minimum pension liability, net of tax of $7,572, $9,103 and $178	**(12,805)**	(13,832)	(267)
Other comprehensive loss	**(7,851)**	(19,378)	(622)
Comprehensive loss	**$ (186,501)**	$ (12,942)	$ (7,620)

See Notes to Consolidated Financial Statements.

GRAPHIC PACKAGING INTERNATIONAL CORPORATION

CONSOLIDATED BALANCE SHEET

(in thousands)

	At December 31,	
	2002	**2001**

	At December 31,	
ASSETS		
Current assets		
Cash and cash equivalents	**$ 28,626**	$ 6,766
Accounts receivable, less allowance for doubtful accounts of $2,395 in 2002 and $1,769 in 2001	**61,886**	57,679
Accounts receivable from Coors Brewing Company	**1,660**	1,795
Inventories	**87,243**	92,408
Deferred income taxes	**8,999**	17,378
Other assets	**12,687**	15,778
Total current assets	**201,101**	191,804
Properties, net	**410,592**	443,712
Goodwill, net	**379,696**	559,696
Other assets	**29,477**	34,123
Total assets	**$ 1,020,866**	$ 1,229,335
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	**$ 3,432**	$ 37,373
Accounts payable	**82,106**	59,002
Interest payable	**11,117**	2,665
Accrued compensation	**20,013**	20,431
Other accrued expenses and liabilities	**38,321**	49,930
Total current liabilities	**154,989**	169,401
Long-term debt	**474,899**	488,386
Pension liability	**42,310**	24,860
Other long-term liabilities	**37,774**	44,684
Total liabilities	**709,972**	727,331
Minority interest	**3,856**	4,356
Commitments and contingencies (Note 15)		
Shareholders' equity		
Preferred stock, 20,000,000 shares authorized:		
Series A, $0.01 par value, no shares issued or outstanding		
Series B, $0.01 par value, 1,000,000 shares issued and outstanding at stated value and liquidation preference of $100 per share	**100,000**	100,000
Common stock, $0.01 par value 100,000,000 shares authorized; 33,477,300 and 32,188,941 issued and outstanding at December 31, 2002 and 2001	**335**	322
Paid-in capital	**416,048**	417,749
Unearned compensation	**(2,421)**	
Retained deficit	**(179,212)**	(562)
Accumulated other comprehensive loss	**(27,712)**	(19,861)
Total shareholders' equity	**307,038**	497,648
Total liabilities and shareholders' equity	**$ 1,020,866**	$ 1,229,335

See Notes to Consolidated Financial Statements.

F-54

GRAPHIC PACKAGING INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2002	**2001**	**2000**
Cash flows from operating activities:			
Net income (loss)	**$ (178,650)**	$ 6,436	$ (6,998)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary loss on early extinguishment of debt	**15,766**		
Cumulative effect of change in goodwill accounting	**180,000**		
Asset impairment charges		5,000	
Gain from sale of businesses and other assets		(3,650)	(19,172)
Depreciation	**61,165**	58,757	62,460
Amortization of goodwill		20,649	20,634
Amortization of debt issuance costs	**3,109**	7,795	8,865
Deferred income tax expense	**4,990**	8,417	10,012
Compensation expense settled in stock	**4,298**	5,152	4,122
Change in current assets and current liabilities:			
Accounts receivable	**(4,072)**	15,713	(3,271)
Inventories	**5,165**	12,820	23,137
Other assets	**3,091**	(1,122)	(3,592)
Accounts payable	**23,104**	20,100	(4,935)
Accrued expenses and other liabilities	**3,970**	(4,595)	(27,954)
Other	**159**	227	(429)
Net cash provided by operating activities	**122,095**	151,699	62,879
Cash flows from investing activities:			
Capital expenditures	**(27,706)**	(31,884)	(30,931)
Proceeds from sale of assets		8,950	43,580
Collection of note receivable			200,000
Net cash provided by (used in) investing activities	**(27,706)**	(22,934)	212,649
Cash flows from financing activities:			
Proceeds from borrowings	**759,677**	206,750	52,015
Repayment of debt	**(807,105)**	(320,965)	(431,996)
Debt issuance costs	**(16,390)**		(6,312)
Proceeds from issuance of preferred stock, net of stock issuance costs			98,558
Preferred stock dividends paid	**(10,000)**	(12,083)	(1,306)
Common stock issuance and other	**1,289**	287	1,656

	Year Ended December 31,		
Net cash used in financing activities	**(72,529)**	(126,011)	(287,385)
Cash and cash equivalents:			
Net increase (decrease) in cash and cash equivalents	**21,860**	2,754	(11,857)
Balance at beginning of year	**6,766**	4,012	15,869
Balance at end of year	**$ 28,626**	$ 6,766	$ 4,012

See Notes to Consolidated Financial Statements.

F-55

GRAPHIC PACKAGING INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)

	Common Shares	Preferred Stock	Common Stock	Paid-in Capital	Unearned Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 1999	28,577	$	$ 286	$ 422,885	$	$	$ 139	$ 423,310
Issuance of common stock	1,967		19	4,690				4,709
Issuance of 1,000,000 shares of preferred stock, net of issuance costs		100,000		(1,442)				98,558
Net loss						(6,998)		(6,998)
Preferred stock dividends declared				(3,806)				(3,806)
Change in minimum pension liability, net of tax							(267)	(267)
Cumulative translation adjustment							(355)	(355)
Balance at December 31, 2000	30,544	100,000	305	422,327		(6,998)	(483)	515,151
Issuance of common stock	1,645		17	5,422				5,439
Net income						6,436		6,436
Preferred stock dividends declared				(10,000)				(10,000)
Change in minimum pension liability, net of tax							(13,832)	(13,832)
Cumulative effect of a change in accounting principle, net of tax							(3,217)	(3,217)

	Common Shares	Preferred Stock	Common Stock	Paid-in Capital	Unearned Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Recognition of hedge results to interest expense during the period, net of tax							2,973	2,973
Change in fair value of cash flow hedges during the period, net of tax							(4,397)	(4,397)
Cumulative translation adjustment							(905)	(905)
Balance at December 31, 2001	32,189	100,000	322	417,749		(562)	(19,861)	497,648
Issuance of common stock	883		9	5,831				5,840
Issuance of restricted stock	405		4	2,468	(2,472)			
Restricted stock amortized to expense					51			51
Net loss						(178,650)		(178,650)
Preferred stock dividends declared				(10,000)				(10,000)
Change in minimum pension liability, net of tax							(12,805)	(12,805)
Recognition of hedge results to interest expense during the period, net of tax							4,177	4,177
Change in fair value of cash flow hedges during the period, net of tax							498	498
Cumulative translation adjustment							279	279
Balance at December 31, 2002	**33,477**	**$ 100,000**	**$ 335**	**$ 416,048**	**$ (2,421)**	**$ (179,212)**	**$ (27,712)**	**$ 307,038**

See Notes to Consolidated Financial Statements.

GRAPHIC PACKAGING INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Operations: Graphic Packaging International Corporation (the Company or GPIC) is a manufacturer of packaging products used by consumer product companies as primary packaging for their end-use products. The Company's strategy is to maximize its competitive position and growth opportunities in its core business, folding cartons.

Use of Estimates: The consolidated financial statements have been prepared in conformity with generally accepted accounting principles, using management's best estimates and judgments where appropriate. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Management has made significant estimates with respect to the following:

Collectibility of accounts receivable The Company estimates losses from uncollectible accounts based on the aging of the accounts receivable and an evaluation of the likelihood of success in collecting the receivable.

Self-insurance reserves The Company is self-insured for certain losses relating to workers' compensation claims and employee medical and dental benefits. The Company has purchased stop-loss coverage in order to limit its exposure to significant claims. Self-insured losses are accrued based upon the Company's estimates of the aggregate uninsured claims incurred using certain actuarial assumptions followed in the insurance industry and the Company's historical experience.

Retirement-related benefits The Company estimates its retiree liabilities based upon actuarial reports prepared by the Company's actuary, which include estimates and assumptions related to interest rates, future compensation and other factors. See further discussion of retirement related estimates and assumptions in Note 10.

Goodwill valuation The Company estimates the value of its goodwill using the discounted cash flow method of valuation on an annual basis.

Recovery of long-lived assets The Company periodically reviews long-lived assets for impairment whenever events or changes in business circumstances, such as the closure of a plant, indicate the carrying amount of the asset may not be fully recoverable by undiscounted cash flows. Measurement of the impairment loss, if any, is based on the fair value of the asset, which is generally determined by the discounting of future estimated cash flows. The Company evaluates the recovery of its long-lived assets periodically by analyzing its operating results and considering significant events or changes in the business environment that may have triggered impairment.

Deferred tax asset valuation allowance The Company estimates the realizability of deferred tax assets by estimating the projected reversal of offsetting deferred tax liability amounts and future taxable income.

Legal accruals The Company estimates the amount of potential exposure it may have with respect to litigation, claims and assessments, based upon analyses prepared by in-house and outside counsel, and records legal reserves when management believes it is probable that a loss has occurred and the amount of loss is reasonably estimatable.

Environmental expenditures and remediation liabilities Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future

revenue generation, are expensed. Liabilities are recorded when environmental assessments indicate that remedial efforts are probable and the costs can be reasonably estimated.

Stock-based employee compensation plans The Company has various stock-based employee compensation plans, which are described more fully in Note 9. The plans are accounted for under the recognition and measurement principles of APB No. 25, and related interpretations. Supplemental disclosures regarding stock-based compensation include estimates regarding volatility of the Company's stock, interest rates and expected life.

Actual results could differ from these estimates and judgments, making it reasonably possible that a change in these estimates could occur in the near term.

Reclassifications: Certain prior period amounts have been reclassified to conform to the current year presentation.

Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned and majority owned subsidiaries. All material intercompany transactions have been eliminated. See discussion of the minority interest shown on the consolidated balance sheet in Note 14.

Revenue Recognition: Revenue is recognized when goods are shipped and risks of ownership have passed to the customers. Shipping and handling costs invoiced to customers are included in revenue and associated costs are recognized as costs of goods sold.

Concentration of Credit Risk: The Company's largest 20 customers make up approximately 81% of its gross sales. A significant portion of the Company's sales are to Altria Group, Inc., Coors Brewing Company and General Mills, Inc. For the year ended December 31, 2002, Altria Group accounted for approximately 20% of the Company's gross sales, Coors Brewing accounted for approximately 10% of gross sales and General Mills accounted for approximately 11% of gross sales. For the year ended December 31, 2001, Altria Group accounted for approximately 19% of the Company's gross sales, Coors Brewing accounted for approximately 11% of gross sales and General Mills accounted for approximately 11% of gross sales. The Company controls credit risk related to accounts receivable through credit approvals, credit limits and monitoring procedures. Credit risk with respect to accounts receivable is concentrated primarily in the food and beverage industries. Altria Group represents 15% and 15% of accounts receivable at December 31, 2002 and 2001.

Inventories: Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

The classification of inventories, in thousands, was as follows:

	At December 31,	
	2002	**2001**
Finished goods	$ **50,771**	$ 55,057
In process	**11,298**	15,258
Raw materials	**25,174**	22,093
Total inventories	$ **87,243**	$ 92,408

Properties: Land, buildings, equipment and purchased software are stated at cost. The costs of developing an enterprise resource planning software system are capitalized and amortized when placed

in service over the expected useful life of the software. Real estate properties are non-operating properties held for sale. For financial reporting purposes, depreciation is recorded principally on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	30 years
Machinery and equipment	3 to 15 years
Building and leasehold improvements	The shorter of the useful life or lease term
Internal-use software	8 years

The cost of properties and related accumulated depreciation, in thousands, was as follows:

	At December 31,	
	2002	**2001**
Land and improvements	$ **17,381**	$ 16,687
Buildings and improvements	**118,309**	119,439
Machinery and equipment	**522,559**	508,814
Internal-use software	**35,769**	1,781
Real estate properties	**4,485**	5,359
Construction in progress	**9,304**	42,101
	707,807	694,181
Less accumulated depreciation	**297,215**	250,469

	At December 31,	
Net properties	**$ 410,592**	$ 443,712

Expenditures for new facilities and improvements that substantially extend the capacity or useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. Upon sale or retirement of assets, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gains or losses are reflected in operations.

Goodwill Accounting

Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," became effective on January 1, 2002 for the Company. This statement establishes new accounting and reporting standards that, among other things, eliminate amortization of goodwill and certain intangible assets with indefinite useful lives. The Company does not have any intangible assets with indefinite useful lives; however, as required by the new standard, the Company's goodwill will be evaluated annually, or whenever a triggering event takes place, for impairment using a fair-value based approach and, if there is impairment, the carrying amount of goodwill will be written down to its implied fair value.

Effective January 1, 2002, the Company assigned the carrying value of its goodwill, totaling $560 million, to one reporting unit. Management completed the transitional impairment testing of the Company's goodwill and determined that the Company's goodwill was impaired by $180 million at January 1, 2002. The fair value of the goodwill was derived using the discounted cash flow valuation method. The transitional impairment loss is reflected as a cumulative effect of change in accounting principle in the accompanying statement of operations. Future impairments of goodwill, if any, will be charged to operating income in the period in which the impairment arises.

Of the $560 million carrying value of goodwill at December 31, 2001, $418 million was deductible for Federal income tax purposes and $142 million was not deductible. The $180 million goodwill impairment charge consists of approximately $131 million of deductible goodwill and approximately $49 million of non-deductible goodwill. The $131 million tax deductible portion of the impairment charge resulted in a deferred tax benefit/asset of approximately $50 million. We recorded a 100% valuation allowance against the approximately $50 million deferred tax asset resulting from recognition of the transitional goodwill impairment loss. Therefore, the cumulative effect of change in accounting principle reflected in the accompanying statement of operations is net of $0 tax benefit.

Effective January 1, 2002, the Company stopped amortizing its goodwill as required by SFAS No. 142. The annual reduction in amortization expense was approximately $20.6 million before taxes. Because some of the Company's goodwill amortization is nondeductible for tax purposes, the Company's effective tax rate is lower as a result of implementing SFAS No. 142. The change in the carrying amount of the Company's goodwill consists entirely of the impairment of $180 million for the year ended December 31, 2002.

The Company recorded its transitional goodwill impairment charge in the second quarter of 2002, as permitted by SFAS No. 142. The following table presents the results of operations for the first quarter of 2002 after giving effect to the goodwill impairment charge (in thousands):

	As Reported in Form 10-Q	As Adjusted for Goodwill Impairment
Operating income	$ 19,405	$ 19,405
Net loss attributable to common shareholders	$ (7,171)	$ (187,171)
Net loss attributable to common shareholders per basic share	$ (0.22)	$ (5.79)
Net loss attributable to common shareholders per diluted share	$ (0.22)	$ (2.28)

The following table illustrates net income (loss) attributable to common shareholders and earnings per share, exclusive of goodwill amortization expense in the prior year periods (in thousands):

	Year Ended December 31,		
	2002	**2001**	**2000**
Reported net income (loss) before extraordinary item and cumulative effect of change in accounting principle attributable to common shareholders	**$ 967**	$ (3,564)	$ (10,804)
Cumulative effect of change in goodwill accounting	**(180,000)**		
Extraordinary item	**(9,617)**		
Reported net income (loss) attributable to common shareholders	**(188,650)**	(3,564)	(10,804)
Goodwill amortization, net of tax		12,389	12,380
Adjusted net income (loss) attributable to common shareholders	**$ (188,650)**	$ 8,825	$ 1,576
Earnings per share basic:			
Reported net income (loss) before extraordinary item and cumulative effect of change in accounting principle attributable to common shareholders	**$ 0.03**	$ (0.11)	$ (0.37)
Cumulative effect of change in goodwill accounting	**(5.50)**		
Extraordinary item	**(0.30)**		
Reported net income (loss) attributable to common shareholders	**(5.77)**	(0.11)	(0.37)
Goodwill amortization, net of tax		0.39	0.42
Adjusted net income (loss) attributable to common shareholders	**$ (5.77)**	$ 0.28	$ 0.05
Earnings per share diluted:			
Reported net income (loss) before extraordinary item and cumulative effect of change in accounting principle attributable to common shareholders	**$ 0.03**	$ (0.11)	$ (0.37)
Cumulative effect of change in goodwill accounting	**(5.28)**		
Extraordinary item	**(0.28)**		
Reported net income (loss) attributable to common shareholders	**(5.53)**	(0.11)	(0.37)
Goodwill amortization, net of tax		0.39	0.42
Adjusted net income (loss) attributable to common shareholders	**$ (5.53)**	$ 0.28	$ 0.05

Derivatives and Hedging Activities: In accordance with the Company's interest rate risk-management policies, the Company periodically enters into contracts to hedge the interest rates on its variable rate borrowings. During the period January 2000 September 2002, the Company had in place various interest rate contracts. At December 31, 2002, the Company had no interest rate contracts in place. The Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," on January 1, 2001.

All derivatives are recognized on the balance sheet at their fair value. On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of (a) the fair value of a recognized asset or liability or (b) an unrecognized firm commitment (a fair value hedge);

(2) a hedge of (a) a forecasted transaction or (b) the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a cash flow hedge); or (3) a foreign-currency fair-value or cash flow hedge (a foreign currency hedge). The Company does not enter into derivative contracts for trading or non-hedging purposes. The Company's interest rate derivatives that were outstanding until the third quarter of 2002 were designated as cash flow hedges and are recognized on the December 31, 2001 balance sheet at their fair value. Changes in the fair value of the Company's cash flow hedges, to the extent that the hedges are highly effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction through interest expense. Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows being hedged) is recorded in current period earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value, cash flow, or foreign currency hedges to (1) specific assets and liabilities on the balance sheet or (2) specific firm commitments or forecasted transactions. The Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively, as discussed below.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued due to the Company's determination that the derivative no longer qualifies as an effective fair value hedge, the Company will continue to carry the derivative on the balance sheet at its fair value but cease to adjust the hedged asset or liability for changes in fair value. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Company will continue to carry the derivative on the balance sheet at its fair value, removing from the balance sheet any asset or liability that was recorded to recognize the firm commitment and recording it as a gain or loss in current period earnings. When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified into earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding the Company will carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value in current period earnings.

Note 1. Summary of Significant Accounting Policies (Continued)

Foreign Currency Translation: The functional currencies for the Company's United Kingdom and Canadian subsidiaries are the British pound and the Canadian dollar, respectively. Translation into U.S. dollars is performed for assets and liabilities at the exchange rates as of the balance sheet date. Income and expense accounts are translated at average exchange rates for the year. Adjustments resulting from the translation are reflected as a separate component of other comprehensive income.

Debt Issuance Costs: Costs related to the issuance of debt are capitalized and amortized to interest expense using the effective interest method over the period the debt is outstanding.

Earnings per Share: Following is a reconciliation between basic and diluted earnings per common share from continuing operations attributable to common shareholders (in thousands, except per share information):

	Year Ended December 31,		
	2002	2001	2000

	Year Ended December 31,								
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net income (loss) attributable to common shareholders basic EPS	**$ (188,650)**	**32,715**	**$ (5.77)**	$ (3,564)	31,620	$ (0.11)	$ (10,804)	29,337	$ (0.37)
Other dilutive equity instruments		**1,350**							
Net income (loss) attributable to common shareholders diluted EPS	**$ (188,650)**	**34,065**	**$ (5.53)**	$ (3,564)	31,620	$ (0.11)	$ (10,804)	29,337	$ (0.37)

The Company's outstanding preferred stock of $100.0 million is convertible into 48,484,848 shares of common stock. The conversion of the preferred stock into common stock is not reflected in the diluted earnings per share calculations above as conversion would be anti-dilutive for 2002, 2001 and 2000. Additional potentially dilutive securities, in thousands, totaling 4,703, 6,338 and 6,627, were excluded from the historical diluted income or loss per common share calculations above because of their anti-dilutive effect for 2002, 2001 and 2000, respectively. The additional potentially dilutive securities are primarily stock options.

Stock-Based Compensation: SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure," was issued in December 2002. The statement amends SFAS No. 123 to provide alternative methods of transition for voluntary change to the fair value based method of accounting for stock- based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 improves the prominence and clarity of the pro forma disclosures required by SFAS No. 123 by prescribing a specific tabular format and by requiring disclosure in the "Summary of Significant Accounting Policies" or its equivalent. In addition, SFAS No. 148 improves the timeliness of those disclosures by requiring their inclusion in financial reports for interim periods. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. Adoption

of this statement resulted in moving the following disclosure to the accounting policies footnote, but had no impact on the Company's consolidated financial statements.

The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for stock options or the employee stock purchase plan. If the Company had elected to recognize compensation cost based on the fair value of the stock options at grant date as allowed by SFAS No. 123, "Accounting for Stock-Based Compensation," pre-tax compensation expense of $1.6 million, $1.7 million and $1.2 million would have been recorded for 2002, 2001 and 2000, respectively. Net income (loss) attributable to common shareholders and earnings per share would have been reduced to the pro forma amounts indicated below:

	Years Ended December 31,		
	2002	2001	2000
	(in thousands, except per share data)		
Net income (loss) attributable to common shareholders, as reported	**$ (188,650)**	$ (3,564)	$ (10,804)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(976)**	(1,020)	(720)

	Years Ended December 31,		
Pro forma	**$ (189,626)**	$ (4,584)	$ (11,524)
Earnings per share basic:			
As reported	**$ (5.77)**	$ (0.11)	$ (0.37)
Pro forma	**$ (5.80)**	$ (0.15)	$ (0.39)
Earnings per share diluted:			
As reported	**$ (5.53)**	$ (0.11)	$ (0.37)
Pro forma	**$ (5.57)**	$ (0.15)	$ (0.39)

Statement of Cash Flows: The Company defines cash equivalents as highly liquid investments with original maturities of 90 days or less. Book overdrafts totaling $3.5 million and $1.3 million at December 31, 2002 and 2001, respectively, have been included as a liability in other accrued expenses and liabilities on the accompanying balance sheet. The Company received income tax refunds of $2.6 million, $7.5 million and $7.1 million in 2002, 2001 and 2000, respectively.

Total interest paid was $33.3 million, $53.9 million and $80.9 million in 2002, 2001 and 2000, respectively. Capitalized interest was $0.3 million, $1.8 million and $1.1 million in 2002, 2001 and 2000, respectively.

Non-cash investing and financing activities in 2002, 2001 and 2000 include the issuance of shares of common stock valued at $4.3 million, $5.2 million and $4.1 million, respectively, relating to the 401(k) employer match.

Note 2. New Accounting Standards

Financial Accounting Standards Board Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities," was issued in January 2003. FIN No. 46 defines a variable interest entity as a legal entity in which, among other things, the equity investments at risk are not sufficient to finance the operating and closing activities of the entity without additional subordinated financial support from the

entity's investors. The Company is a partner in the Kalamazoo Valley Group (KVG) partnership, which qualifies as a variable interest entity, as defined by FIN No. 46. KVG is a partnership formed to develop and operate a landfill for the partners' disposal of paper residuals from their respective paperboard mills. KVG borrowed $1.5 million for the construction of the landfill, of which approximately $500 thousand remains unpaid at December 31, 2002. The partners contribute capital annually to fund the partnership's operating losses. The Company's annual capital contribution for the past two years has been approximately $200 thousand. The landfill has been in operation since December 1997; however, since 2000, the other partners have closed their paperboard mills and one minority partner has left the partnership via bankruptcy court. The Company is evaluating its alternatives and liabilities under the partnership agreement and related note, while continuing to use the landfill. However, if the partnership were to close the landfill, the Company's share of estimated closing costs, perpetual care obligations and debt repayment would approximate $2.5 million under the terms of the partnership agreement. The Company accounts for its interest in KVG using the equity method. The investment balance at December 31, 2002 was $0.3 million. Management is also evaluating its accounting method in light of the new requirements under FIN No. 46, and may conclude that its interest in KVG should be consolidated into its accounts. FIN No. 46 is effective for the Company's 2003 third quarter.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," was issued in November 2002. This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. FIN No. 45 also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements in the interpretation are effective for financial statements ending after December 15, 2002. The Company has included the disclosures required by this interpretation in Note 15.

Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," was issued in 2001. SFAS No. 143 requires the recognition of a liability and offsetting asset for any legal obligation associated with the retirement of long-lived assets. The asset retirement cost is depreciated over the life of the related asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management does not believe SFAS No. 143 will have a significant effect on the Company.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," was issued on April 30, 2002. SFAS No. 145 includes, among other things, the rescission of SFAS No. 4, which required that gains and losses from early extinguishment of debt be classified as extraordinary items, net of related income tax effects. Under the new guidance of SFAS No. 145, losses from early extinguishment of debt will be classified as extraordinary items when the losses are considered unusual in nature and infrequent in occurrence. SFAS No. 145 will be effective for the Company on January 1, 2003, at which time the Company will reclassify its first quarter 2002 loss on early extinguishment of debt as a non-extraordinary item.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued on July 30, 2002. SFAS No. 146 will require companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan.

SFAS No. 146 is effective for the Company on January 1, 2003. While SFAS No. 146 will have no effect on the Company's historical financial results, costs associated with any future restructuring efforts will be accrued as those costs are incurred.

Note 3. Dispositions

Malvern Packaging Plant

On October 31, 2000, the Company sold the net assets of its Malvern, Pennsylvania packaging plant to Huhtamaki Van Leer for approximately $35 million in cash. The proceeds from the sale were used to reduce debt. The Company recorded a pre-tax gain of $11.4 million on the sale. The after-tax gain on sale was $6.8 million, or $0.23 per basic and diluted share.

Other Assets

The Company sold patents and various other assets of its former developmental businesses and an airplane for cash consideration of approximately $8.2 million in 2000. A pre-tax gain of $7.8 million was recognized relating to these asset sales. The after-tax gain on sale was $4.7 million, or $0.16 per basic and diluted share. In 2001, a pre-tax gain of approximately $3.6 million was recognized upon receipt of additional consideration for assets of the Company's former developmental businesses.

Note 4. Asset Impairment and Restructuring Charges

The Company recorded asset impairment and restructuring charges totaling $8.9 million and $5.6 million in 2001 and 2000, respectively. In addition, asset impairment and restructuring reserves of $7.8 million related to the Perrysburg, Ohio plant closure were recorded in 2000 as a cost of the acquisition of Fort James Corporation's folding carton operations, which the Company acquired in August 1999. The Company reviews the relative cost effectiveness of its assets, including plant facilities and equipment, and the allocation of human resources across all functions while integrating acquisitions and responding to pressures on margins from industry conditions. As a result, the Company has closed plants and downsized its workforce with the goal of maximizing its profits and optimizing its resources.

Asset Impairment Charges

2001: The Company recorded an asset impairment charge of $3.5 million in the fourth quarter of 2001 in conjunction with the announcement of the planned closure of the Newnan, Georgia plant, a plant that was more expensive to operate than other plants in its system and produced margins below its expectations. The Company shut down the plant's operations during 2002 and plans to sell the plant's building and land. The net book value of the Newnan building and land was approximately $1.7 million at December 31, 2002. The plant's business has been transferred to other plants in the Company's system.

The Company recorded an asset impairment charge of $1.5 million in the first quarter of 2001 related to its Saratoga Springs, New York building. Operations of the Saratoga Springs plant were transferred to other manufacturing locations and the building and real property were sold in June 2001 for cash proceeds of $3.4 million. No gain or loss was recognized on the June 2001 sale.

2000: The Company announced the planned closure of its Perrysburg, Ohio folding carton plant in the second quarter of 2000. The Perrysburg plant was acquired as part of Fort James Corporation's folding carton operations and was eliminated due to excess capacity. The shutdown and restructuring plan for the Perrysburg facility included asset impairments totaling $6.5 million, which were recorded in the second quarter of 2000 as a cost of the acquisition, with a resultant adjustment to goodwill. The Company completed the closure of the plant and transition of the plant's business to our other facilities by the end of 2000. On July 11, 2001, the remaining real estate was sold for cash proceeds of approximately $1.9 million. No gain or loss was recognized on the sale.

Restructuring Charges

2001: In connection with the announced closure of the Newnan, Georgia plant discussed above, the Company recorded restructuring charges totaling $2.4 million in the fourth quarter of 2001. The charges relate to severance packages for 105 plant personnel that were communicated to employees in December 2001. The Newnan restructuring plan was essentially complete by the end of 2002, with approximately $0.5 million of severance and other restructuring payments left to be made in 2003.

2000: In December 2000 the Company announced a restructuring plan to reduce fixed-cost personnel. The plan included the elimination of approximately 200 non-production positions, including the closure of its folding carton plant in Portland, Oregon, and offered severance packages in accordance with Company policies. The total cost of the reduction in force was $5.0 million, of which $3.0 million was recognized in the fourth quarter of 2000 results. The remaining cost of approximately $2.0 million was recognized in the first half of 2001 when severance packages were communicated to employees. The restructuring plan is complete at December 31, 2002.

In connection with the announced closure of the Perrysburg, Ohio plant, restructuring reserves were recorded totaling approximately $1.3 million in the second quarter of 2000. The reserves relate to the severance of approximately 100 production positions and other plant closing costs. Consistent with the asset impairments related to the Perrysburg closure, the restructuring costs have been accounted for as a cost of the acquisition of Fort James Corporation's folding carton operations with a resultant adjustment to goodwill. At December 31, 2002, all restructuring costs have been paid relating to the Perrysburg closure.

The Company recorded a restructuring charge of $3.4 million in the first quarter of 2000 for anticipated severance costs for approximately 185 employees as a result of the announced closure of the Saratoga Springs, New York plant. The Company has completed the closure of the Saratoga Springs plant and the transition of the plant's business to other facilities. In the first quarter of 2001, the Company reversed approximately $0.5 million of severance accruals which were not needed to complete the Saratoga Springs restructuring plan. All remaining restructuring costs have been paid as of December 31, 2002.

A 1999 plant rationalization plan included severance and related charges, primarily at the Company's Lawrenceburg, Tennessee manufacturing plant. However, customer needs in Golden, Colorado and Lawrenceburg, coupled with the timing of the transition of business to the Company's new Golden, Colorado facility, impacted the completion of the restructuring and resulted in the savings of approximately $800 thousand of anticipated restructuring costs. The 2000 restructuring expense is net of this $800 thousand benefit.

The following table summarizes accruals related to the Company's restructurings (in millions):

	1999 Plant Rationalization Plan	**2000 S. Springs Plant Closure**	**2000 Perrysburg Plant Closure**	**2000/2001 Reduction In Force**	**2001 Newnan Plant Closure**	**Totals**
Balance, December 31, 1999	$ 1.9	$	$	$	$	$ 1.9
2000 restructuring charges, net of reversals	(0.8)	3.4		3.0		5.6
2000 restructuring Perrysburg			1.3			1.3
Cash paid	(1.0)	(2.0)	(0.7)	(0.1)		(3.8)
Balance, December 31, 2000	0.1	1.4	0.6	2.9		5.0
		(0.5)		2.0	2.4	3.9

	1999 Plant Rationalization Plan	2000 S. Springs Plant Closure	2000 Perrysburg Plant Closure	2000/2001 Reduction In Force	2001 Newnan Plant Closure	Totals
2001 restructuring charges, net of reversals						
Transfer of enhanced benefits to pension liabilities				(2.2)		(2.2)
Cash paid	(0.1)	(0.8)	(0.6)	(2.5)		(4.0)
Balance, December 31, 2001		0.1		0.2	2.4	2.7
Cash paid		(0.1)		(0.2)	(1.9)	(2.2)
Balance, December 31, 2002	$	$	$	$	$ 0.5	$ 0.5

Note 5. Indebtedness

The following table summarizes the Company's outstanding debt, in thousands.

	At December 31, 2002	At December 31, 2001
Seven-year term loan due 2009 (variable interest rate at 4.17%)	**$ 173,250**	$
Five-year revolving credit facility due 2007 (variable interest rate at 3.42%)		
$8^5/_8$% Senior subordinated notes due 2012	**300,000**	
Five-year term loan, refinanced in 2002 (variable interest rate at 4.18%)		247,035
Revolving credit facility, refinanced in 2002 (variable interest rate at 4.18%)		222,750
10% Subordinated notes, refinanced in 2002		50,000
Various notes payable (interest rates ranging from 4.00% to 13.06%)	**5,081**	5,974
Total debt	**478,331**	525,759
Less current maturities	**3,432**	37,373
Total long-term debt	**$ 474,899**	$ 488,386

The maturities of long-term debt are as follows (in thousands):

2003	$ 3,432
2004	1,933
2005	1,941
2006	3,857
2007	1,750
Thereafter	465,418
	$ 478,331

On February 28, 2002, the Company completed certain refinancing transactions that replaced its then existing debt instruments with longer-term facilities more conducive to the Company's long-range needs. The refinancing consisted of the following concurrent transactions:

The Company's wholly owned subsidiary, Graphic Packaging Corporation (GPC), issued $300 million aggregate principal amount of $8^5/_8$% senior subordinated notes due in 2012. Net proceeds from the sale of the notes totaled approximately $294.1 million.

GPC entered into a new $450 million senior secured credit facility. The new facility includes a $175 million seven-year term note and a $275 million five-year revolving line of credit. Initial borrowings under the revolving line of credit totaled $62.6 million.

The Company used the proceeds from the refinancing transactions to retire GPIC's then existing senior credit facilities, to repurchase $50 million of subordinated notes due to Golden Heritage, LLC at par, to pay interest and expenses and for general corporate purposes.

In connection with the refinancing transactions, the Company incurred a pre-tax non-cash charge to write off its remaining unamortized debt issuance costs of $15.8 million. Issuance costs associated with the new debt totaled $16.4 million.

Senior Subordinated Notes

The Senior Subordinated Notes (the Notes) are unsecured senior subordinated obligations of GPC. Interest accrues at $8^5/_8$%, payable semi-annually on February 15th and August 15th. The Notes will mature on February 15, 2012. The Notes are unconditionally and jointly and severally guaranteed by GPIC and its domestic subsidiaries. The Notes are non-callable for five years. Thereafter, they are callable at a declining premium. Upon a change in control, the holders of the Notes may require GPC to repurchase the Notes at a 1% premium.

GPC issued the Notes under an indenture among GPC, as issuer, GPIC, as a guarantor, the Company's domestic subsidiaries, as the subsidiary guarantors, and Wells Fargo Bank Minnesota, National Association, as trustee.

Senior Secured Credit Facility

GPC is the borrower of the new senior secured credit facility (the Credit Facility). A syndicate of financial institutions serves as lenders, with Morgan Stanley Senior Funding, Inc. and Credit Suisse First Boston as the joint lead arrangers. The Credit Facility consists of a $275 million, five-year revolving credit facility, or the Revolver, and a $175 million, seven-year term loan, or the Term Loan. The Revolver bears interest at various pricing options, including LIBOR plus a spread tied to GPC's leverage, with a single principal payment due at maturity. The Term Loan bears interest at various pricing options, including LIBOR plus 275 basis points, with principal amortization of 1% a year and the balance due at maturity. The Credit Facility must also be prepaid with a cash flow recapture calculation, and with certain proceeds from asset sales, and debt or equity offerings. The Credit Facility is collateralized by first priority liens on all material assets of the Company and all of its domestic subsidiaries. The Credit Facility limits the Company's ability to pay dividends other than permitted dividends on the preferred stock, and imposes limitations on the incurrence of additional debt, acquisitions, capital expenditures, repurchase of Company stock and the sale of assets.

Other Notes Payable

Other notes payable consist of miscellaneous secured notes. The notes bear interest at rates ranging from 4.0% to 13.06% and mature in 2003 through 2008. The notes are generally collateralized by assets purchased with the proceeds from the notes or by letters of credit.

Note 6. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and debt at December 31, 2002.

The fair value of cash and cash equivalents and current maturities of long-term debt approximates carrying value because of the short maturity of these instruments. For 2002 and 2001, the fair value of the Company's long-term bank debt is estimated based on the current rates offered to the Company for debt of the same remaining maturity and credit quality. Because the interest rates on the long-term bank debt are reset monthly, the carrying value approximates the fair value of the long-term bank debt.

The fair value of the Company's $300 million of senior subordinated notes is based upon market quotes. As of December 31, 2002 and February 25, 2003, our bonds were trading at $105.5.

Until September 2002, the Company had interest rate swap agreements to hedge the underlying interest rates on $100 million of borrowings at an average fixed interest rate of 5.94% and an average risk-free rate of 6.98% on $125 million of its borrowings. In addition, the Company had interest rate contracts that provided interest rate cap protection on $350 million of floating rate debt. The fair value of the interest rate swaps at December 31, 2001 was $(7.5 million). The interest rate caps had no value at December 31, 2001. These contracts were not replaced as they expired during 2002.

Note 7. Operating Leases

The Company leases a variety of facilities, warehouses, offices, equipment and vehicles under operating lease agreements that expire in various years. Future minimum lease payments, in thousands, required as of December 31, 2002, under non-cancelable operating leases with terms exceeding one year, are as follows:

2003	$ 3,612
2004	2,450
2005	1,301
2006	856
2007 and thereafter	42
Total	$ 8,261

Operating lease rentals for warehouse, production, office facilities and equipment amounted to $4.0 million in 2002, $3.3 million in 2001, and $3.1 million in 2000.

Note 8. Income Taxes

The sources of income (loss), in thousands, before income taxes, extraordinary item and cumulative effect of change in accounting principle were:

	Year Ended December 31,		
	2002	**2001**	**2000**
Domestic	**$ 18,002**	$ 10,689	$ (11,228)
Foreign		4	(448)
Income (loss) before income taxes, extraordinary item and cumulative effect of change in accounting principle	**$ 18,002**	$ 10,693	$ (11,676)

Income tax expense (benefit) attributable to continuing operations, in thousands, included the following:

	Year Ended December 31,		
	2002	**2001**	**2000**
Current provision:			
Federal	**$ (4,141)**	$ (4,345)	$ (15,011)
State	**37**	185	321
Total current tax expense (benefit)	**$ (4,104)**	$ (4,160)	$ (14,690)

	Year Ended December 31,		
Deferred provision:			
Federal	**$ 9,315**	$ 9,250	$ 11,229
State	**1,824**	(833)	(1,217)
Total deferred tax expense (benefit)	**11,139**	8,417	10,012
Total income tax expense (benefit)	**$ 7,035**	$ 4,257	$ (4,678)

The total provision for income taxes, in thousands, is included in the consolidated statement of operations as follows:

	Year Ended December 31,		
	2002	**2001**	**2000**
Operations	**$ 7,035**	$ 4,257	$ (4,678)
Extraordinary item	**(6,149)**		
Total provision (benefit) for income taxes	**$ 886**	$ 4,257	$ (4,678)

Temporary differences that gave rise to a significant portion of deferred tax assets (liabilities), in thousands, were as follows:

	At December 31,	
	2002	**2001**
Depreciation and other property related	**$ (44,406)**	$ (43,570)
Amortization of intangibles		(12,306)
All other	**(82)**	
Gross deferred tax liability	**(44,488)**	(55,876)
Amortization of intangibles	**18,306**	
Pension and employee benefits	**26,646**	20,551
Tax credit carryforwards	**21,632**	13,719
Interest	**493**	3,414
Inventory	**1,769**	2,195
Accruals	**4,273**	7,557
Net operating loss and contribution carryovers	**19,898**	6,814
All other	**637**	279
Gross deferred tax asset	**93,654**	54,529
Less valuation allowance	**(51,299)**	(256)
Net deferred tax asset (liability)	**$ (2,133)**	$ (1,603)
Financial statement classification:		
Current deferred tax asset	**$ 8,999**	$ 17,378
Long-term deferred tax liability (included in other long-term liabilities)	**(11,132)**	(18,981)

	At December 31,	
Net deferred tax liability	**$ (2,133)**	$ (1,603)

The valuation allowance for deferred tax assets was increased by $51.0 million in 2002 and decreased by $82 thousand in 2001. The increase in 2002 relates to uncertainty surrounding the ultimate deductibility of the deferred tax asset created as a result of the change in accounting method as described in Note 1 Goodwill Accounting. The 2001 decrease and $66 thousand of the 2002 increase relates to uncertainty surrounding the ultimate deductibility of foreign net operating loss and research and development credit carryforwards.

At December 31, 2002 the Company had federal net operating loss carryforwards of approximately $40.6 million which will begin to expire in years after 2022. The Company also has approximately $10.2 million of alternative minimum tax credits which have an indefinite carryforward period, approximately $6.5 million of foreign tax credits which will expire in years after 2004, and $4.8 million in research and development credits which will begin to expire in years after 2017.

The principal differences between the effective income tax rate and the U.S. statutory federal income tax rate, were as follows:

	Year Ended December 31,		
	2002	**2001**	**2000**
Expected tax rate	**35.0%**	35.0%	(35.0)%
State income taxes (net of federal benefit)	**4.1**	3.4	(3.2)
Nondeductible expenses and losses	**1.5**	21.3	28.7
Nontaxable income	**(1.9)**	(1.5)	(2.0)
Effect of foreign investments			(0.1)
Change in deferred tax asset valuation allowance	**0.4**	(0.8)	1.8
Research and development and other tax credits	**(2.6)**	(14.4)	(28.3)
Other net	**2.6**	(3.2)	(2.0)
Effective tax rate	**39.1%**	39.8%	(40.1)%

The Internal Revenue Service (IRS) is examining the Company's Federal income tax returns for the years 1999 through 2001. In the opinion of management, adequate accruals have been provided for all income tax matters and related interest.

As a result of certain restructuring actions, the undistributed earnings of foreign subsidiaries previously considered as being permanently reinvested have been distributed to the U.S. as a dividend. Foreign tax credits eliminated the resulting U.S. income tax liability on the dividend. The Company no longer provides for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries, since all foreign subsidiaries' income is included in the U.S. return.

The Company and CoorsTek (a former subsidiary spun off in 1999) have executed a tax sharing agreement that defines the parties' rights and obligations with respect to deficiencies and refunds of Federal, state and other taxes relating to the CoorsTek business for tax years prior to the spin-off and with respect to certain tax attributes of CoorsTek after the spin-off. In general, the Company is responsible for filing consolidated Federal and combined or consolidated state tax returns and paying the associated taxes for periods through December 31, 1999. CoorsTek will reimburse the Company for the portion of such taxes relating to the CoorsTek business. CoorsTek is responsible for filing returns and paying taxes related to the CoorsTek business for periods after December 31, 1999.

The tax sharing agreement is designed to preserve the status of the spin-off as a tax-free distribution. CoorsTek has agreed that it will refrain from engaging in certain transactions during the two-year period following the spin-off unless it first provides the Company with a ruling from the IRS or an opinion of tax counsel acceptable to the Company that the transaction will not adversely affect the tax-free nature of the spin-off. In addition, CoorsTek has indemnified the Company against any tax liability or other expense it may incur if the spin-off is determined to be taxable as a result of CoorsTek's breach of any covenant or representation contained in the tax sharing agreement or CoorsTek's action in effecting such transactions. By its terms, the tax sharing agreement will terminate when the statutes of limitations under applicable tax laws expire.

Note 9. Stock Compensation

The Company has an equity incentive plan that provides for the granting of nonqualified stock options and incentive stock options to certain key employees. The equity incentive plan also provides

for the granting of restricted stock, bonus shares, stock units and offers to officers of the Company to purchase stock. The number of shares made available for award under the plan was 2.8 million shares as of December 31, 2002 and is increased annually by 2% of the Company's outstanding shares on each December 31. Generally, options outstanding under the Company's equity incentive plan are subject to the following terms: (1) grant price equal to 100% of the fair value of the stock on the date of grant; (2) ratable vesting over either a three-year or four-year service period; and (3) maximum term of ten years from the date of grant. Certain options, granted primarily in 2001 pursuant to a long-term incentive plan, provide for accelerated vesting upon attainment of certain stock prices or debt to EBITDA ratios, as defined by the equity incentive plan, but vest completely after six years.

Stock option activity was as follows (shares in thousands):

	Year Ended December 31,					
	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at January 1	**6,023**	**$ 5.96**	6,262	$ 6.04	4,281	$ 8.86
Granted	**25**	**$ 7.20**	251	$ 4.62	2,523	$ 1.66
Exercised	**(147)**	**$ 6.84**				
Expired or forfeited	**(134)**	**$ 4.57**	(490)	$ 6.27	(542)	$ 7.88
Options outstanding at December 31	**5,767**	**$ 5.98**	6,023	$ 5.96	6,262	$ 6.04
Exercisable	**2,216**	**$ 9.72**	2,336	$ 9.64	2,302	$ 9.73
Available for future grant	**2,782**		2,315		1,458	

The following table summarizes information about stock options outstanding at December 31, 2002 (shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$1.56 to $6.92	**2,678**	**7.87 years**	**$ 2.20**	**102**	**$ 3.24**
$7.06 to $10.17	**2,592**	**3.31 years**	**$ 8.66**	**1,616**	**$ 9.32**
$10.48 to $13.74	**497**	**4.43 years**	**$ 12.36**	**497**	**$ 12.36**
$1.56 to $13.74	**5,767**	**5.52 years**	**$ 5.98**	**2,215**	**$ 9.72**

Subsequent to December 31, 2002, the accelerated vesting requirements were met on 1,240,000 options with a weighted average exercise price of $1.62.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 74% in 2002, 70% in 2001 and 56% in 2000; (3) risk-free interest rate ranging from 1.2% to 4.5% in 2002, 3.7% to 5.5% in 2001 and 4.2% to 6.4% in 2000; and (4) expected life of 1.1 to 7.9 years in 2002, 4.5 to 9.0 years in 2001 and 3.0 to 9.91 years in 2000. The weighted average per-share fair value of options granted during 2002, 2001 and 2000 was $3.62, $3.52 and $1.09, respectively.

In December 2002, 405,246 shares of restricted common stock were issued to executive management pursuant to the Company's equity incentive plan. The restrictions on the stock lapse ratably over four years. The total value of the restricted stock grant amounted to approximately $2.5 million, based upon the $6.10 market price of the Company's common stock on the date of grant. The $2.5 million restricted stock issuance has been recorded as unearned compensation and is being amortized to compensation expense over the four year vesting period. Approximately $51 thousand was amortized to compensation expense for the month of December 2002. Remaining unearned compensation of approximately $2.4 million at December 31, 2002 is reflected in the accompanying financial statements as a reduction of shareholders' equity.

On January 1, 2003, 2,600,000 shares of restricted stock were granted to management pursuant to a long-term incentive program. The fair market value of shares on the date of grant was $14.7 million, based upon the $5.64 market price of the Company's common stock on the date of grant. The restrictions on the stock lapse only if the Company meets its shareholder value growth target during the four-year life of the long-term incentive program. The long-term incentive plan restricted stock grant will be expensed over the estimated vesting period, beginning January 1, 2003. The amount of expense to be recorded is dependent upon meeting the shareholder value growth vesting requirement and the market price of the Company's common stock upon completion of the vesting requirements.

Note 10. Defined Benefit Plans

The Company maintains a defined benefit pension plan for the majority of employees. Benefits are based on years of service and average base compensation levels over a period of years. Plan assets consist primarily of equity and interest-bearing investments. The Company's funding policy is to contribute annually not less than the minimum funding required by the internal revenue code nor more than the maximum amount that can be deducted for federal income tax purposes.

The Company also has a non qualified Supplemental Executive Retirement Plan (SERP). The SERP, which is unfunded, provides defined pension benefits outside of the Company's defined benefit plan to eligible executives. The total expense and benefit obligations for the SERP are included with other pension benefits below. Expense under the SERP was $0.4 million, $0.5 million and $0.4 million for 2002, 2001 and 2000, respectively. The projected benefit obligation for the SERP was $4.3 million at December 31, 2002.

Non-union retirement health care and life insurance benefits are provided to certain employees hired prior to June 1999 and eligible dependents. Eligible employees may receive these benefits after reaching age 55 with 10 years of service. Prior to reaching age 65, eligible retirees may receive certain health care benefits identical to those available to active employees. The amount the retiree pays is based on age and service at the time of retirement. These plans are not funded.

The following assets (liabilities), in thousands, were recognized for the combined defined benefit plans of the Company at December 31:

	Pension Benefits		Other Benefits	
	2002	**2001**	**2002**	**2001**
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 143,203**	$ 121,486	$ 17,632	$ 18,241
Service cost	**5,339**	4,447	493	431
Interest cost	**9,428**	9,400	1,472	1,286
Plan amendments		4,517		(1,832)
Actuarial loss (gain)	**(11,246)**	(2,475)	4,107	
Change in actuarial assumptions	**9,898**	8,906		678
Benefits paid	**(3,932)**	(3,078)	(610)	(1,172)

	Pension Benefits		Other Benefits	
Benefit obligation at end of year	**152,690**	143,203	23,094	17,632
Change in plan assets				
Fair value of plan assets at beginning of year	**111,778**	118,344		
Actual return on plan assets	**(9,805)**	(5,794)		
Company contributions	**6,507**	2,306		
Benefits paid	**(3,931)**	(3,078)		
Fair value of plan assets at end of year	**104,549**	111,778		
Funded status	**(48,141)**	(31,425)	(23,094)	(17,632)
Unrecognized actuarial loss (gain)	**49,874**	30,208	1,950	(2,156)
Unrecognized prior service cost/intangible pension asset	**7,390**	7,640	(2,853)	(3,187)
Net amount recognized	**$ 9,123**	$ 6,423	$ (23,997)	$ (22,975)
Net prepaid (accrued) benefit cost is included in the consolidated balance sheet as follows:				
Other assets, long-term	**$ 7,390**	$ 7,640	$	$
Pension liability	**(42,310)**	(24,860)		
Other long-term liabilities			**(23,997)**	(22,975)
Accumulated other comprehensive loss	**44,043**	23,643		
Total	**$ 9,123**	$ 6,423	**$ (23,997)**	$ (22,975)
Weighted average assumptions at year end				
Discount rate	**6.75%**	7.25%	6.75%	7.25%
Expected long-term return on plan assets	**9.50%**	9.75%		
Rate of compensation increase	**4.25%**	4.75%		

The Company had accumulated benefit obligations in excess of the fair value of its plan assets totaling $42.3 million and $24.9 million at December 31, 2002 and 2001, respectively, which are reflected as a minimum pension liability in long term liabilities in the accompanying balance sheet. The Company's intangible pension asset was $7.4 million and $7.6 million at December 31, 2002 and 2001, respectively. The after-tax amounts included in other comprehensive income from changes arising in the minimum pension liability in 2002, 2001 and 2000 are $12.8 million, $13.8 million and $0.3 million, respectively.

Note 10. Defined Benefit Plans (Continued)

It is the Company's policy to amortize unrecognized gains and losses in excess of 10% of the larger of plan assets and the projected benefit obligation (PBO) over the expected service of active employees (12-15 years). However, in cases where the accrued benefit liability exceeds the actual unfunded liability by more than 20% of the PBO, the amortization period is reduced to 5 years.

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. The assumed rate was 6.5% in 2001 and 2000; however, rising health care costs prompted an increase in this assumption in 2002. The rate is assumed to decrease by 0.5% per annum to 5.0% and remain at that level thereafter. The following, in thousands, represents the Company's net periodic benefit cost.

	Pension Benefits			Other Benefits		
	2002	2001	2000	2002	2001	2000
Components of net periodic benefit cost						

	Pension Benefits			Other Benefits		
Service cost	**$ 5,339**	$ 4,447	$ 5,094	**$ 493**	$ 431	$ 633
Interest cost	**9,428**	9,400	8,434	**1,472**	1,286	1,257
Actual return on plan assets	**9,805**	5,794	(6,534)			
Deferred investment loss	**(21,604)**	(17,662)	(4,939)			
Amortization of prior service cost	**794**	755	552	**(334)**	(334)	(422)
Recognized actuarial loss (gain)	**46**	67	136		(125)	(448)
Transition asset amortization	**(1)**	(72)	(69)			
Net periodic benefit cost	**$ 3,807**	$ 2,729	$ 2,674	**$ 1,631**	$ 1,258	$ 1,020

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects, in thousands:

	1% Point Increase	1% Point Decrease
Effect on total of service and interest cost components	$ 140	$ 123
Effect on postretirement benefit obligation	$ 2,294	$ 2,005

Note 11. Defined Contribution Plan

The Company provides a defined contribution profit sharing plan for the benefit of its employees (the Plan). The Plan and its associated trust are intended to comply with the provisions of the Internal Revenue Code and ERISA, to qualify as a profit sharing plan for all purposes of the tax code, and to provide a cash or deferred arrangement that is qualified under tax code section 401(k). Generally, employees expected to complete at least 1,000 hours of service per year are immediately eligible to participate in the Plan upon employment. Company matching contributions are 60% of participant contributions, up to 3.6% of participant annual compensation, and are denominated in the Company's common stock. Company expenses related to the matching provisions of the Plan totaled approximately $4.3 million, $4.3 million and $4.1 million in 2002, 2001 and 2000, respectively. The Plan also provides for discretionary matching. The Company did not elect to provide discretionary matching under this provision in 2002, 2001 or 2000.

Note 12. Shareholders' Rights Plan

On June 1, 2000, the Company effected a dividend distribution of shareholder rights (the Rights) that carry certain conversion rights in the event of a significant change in beneficial ownership of the Company. One right is attached to each share of the Company's common stock outstanding and is not detachable until such time as beneficial ownership of 15% or more of the Company's outstanding common stock has occurred (a Triggering Event) by a person or group of affiliated or associated persons (an Acquiring Person). Each Right entitles each registered holder (excluding the Acquiring Person) to purchase from the Company one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $.01 per share, at a purchase price of $42.00. Registered holders receive shares of the Company's common stock valued at twice the exercise price of the Right upon exercise. Upon a Triggering Event, the Company is entitled to exchange one share of the Company's common stock for each right outstanding or to redeem the Rights at a price of $.001 per Right. The Rights will expire on June 1, 2010.

Note 13. Preferred Stock

On August 15, 2000 the Company issued one million shares of 10% Series B Convertible Preferred Stock (the Preferred Stock) at $100 per share to the Grover C. Coors Trust (the Trust). At the time of the issuance of the Preferred Stock, the Trust owned 9% of the Company's then outstanding common stock. The Trust's beneficiaries are members of the Coors family. Individual members of the Coors family and other Coors family trusts held a controlling interest in the Company at the time of issuance of the Preferred Stock. As a condition to the issuance of the Preferred Stock, a fairness opinion was obtained as to the consideration received and the value of the Preferred Stock at issuance was consistent with open market conditions and values for similar securities.

The Trust, as holder of the Preferred Stock, has the following rights and preferences:

Conversion Feature

Each share of Preferred Stock is convertible into shares of the Company's common stock at $2.0625 per share of common stock. The conversion price of $2.0625 was 125% of the average NYSE closing price per share of the Company's common stock for the five trading days prior to August 15, 2000 which was $1.65. The Preferred Stock was issued at $100 per share; therefore, a complete conversion would result in the issuance of 48,484,848 additional shares of the Company's common stock.

The Trust held 2,727,016 shares of the Company's common stock on December 31, 2002 which represents approximately 8% of all common shares currently outstanding (33,477,300). On an as-converted basis, the Trust would hold 51,211,864 shares of the Company's common stock on December 31, 2002, which would be approximately 62.5% of all shares outstanding (81,962,148).

Redemption Feature

The Company can redeem the Preferred Stock at $105 per share beginning on August 15, 2005, reduced by $1 per share each year until August 15, 2010.

Dividends

Dividends are payable quarterly at an annual rate of 10%. Dividends are cumulative and hold a preference to any dividends paid to other shareholders. The Preferred Stock participates in any common stock dividends on an as-converted basis. If dividends are not paid for two consecutive quarters, the Trust may elect one director to the Company's Board. If dividends are not paid for four consecutive quarters, the Trust may elect a majority of the directors to the Company's Board and effectively control the Company.

Liquidation Preference

The Preferred Stock has a liquidation preference over the Company's common stock at $100 per share, plus unpaid dividends. The Preferred Stock also participates in any liquidation distributions to the common shareholders on an as-converted basis.

Voting and Registration Rights

Every two shares of common stock underlying the Preferred Stock on an as-converted basis receive one vote. Therefore, the Trust currently votes 24,242,424 shares, in addition to the 2,727,016 shares of common stock held. The Trust may require the Company, with certain limitations, to register under the Securities Act of 1933 the common shares into which the Preferred Stock may be converted.

Note 14. Related Party Transactions

On December 28, 1992, the Company was spun off from Adolph Coors Company (ACCo) and since that time ACCo has had no ownership interest in GPIC. However, certain Coors family trusts have significant interests in both GPIC and ACCo. At the time of spin-off from ACCo, GPIC entered into agreements with Coors Brewing Company, a subsidiary of ACCo, for the sale of packaging and other products. The initial agreements had a stated term of five years and have resulted in substantial revenues to the Company. The Company continues to sell packaging products to Coors Brewing Company. The current contract with Coors Brewing Company will expire on March 31, 2003. The Company is renegotiating a new packaging supply agreement with Coors Brewing Company, which is expected to be executed in the first quarter of 2003.

Sales to Coors Brewing Company accounted for approximately 10%, 11% and 10% of our consolidated gross sales for 2002, 2001 and 2000, respectively. The loss of Coors Brewing as a customer in the foreseeable future could have a material effect on our results of operations.

One of the Company's subsidiaries, Golden Equities, Inc., is the general partner in a limited partnership in which Coors Brewing Company is the limited partner. The partnership owns, develops, operates and sells certain real estate previously owned directly by Coors Brewing or ACCo. Distributions were allocated equally between the partners until late 1999 when Coors Brewing recovered its investment. Thereafter, distributions were made 80 percent to GPIC as the general partner and 20 percent to Coors Brewing. Distributions in 2002 were $2.0 million to GPIC and $0.5 million to Coors Brewing. No distributions were made in 2001. Distributions in 2000 were approximately $0.8 million to Coors Brewing and $3.2 million to GPIC. Coors Brewing's share of the partnership net assets at December 31, 2002 was $3.9 million and $4.4 million, respectively, and is reflected as minority interest on the Company's consolidated balance sheet. Coors Brewing's allocated share of the partnership's profit was $0 in 2002, 2001 and 2000.

On December 31, 1999, GPIC spun off its ceramics subsidiary, CoorsTek, Inc. In connection with the spin-off, GPIC and CoorsTek entered into contracts governing certain relationships between them following the spin-off, including a tax-sharing agreement, a transitional services agreement and certain other agreements. See further discussion of the tax-sharing agreement in Note 8.

On March 31, 2000 the Company sold the net assets of its GTC Nutrition subsidiary to an entity controlled by a member of the Coors family for approximately $0.7 million. No gain or loss was recognized as a result of the sale.

In August 2000 the Company issued $100.0 million of preferred stock to the Grover C. Coors Trust. See further discussion of the preferred stock in Note 13.

In August 2001, the Company completed a $50.0 million private placement of 10% subordinated unsecured notes. The purchaser of the notes was Golden Heritage, LLC, a company owned by several Coors family trusts and a related party. On February 28, 2002, the notes were repaid in connection with certain refinancing transactions discussed in Note 5.

In September 2002 the Company entered into a warehouse sublease with Rocky Mountain Bottle Company, a partnership partially owned by Coors Brewing Company. Annual rent under the sublease is approximately $100 thousand. The sublease term expires in July 2006.

Note 15. Commitments and Contingencies

It is the policy of the Company generally to act as a self-insurer for certain insurable risks consisting primarily of employee health insurance programs. With respect to workers' compensation, the Company uses a variety of fully or partially self-funded insurance vehicles. The Company maintains certain stop-loss and excess insurance policies that reduce overall risk of financial loss.

In the ordinary course of business, the Company is subject to various pending claims, lawsuits and contingent liabilities, including claims by current or former employees. In each of these cases, the Company is vigorously defending against them. Although the eventual outcome cannot be predicted, it is management's opinion that disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company is a partner in the Kalamazoo Valley Group (KVG), a partnership formed to develop and operate a landfill for the partners' disposal of paper residuals from their respective paperboard mills. KVG borrowed $1.5 million for the construction of the landfill, of which $500 thousand remains unpaid at December 31, 2002. Recently, the other parties have closed their paperboard mills and one minority partner has left the partnership via bankruptcy. The Company is evaluating its alternatives and liabilities under the partnership agreement and related note. The landfill remains in operation at December 31, 2002. However, if the partnership were to close the landfill, the Company's share of estimated closing costs, perpetual care obligations and debt repayment would approximate $2.5 million under the terms of the partnership agreement. The Company's investment of $0.3 million at December 31, 2002 is included in other long-term assets on the accompanying balance sheet.

Some of the Company's operations have been notified that they may be potentially responsible parties (PRPs) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar state laws with respect to the remediation of certain sites where hazardous substances have been released into the environment. The Company cannot predict with certainty the total costs of remediation, its share of the total costs, the extent to which contributions will be available from other parties, the amount of time necessary to complete the remediation or the availability of insurance. However, based on the investigations to date, the Company believes that any liability with respect to these sites would not be material to the financial condition, results of operations or cash flow of the Company, without consideration for insurance recoveries. There can be no certainty, however, that the Company will not be named as a PRP at additional sites or be subject to other environmental matters in the future or that the costs associated with those additional sites or matters would not be material.

In connection with the sale of various businesses, the Company has periodically agreed to guarantee the collectibility of accounts receivable and indemnify purchasers for certain liabilities for a specified period of time. Such liabilities include, but are not limited to, environmental matters and the indemnification periods generally last for 2 to 15 years. At December 31, 2002 and 2001, the Company has accrued approximately $3.0 million related to these guarantees and indemnifications.

In connection with the resale of the aluminum business in 1999, the Company guaranteed accounts receivable owed by the former owner of these assets. After the resale, the former owner refused to pay the amounts owed, $2.4 million. Pursuant to the terms of the resale agreement, the Company paid this amount and sued the former owner. The $2.4 million is reflected as a receivable on the Company's balance sheet. The former owner counterclaimed for an additional $11.0 million for certain spare parts and the Company claimed an additional $14.3 million in overpayment for raw materials to run the business prior to resale. The parties have filed motions for summary judgment. The Company does not believe that the result of this litigation will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

On February 19, 2002, Chinyun Kim filed a putative class action claim in District Court, Jefferson County, Colorado against the Company and certain of its shareholders and directors alleging breach of fiduciary duty in connection with the issuance on August 15, 2000, of the Company's Series B Preferred Stock to the Grover C. Coors Trust. The Court dismissed plaintiff's claim against the Company for breach of fiduciary duty while allowing the plaintiff to proceed against the named directors and shareholders, including certain Coors Family Trusts. Currently, discovery is being conducted. The Company believes that the transaction was in the best interest of the Company and its shareholders and that it acted appropriately. It intends to continue to provide a vigorous defense to this action.

Note 16. Segment Information

The Company's reportable segments are based on its method of internal reporting, which is based on product category. Thus, the Company's one reportable segment in 2002, 2001 and 2000 is Packaging.

	Net Sales	Operating Income	Depreciation and Amortization	Assets	Capital Expenditures
			(in thousands)		
2002					
Packaging	**$ 1,057,843**	**$ 62,642**	**$ 61,165**	**$ 1,020,866**	**$ 27,706**
2001					
Packaging	$ 1,112,535	$ 59,854	$ 79,406	$ 1,229,335	$ 31,884
2000					
Packaging	$ 1,102,590	$ 51,223	$ 83,094	$ 1,332,518	$ 30,931

Certain financial information regarding the Company's domestic and foreign operations is included in the following summary. Long-lived assets include plant, property and equipment, intangible assets, and certain other non-current assets.

	Net Sales	Long-Lived Assets
	(in thousands)	
2002		
United States	**$ 1,052,693**	**$ 815,854**
Canada	**5,150**	**1,529**
Other		**2,383**
Total	**$ 1,057,843**	**$ 819,766**
2001		
United States	$ 1,109,293	$ 1,032,748

		Net Sales		Long-Lived Assets
Canada		3,242		1,736
Other				2,066
Total	$	1,112,535	$	1,036,550