Graham Packaging Co Inc.
Form 424B3
February 24, 2011
Table of Contents

Filed Pursuant to Rule 424(b)(3)
File Number 333-170321

GRAHAM PACKAGING COMPANY INC.

SUPPLEMENT NO. 3 TO

PROSPECTUS DATED DECEMBER 30, 2010

THE DATE OF THIS SUPPLEMENT IS FEBRUARY 24, 2011

ON FEBRUARY 24, 2011, GRAHAM PACKAGING COMPANY INC. FILED THE ATTACHED

FORM 10-K

The attached information modifies and supersedes, in part, the information in the Prospectus. Any information that is modified or superseded in the Prospectus shall not be deemed to constitute a part of the Prospectus except as modified or superseded by this Prospectus Supplement.

This Prospectus Supplement No. 3 should be read in conjunction with the Prospectus, which is required to be delivered with this Prospectus Supplement.

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from ______ to ______

Commission File Number: 001-34621

GRAHAM PACKAGING COMPANY INC.

(Exact name of registrant as specified in its charter)

Delaware	**52-2076126**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

2401 Pleasant Valley Road

York, Pennsylvania 17402

(717) 849-8500

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

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

Title of each class	**Name of each exchange on which registered**
Common stock, $0.01 par value	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes ¨ No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x.

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates on June 30, 2010, computed by reference to the closing price for such stock on the New York Stock Exchange on such date, was approximately $218.2 million.

As of February 18, 2011, the registrant had outstanding 65,614,188 shares of common stock, par value $0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of Graham Packaging Company Inc. to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2011 annual meeting of stockholders of Graham Packaging Company Inc. (Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

Table of Contents

GRAHAM PACKAGING COMPANY INC.

INDEX

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Annual Report on Form 10-K, including statements regarding the future financial position, economic performance and results of operations of the Company (as defined below), as well as the Company s business strategy, budgets and projected costs and plans and objectives of management for future operations, and the information referred to under Management s Discussion and Analysis of Financial Condition and Results of Operations (Part II, Item 7) and Quantitative and Qualitative Disclosures About Market Risk (Part II, Item 7A), are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology, such as may, will, expect, intend, estimate, anticipate, believe or continue or terminology. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about the Company s industry, management s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond the Company s control. Accordingly, readers are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable as of the date made, expectations may prove to have been materially different from the results expressed or implied by such forward-looking statements. Unless otherwise required by law, the Company also disclaims any obligation to update its view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements made in this report. Important factors that could cause actual results to differ materially from the Company s expectations include, without limitation:

- our ability to successfully integrate the Liquid Entities (as defined herein) business into ours;
- our ability to successfully achieve estimated future cost savings expected to be realized from the Liquid Acquisition (as defined herein) or future acquisitions;
- increased competition in the Company s industry which could lead to a decline in prices of plastic packaging;
- the Company s ability to develop product innovations and improve its production technology and expertise;
- infringement of the Company s proprietary technology;
- the Company s dependence on significant customers and the risk of loss of any of those customers;
- customers not purchasing amounts under requirements contracts that meet the Company s expectations;
- the Company s exposure to fluctuations in resin prices and its dependence on resin supplies;
- risks associated with the Company s international operations;
- the Company s recovery of the carrying value of its long-lived assets;
- the Company s realization of the carrying value and the potential impairment of its goodwill and other identifiable intangible assets;

the Company s dependence on key management and the material adverse effect that could result from the loss of their services;

the Company s ability to successfully integrate its business with those of other businesses that it may acquire;

risks associated with a significant portion of the Company s employees being covered by collective bargaining agreements;

the Company s dependence on additional blow molding equipment in order to be able to expand its operations;

risks associated with environmental regulation and liabilities;

risks associated with being deemed an investment company under the 1940 Act, as a result of the Company s ownership of Holdings (as defined herein);

payments to the Graham Family (as defined herein) and the Company s pre-initial public offering stockholders for certain tax benefits the Company may claim;

the Company is dependent on distributions from Holdings to pay dividends, taxes and make payments under the income tax receivable agreements;

the possibility that the interests of Blackstone (as defined herein) will conflict with the Company s interests;

the Company s indebtedness, which could adversely affect its cash flow and its ability to operate and grow its business;

- that despite its current levels of indebtedness, the Company may incur additional debt in the future, which could increase the risks associated with its leverage;

- the terms of the Company s debt instruments, which restrict the manner in which the Company conducts its business and may limit its ability to implement elements of its business strategy;

- the inability to renew or replace the Company s debt facilities on favorable terms or at all; and

- the acquisition of voting power in the Company greater than the voting power owned by Blackstone may trigger an event of default under the Company s Credit Agreement (as defined herein) and change of control purchase obligation under its notes.

See Item 1A. Risk Factors. All written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this Annual Report on Form 10-K in the context of these risks and uncertainties. The Company cautions you that the important factors referenced above may not contain all of the factors that are important to you.

Table of Contents

Market data and certain industry forecasts used herein were obtained from internal surveys, market research, publicly available information and industry publications. While the Company believes that market research, publicly available information and industry publications it uses are reliable, the Company has not independently verified market and industry data from third-party sources. Moreover, while the Company believes its internal surveys are reliable, they have not been verified by any independent source.

All brand names and trademarks appearing in this annual report are the property of their respective holders.

PART I

Item 1. Business

Unless the context otherwise requires, references to the Company, GPC, we, our or us refer to Graham Packaging Company Inc. (formerly known as BMP/Graham Holdings Corporation) and its subsidiaries (including Graham Packaging Holdings Company). GPC is a public company with common stock listed on the New York Stock Exchange and traded under the symbol GRM. References to Holdings refer to Graham Packaging Holdings Company, a subsidiary of GPC, and references to the Operating Company refer to Graham Packaging Company, L.P., a wholly-owned subsidiary of Holdings. References to Blackstone refer to Blackstone Capital Partners III Merchant Banking Fund L.P., Blackstone Offshore Capital Partners III L.P. and Blackstone Family Investment Partnership III L.P. and their affiliates. References to the Graham Family refer to Graham Capital Company, GPC Investments, LLC, Graham Alternative Investment Partners I, LP, Graham Engineering Corporation or affiliates thereof or other entities controlled by Donald C. Graham and his family.

Plastic containers represent one of the faster growing segments in rigid packaging. The plastic container segment of the rigid packaging industry can be divided into two product types, commodity plastic containers, such as containers for soft drinks and water, and value-added, custom plastic containers, which include unique design features for specialized performance characteristics and product differentiation. Commodity plastic containers are manufactured using stock designs by both independent producers and in-house packaging operations of major beverage companies. Value-added, custom plastic containers are produced through specialized manufacturing processes using resin combinations and structures to create tailor-made solutions for customers seeking performance characteristics, including shelf stability and product differentiation, including unique shapes and high-function dispensers.

The Company focuses on the sale of value-added, custom plastic packaging products principally to large, multinational companies in the food and beverage, household, personal care/specialty and automotive lubricants product categories. The Company has manufacturing facilities in Argentina, Belgium, Brazil, Canada, China, Finland, France, Mexico, the Netherlands, Poland, Spain, Turkey, the United Kingdom, the United States and Venezuela.

General

The predecessor to Holdings, controlled by the predecessors of the Graham Family, was formed in the mid-1970 s as a regional domestic custom plastic container supplier. Holdings was formed under the name Sonoco Graham Company on April 3, 1989, as a Pennsylvania limited partnership. It changed its name to Graham Packaging Company on March 28, 1991, and to Graham Packaging Holdings Company on February 2, 1998. The primary business activity of Holdings is its direct and indirect ownership of 100% of the partnership interests in the Operating Company. The Operating Company was formed under the name Graham Packaging Holdings I, L.P. on September 21, 1994, as a Delaware limited partnership and changed its name to Graham Packaging Company, L.P. on February 2, 1998, in connection with the recapitalization transaction in which Blackstone, management and other investors became the indirect holders of 85.0% of the partnership interests of Holdings.

GPC was incorporated in Delaware under the name BMP/Graham Holdings Corporation on November 5, 1997. GPC is a holding company whose only material assets are the direct ownership of 1) a limited partnership interest in Holdings of 88.0%, and 2) 100% of the limited liability company interests of BCP/Graham Holdings L.L.C. (BCP), which holds a 2.9% general partnership interest in Holdings. GPC changed its name to Graham Packaging Company Inc. on December 10, 2009. GPC completed the initial public offering of its common stock on February 17, 2010, in which it issued 16,666,667 common shares, and subsequently issued 1,565,600 common

Table of Contents

shares on March 16, 2010, at the initial public offering price of $10.00 per share, less underwriters discount and expenses. GPC s common stock is listed on the New York Stock Exchange and is traded under the symbol GRM.

The principal executive offices of the Company are located at 2401 Pleasant Valley Road, York, Pennsylvania 17402, telephone (717) 849-8500. The Company maintains a website at www.grahampackaging.com. The Company makes available on its website, free of charge, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, for both GPC and Holdings, as soon as practical after the Company files these reports with the U.S. Securities and Exchange Commission (SEC). The information contained on the Company s website or that can be accessed through its website is not incorporated by reference herein.

The Company is organized and managed on a geographical basis in four operating segments: North America, Europe, South America and Asia. Each operating segment includes four major product categories: Food and Beverage, Household, Personal Care/Specialty and Automotive Lubricants.

The Company is a worldwide leader in the design, manufacture and sale of value-added, custom blow molded plastic containers for branded consumer products. The Company operates in product categories where customers and end users value the technology and innovation that the Company s custom plastic containers offer as an alternative to traditional packaging materials such as glass, metal and paperboard. The Company selectively pursues opportunities where it can leverage its technology portfolio to continue to drive the trend of conversion to plastic containers from other packaging materials. The Company s customers include leading multi-national and regional blue-chip consumer product companies that seek customized, sustainable plastic container solutions in diverse and stable end markets, such as the food and beverage and the household consumer products markets. The Company believes it is well-positioned to meet the evolving needs of its customers who often use the Company s technology to differentiate their products with value-added design and performance characteristics such as smooth-wall panel-less bottles, unique pouring and dispensing features, multilayer bottles incorporating barrier technologies to extend shelf life, and ultra lightweight bottles with hot-fill capabilities that allow containers to be filled at high temperatures.

The Company believes it has number one market share positions in North America for hot-fill juices, sports drinks/isotonics, yogurt drinks, liquid fabric care, dish detergents, hair care, skin care and certain other products. For the year ended December 31, 2010, approximately 90% of its net sales were realized in these product categories. The Company does not participate in markets where technology is not a differentiating factor, such as the carbonated soft drink or bottled water markets.

The Company s value-added products are supported by more than 1,000 issued or pending patents. The Company strives to provide the highest quality products and services to its customers, while remaining focused on operational excellence and continuous improvement. These priorities help to reduce its customers costs, while also maximizing its financial performance and cash flow. As of December 31, 2010, the Company had a network of 98 manufacturing facilities through which it supplies its customers. Approximately one-third of these manufacturing facilities are located on-site at its customers plants. The vast majority of its sales are made pursuant to long-term customer contracts that include the pass-through of the cost of plastic resin, as well as mechanisms for the pass-through of certain other manufacturing costs.

Collectively, the Company s product portfolio, technologies, end markets and operations all contribute to its industry-leading margins and strong cash flow.

Acquisitions

On September 23, 2010, the Company acquired the Liquid Entities (as defined below) from each of the limited partners (the Liquid Limited Partners) of Liquid Container L.P. (currently known as Graham Packaging LC, L.P.) (Liquid L.P.) and each of the stockholders (the Stockholders) of (i) Liquid Container Inc. (Liquid), a Delaware corporation, (ii) CPG-L Holdings, Inc. (CPG), a Delaware corporation, and (iii) WCK-L Holdings, Inc. (WCK and, together with Liquid and CPG, the Liquid General Partners), a Delaware corporation. Liquid L.P. and the Liquid General Partners are collectively referred to as the Liquid Entities. The Company purchased all the shares from the Stockholders and all of the limited partnership units from the Liquid Limited Partners (collectively, the Liquid Acquisition) for approximately $564.3 million, subject to a potential working capital adjustment, which could be material.

Table of Contents

The Liquid Acquisition represents a strategically important acquisition for the Company. The Liquid Entities are custom blow molded plastic container manufacturers based in West Chicago, Illinois, that primarily service food and household product categories. In the food product category, the Liquid Entities produce packaging for peanut butter, mayonnaise, coffee, creamer, cooking oil, nuts, instant drink mixes and other food items. The household product category consists of containers for bleach, laundry detergent, spray cleaners, automotive cleaning products, drain cleaners and other consumer-based household products. The Liquid Entities utilize high density polyethylene (HDPE), polyethylene teraphthalate (PET) and polypropylene (PP) resins to manufacture their containers. The Liquid Entities employ approximately 1,000 employees in their 14 non-union plants located across the United States. Seven of the plants are near sites, operating within a few miles of their customers production facilities.

On July 1, 2010, the Company acquired China Roots Packaging PTE Ltd. (China Roots), a plastic container manufacturing company located in Guangzhou, China, for approximately $15 million, subject to certain adjustments. China Roots manufactures plastic containers and closures for food, health care, personal care and petrochemical products. Its customers include several global consumer product marketers. In 2009, China Roots net sales were approximately $16.3 million.

Our Markets

The Company supplies plastic containers to a significant number of end markets and geographies. The Company s products provide differentiated packaging for consumer products that help address basic needs such as nutrition, hygiene and home care. The end markets the Company supplies are generally characterized by stable, long-term demand trends that are relatively insulated from economic cycles.

Food and Beverage. In the food and beverage product category, the Company produces containers for shelf-stable, refrigerated and frozen juices, non-carbonated juice drinks, nutritional beverages, beer, yogurt drinks, teas, sports drinks/isotonics, vitamin enhanced waters, snacks, liquor, toppings, sauces, jellies and jams. Management believes, based on internal estimates, that the Company has one of the leading domestic positions in plastic containers for hot-fill juice and juice drinks, sports drinks/isotonics, drinkable yogurt and smoothies, nutritional supplements, wide-mouth food, dressings and condiments, and the leading global position in plastic containers for yogurt drinks. Based on the Company s knowledge and experience in the industry, its focus on markets which are likely to convert to plastic, its proprietary technologies and its current market position, management believes the Company is strategically positioned to benefit from the food and beverage markets that have yet to convert, or that are in the early stages of conversion, to plastic and also to take advantage of evolving domestic and international conversion opportunities like beer, sauces, salsas and nutritional products.

The Company s largest customers in the food and beverage product category include, in alphabetical order: Abbott Laboratories (Abbott), Arizona Beverages Company, LLC (Arizona), Clement Pappas & Co., Inc. (Clement Pappas), Clorox Products Manufacturing Company (Clorox), Coca-Cola North America (Coca-Cola), Conopco Inc. (Unilever), Group Danone (Danone), H.J. Heinz Company (Heinz), Knouse Foods Cooperative, Inc. (Knouse), Ocean Spray Cranberries, Inc. (Ocean Spray), PepsiCo, Inc. (PepsiCo), The Quaker Oats Company (Gatorade), Tropicana Products, Inc. (Tropicana) and Welch Foods, Inc. (Welch s). For the years ended December 31, 2010, 2009 and 2008, the Company generated approximately 63.2%, 61.0% and 61.0%, respectively, of its net sales from food and beverage containers.

Household. In the household product category, the Company is a leading supplier of plastic containers for products such as liquid fabric care and dish care. The growth in prior years was fueled by conversions from powders to liquids for such products as detergents, household cleaners and automatic dishwashing detergent. The growth of this product category now follows gross domestic product (GDP) growth as liquids have gained a predominant share of these products. It should be noted the fabric care industry now offers most of its brands in a concentrated formula which has reduced sales in this product category.

The Company s largest customers in the household product category include, in alphabetical order: Church & Dwight Co., Inc. (Church & Dwight), Clorox, Dial Corporation (Dial, a division of Henkel), The Proctor & Gamble Company (Proctor & Gamble), Sun Products Corporation (Sun Products) and Unilever. For the years ended December 31, 2010, 2009 and 2008, the Company generated approximately 17.6%, 18.6% and 19.2%, respectively, of its net sales from household containers.

Personal Care/Specialty. In the personal care/specialty product category, the Company is a supplier of plastic containers for products such as hair care, skin care and oral care. The Company s product design, technology

Table of Contents

development and decorating capabilities help its customers build brand awareness for their products through unique, and frequently changing, packaging design.

The Company s largest customers in the personal care/specialty product category include, in alphabetical order: Johnson & Johnson Consumer Companies, Inc. and Proctor & Gamble. For the years ended December 31, 2010, 2009 and 2008, the Company generated approximately 6.5%, 7.6% and 7.3%, respectively, of its net sales from personal care/specialty containers.

Automotive Lubricants. Management believes, based on internal estimates, that the Company is the leading supplier of plastic motor oil containers in the United States, Canada and Brazil, supplying most of the motor oil producers in these countries. Management believes the Company had a market share in 2010 of 70% of the single-quart motor oil and 81% of the multi-quart motor oil markets.

The Company s largest customers in the automotive lubricants product category include, in alphabetical order: Ashland, Inc. (Ashland, producer of Valvoline motor oil), BP Lubricants USA, Inc. (BP Lubricants, an affiliated company of BP PLC, producer of Castrol motor oil), ExxonMobil Corporation (ExxonMobil) and Shell Oil Products US (Shell, producer of Shell, Pennzoil and Quaker State motor oils). For the years ended December 31, 2010, 2009 and 2008, the Company generated approximately 12.7%, 12.8% and 12.5%, respectively, of its net sales from automotive lubricants containers.

Additional information regarding operating segments and product categories is provided in Note 24 of the Notes to Consolidated Financial Statements in this Report.

Raw Materials

PET, HDPE and PP resins constitute the primary raw materials used to make the Company s products. These materials are available from a number of domestic and international suppliers and the Company is not dependent upon any single supplier. The Company considers the supply and availability of raw materials to be adequate to meet its needs. Management believes that the Company maintains an adequate inventory to meet demand, but there is no assurance this will be true in the future. Resin prices can fluctuate significantly with fluctuations in crude oil and natural gas prices, as well as changes in refining capacity and the demand for other petroleum-based products. Changes in the cost of resin are passed through to customers by means of corresponding changes in product pricing in accordance with the Company s agreements with these customers and industry practice. The Company operates a large HDPE bottles-to-bottles recycling plant in York, Pennsylvania, and uses the recycled materials from this plant and other recycled materials in a majority of the Company s products.

Customers

Substantially all of the Company s sales are made to major branded consumer products companies. The products the Company manufactures for its customers require innovative packaging design and engineering to accommodate complex container shapes, specific material requirements and functionality. Customers also require quick and reliable delivery. As a result, many customers opt for long-term contracts. The Company s long-term supply contracts with its on-site customers typically have ten-year terms. The Company s long-term supply contracts for production off-site typically have terms that range from three to five years. Both of these categories of contracts either renew automatically for subsequent one year terms or are renegotiated by the Company before expiration of the initial term. All of the Company s top twenty customers are under long-term contracts. The Company s contracts typically contain provisions allowing for price adjustments based on changes in raw materials and in a majority of cases the cost of energy and labor, among other factors. In many cases, the Company is the sole supplier of its customers custom plastic container requirements nationally, regionally or for a specific brand. For the year ended December 31, 2010, the Company s twenty largest customers, who accounted for over 69% of net sales, were, in alphabetical order:

Table of Contents

Customer (1)	Category	Company Customer Since (1)
Abbott	Food and Beverage	Mid 2000s
Arizona	Food and Beverage	Late 1990s
Ashland (2)	Automotive Lubricants	Early 1970s
BP Lubricants (3)	Automotive Lubricants	Late 1960s
Church & Dwight	Household	Late 1980s
Clement Pappas	Food and Beverage	Mid 1990s
Clorox	Food and Beverage and Household	Late 1960s
Coca-Cola	Food and Beverage	Late 1990s
Danone	Food and Beverage	Late 1970s
Dial	Household and Personal Care/Specialty	Early 1990s
ExxonMobil	Automotive Lubricants	Early 2000s
Heinz	Food and Beverage	Early 1990s
Knouse	Food and Beverage	Mid 1990s
Ocean Spray	Food and Beverage	Early 1990s
PepsiCo (4)	Food and Beverage	Early 2000s
Frito-Lay	Food and Beverage	Early 2000s
Gatorade	Food and Beverage	Late 1990s
Tropicana	Food and Beverage	Mid 1980s
Proctor & Gamble	Household and Personal Care/Specialty	Late 1950s
Shell (5)	Automotive Lubricants	Early 1970s
Pennzoil-Quaker State	Automotive Lubricants	Early 1970s
Sun Products	Household and Personal Care/Specialty	Late 2000s
Unilever	Household, Personal Care/Specialty and Food and Beverage	Early 1970s
Welch s	Food and Beverage	Early 1990s

(1) These companies include their predecessors, if applicable, and the dates may reflect customer relationships initiated by predecessors to the Company or entities acquired by the Company.
(2) Ashland is the producer of Valvoline motor oil.
(3) BP Lubricants is the producer of Castrol motor oil.
(4) PepsiCo includes Frito-Lay, Gatorade and Tropicana.
(5) Shell includes Pennzoil-Quaker State.

International Operations

The Company has significant operations outside the United States. As of December 31, 2010, the Company had 31 manufacturing facilities located in countries outside of the United States. Each of the Company s operating segments produces plastic containers for all four of the Company s core product categories.

Asia. The Company has one off-site plant in China.

Canada. The Company has one off-site plant located near Toronto, Canada to service Canadian and northern U.S. customers.

Europe. The Company has eight on-site plants in Belgium (2), France (2), the Netherlands, Poland, Spain and Turkey and six off-site plants in Finland, France, the Netherlands, Poland, Turkey and the United Kingdom.

Mexico. The Company has three off-site plants and three on-site plants.

South America. The Company has one on-site plant in Argentina, six on-site plants in Brazil and one off-site plant in each of Brazil and Venezuela.

Additionally, on August 12, 2009, the Company purchased a 22% interest in PPI Blow Pack Private Limited, located in India.

Additional information regarding international operations is provided in Note 24 of the Notes to Consolidated Financial Statements in this Report.

See Item 1A. Risk Factors for risks related to the Company s foreign operations.

Competition

The Company faces substantial regional and international competition across its product lines from a number of well-established businesses. In the Company s North American segment, its primary competitors are Alpla Werke Alwin Lehner GmbH (Alpla), Amcor Limited (Amcor), Consolidated Container Company LLC, Constar International Inc and Silgan Holdings Inc. In the Company s European segment, its primary competitors are Alpla and Logoplaste Mealhada Lda. (Logoplaste). In the Company s South American segment, its primary competitors are Alpla, Amcor, Plastipak Packaging Inc. and Logoplaste. In the Company s Asian segment, its primary competitors are Alpla, Rexam Plastic Packaging Asia, Rex Packaging, Wino-Asia Packaging Company and

Table of Contents

Southern Packaging Company. The Company faces competition from most of these companies across its product categories. Competition is based on several factors including price, product design, technology (such as barrier protection and lightweighting) and customer service. Several of these competitors are larger and have greater financial and other resources than the Company. In addition, several of these competitors sell other products used by the Company s customers such as cans or flexible packaging which can be bundled with plastic containers in sales proposals. Management believes that the Company competes effectively because of its superior levels of service, speed to market and product design and development capabilities.

Marketing and Distribution

The Company s sales are made primarily through its own direct sales force, as well as selected brokers. Sales activities are conducted from the Company s corporate headquarters in York, Pennsylvania and from field sales offices located in North America, Europe, South America and Asia. The Company s products are typically delivered by truck, on a daily basis, in order to meet customers just-in-time delivery requirements, except in the case of on-site operations. In many cases, the Company s on-site operations are integrated with its customers manufacturing operations so that deliveries are made, as needed, by direct conveyance to the customers filling lines. The Company utilizes a number of outside warehouses to store its finished goods prior to delivery to the customer.

Product Design and Development

The Company s ability to develop new, innovative containers to meet the design and performance requirements of its customers has established the Company as a market leader. The Company has demonstrated significant success in designing plastic containers that require customized features such as complex shapes, reduced weight, handles, grips, view stripes and pouring features. These packages often must meet specialized performance and structural requirements such as hot-fill capability, recycled material usage, oxygen barriers, flavor protection and multi-layering. Hot-fill technology allows customers products to be heated to temperatures high enough as to sterilize the inside of the container. In addition to increasing global demand for its customers products, the Company believes that its innovative packaging stimulates consumer demand and drives further conversion to plastic packaging. Consequently, the Company s strong design capabilities have been especially important to its food and beverage customers, who generally use packaging to differentiate and add value to their brands while spending less on promotion and advertising. The Company has been awarded significant contracts based on these unique product design capabilities that it believes set it apart from its competition. Some of the Company s design and conversion successes over the past few years include:

- retortable PP container for Similac infant formula;
- aseptic HDPE container for Special K and EAS Myoplex beverages;
- hot-fill PET containers with Monosorb® oxygen scavenger for juices;
- hot-fill PET and PP wide-mouth jars for Pace Salsa and Seneca Foods;
- lightweight 64 oz. rectangular container for hot-fill juice;
- panel-free lightweight 16.9 oz. container for juices and teas;
- resealable HDPE coffee container for Folgers; and
- panel-free 20 oz. container for vitamin enhanced water.

The Company s innovative designs have also been recognized, through various awards, by a number of customers and industry organizations, including its:

- International Delight Bottle (2009 Ameristar Award);
- GIBCO® Cell Culture Bottle for Invitrogen Medical (2009 Ameristar Award);
- multi-layer PP wide-mouth jar for Del Monte (2008 Ameristar Award);
- PET Apple container for Martinelli s (2007 WorldStar Award, 2006 DuPont Award and 2006 Ameristar Award);
- PET rectangular juice bottle for Tree Top (2007 WorldStar Award and 2006 Ameristar Award); and
- PET Fridge Fit bottle for Heinz (2006 Ameristar Award and 2006 DuPont Award).

The Company has an advanced multi-layer injection technology, trade named SurShot®. The Company believes that SurShot® is among the best multi-layer PET technologies available and billions of plastic containers are produced and sold each year using SurShot® technology. This multi-layer technology allows the Company s customers to package oxygen and flavor-sensitive products, such as fruit juices, beer and teas, for extended shelf-

Table of Contents

life. In addition, the SurShot® technology can accommodate up to 40% post-consumer recycled resin. This is an important component of packaging sustainability. There has been increasing demand by customers for the Company s innovative packages that meet new sustainability requirements for reduced weight. Recent introductions of Escape®, G-Lite® and SlingShot technologies for PET bottles provide customers with improved features such as reduced container weight, smooth sides for a premium look or improved stacking ability for shipping and storage.

Management believes these new products, along with the Company s design and development capabilities, have positioned the Company as the packaging design, development and technology leader in the industry. Over the past several years the Company has received and has filed for numerous patents and design patents. See Intellectual Property.

In 2005, the Company enhanced its technical capability with the opening of the Global Innovation & Design Center in York, Pennsylvania. The Company also has two major Technology Centers in York, Pennsylvania and Warsaw, Poland capable of producing limited quantities of new products and refurbishing equipment. The Company s Warsaw facility also manufactures and assembles a proprietary line of extrusion blow molding machines. This proprietary technology has enabled the Company to develop a leaner, more efficient manufacturing process.

The Company incurs costs to research, design and develop new packaging products and technologies. Such costs, net of any reimbursement from customers, were $10.3 million, $9.9 million and $9.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Manufacturing

A critical component of the Company s strategy is to locate manufacturing facilities on-site, reducing expensive shipping and handling charges, providing instantaneous quality acceptance feedback and increasing distribution efficiencies. The Company is a leader in providing on-site manufacturing arrangements. As of December 31, 2010, the Company had a network of 98 manufacturing facilities and approximately one-third of these manufacturing facilities were located on-site at its customers plants. The Company operates over 975 production lines. The Company sometimes dedicates particular production lines within a plant to better service customers. The plants generally operate 24 hours a day, five to seven days a week, although not every production line is run constantly. When customer demand requires, the plants run seven days a week. Historically, demand for the Company s products has not been subject to large seasonal fluctuations.

In the blow molding process used for HDPE applications, resin pellets are blended with colorants or other necessary additives and fed into the extrusion machine, which uses heat and pressure to form the resin into a round hollow tube of molten plastic called a parison. In a wheel blow molding process, bottle molds mounted radially on a wheel capture the parison as it leaves the extruder. Once inside the mold, air pressure is used to blow the parison into the bottle shape of the mold. While certain of the Company s competitors also use wheel technology in their production lines, the Company has developed a number of proprietary improvements which management believes permit the Company s wheels to operate at higher speeds and with greater efficiency in the manufacture of containers with one or more special features, such as multiple layers and in-mold labeling.

In the stretch blow molding process used for hot-fill PET applications, resin pellets are fed into an injection molding machine that uses heat and pressure to mold a test tube shaped parison or preform. The preform is then fed into a blow molder where it is re-heated to allow it to be formed through a stretch blow molding process into a final container. During this re-heat and blow process, special steps are taken to induce the temperature resistance needed to withstand high temperatures on customer filling lines. Management believes that the injection molders and blow molders used by the Company are widely recognized as the leading technologies for high speed production of hot-fill PET containers.

Other blow molding processes include: various types of extrusion blow molding for medium- and large-sized HDPE and PP containers; stretch blow molding for medium-sized PET containers; injection blow molding for personal care containers in various materials; two-stage PET blow molding for high-volume, high-performance mono-layer, multi-layer and heat set PET containers; and proprietary blow molding for drain-back systems and other specialized applications.

The Company also operates a variety of bottle decorating platforms. Labeling and decorating is accomplished through in-mold techniques or one of many post-molding methods. Post-molding methods include pressure sensitive labelers, rotary full-wrap labelers, silk-screen decoration, heat transfer and hot stamp. These post-

Table of Contents

molding methods of decoration or labeling can be in-line or off-line with the molding machine. Typically, these decoration methods are used for bottles in the personal care/specialty product category.

The Company has implemented various process improvements to minimize labor costs, automate assembly tasks, increase throughput and improve quality. Types of automation range from case and tray packers to laser guided vehicles. Other automation equipment includes box and bulk bottle palletizers, pick and place robots, automatic in-line leak detection and vision inspection systems. Assembly automation includes bottle trimming, spout spinwelding or insertion, cap insertion and tube cutting/welding. Management believes that there are additional automation opportunities which could further minimize labor costs and improve plant efficiency.

The Company maintains quality assurance and control programs with respect to the performance of the products it manufactures, the performance of its suppliers and the compliance of its operations to its quality management system and sound manufacturing practices. The Company s production lines are equipped with specific quality control inspection equipment and its employees continuously monitor product attributes and performance through a comprehensive Statistical Process Control system. Quality control laboratories are maintained at each manufacturing facility to test its products and validate their compliance to customer requirements. The Company continuously monitors and enhances its quality assurance and control programs to keep pace with the most current technologies and to meet and exceed customer expectations.

The Company has highly modernized equipment in the majority of its plants, consisting primarily of rotational wheel systems and shuttle systems, both of which are used for HDPE, PP and extrusion polyethylene teraphthalate (EPET) blow molding, and injection-stretch blow molding systems for value-added PET containers. The Company is also pursuing development initiatives in barrier technologies to strengthen its position in the food and beverage product category. In the past, the Company has achieved substantial cost savings in its manufacturing process through productivity and process enhancements, including increasing line speeds, utilizing recycled products, reducing scrap and optimizing plastic weight requirements for each product s specifications.

Cash paid for property, plant and equipment, excluding acquisitions, for 2010, 2009 and 2008 was $157.1 million, $146.0 million and $148.6 million, respectively. Management believes that capital expenditures to maintain and upgrade property, plant and equipment are important to remain competitive. Management estimates that on average the annual maintenance capital expenditures are approximately $40 million to $50 million per year. For 2011, the Company expects to make capital expenditures, excluding acquisitions, ranging from $165 million to $185 million. The Company also expects to incur some capital expenditures associated with the integration of the Liquid Entities into the Company s operating network. The Company expects this number to be between $10 million and $20 million over the next two years.

Most customer orders are manufactured with a lead time of three weeks or less. Therefore, the amount of backlog orders at December 31, 2010, was not material. The Company expects all backlog orders at December 31, 2010, to be shipped during the first quarter of 2011.

Table of Contents

Ownership

In February 2010, the Company completed a reorganization and its initial public offering (IPO). In connection with the IPO, on February 4, 2010, the Company increased the number of authorized shares of common stock to 500,000,000 and of preferred stock to 100,000,000, and effected a 1,465.4874-for-one stock split of its shares of common stock, and Holdings effected a 3,781.4427-for-one unit split. The chart below shows the Company s ownership structure as of December 31, 2010:

(1) 93,448 shares of common stock; 0.2% of outstanding shares of common stock.
(2) 40,295,507 shares of common stock; 63.6% of outstanding shares of common stock.
(3) 22,378,805 shares of common stock; 35.3% of outstanding shares of common stock.
(4) 543,752 shares of common stock; 0.9% of outstanding shares of common stock.
(5) Options to acquire 835,522 shares of common stock.

(6) Options to acquire 3,099,462 limited partnership units (exchangeable on a one-for-one basis for shares of GPC common stock).
(7) 61,288,040 limited partnership units; 88.0% limited partnership interest.
(8) 35,167 limited partnership units (exchangeable on a one-for-one basis for shares of GPC common stock); 0.1% limited partnership interest.
(9) 26,681 limited partnership units (exchangeable on a one-for-one basis for shares of GPC common stock); 0.1% limited partnership interest.
(10) 2,879,082 limited partnership units (exchangeable on a one-for-one basis for shares of GPC common stock); 4.1% limited partnership interest.
(11) 3,357,358 limited partnership units (exchangeable on a one-for-one basis for shares of GPC common stock); 4.8% limited partnership interest.
(12) 2,023,472 general partnership units; 2.9% general partnership interest.
(13) $124.8 million senior secured revolving credit facility which matures on October 1, 2013. As of December 31, 2010, $110.0 million was available for borrowing under this facility, after giving effect to $14.8 million of outstanding letters of credit.
(14) Consists of $1,934.7 million principal amount, $1,032.9 million of which is scheduled to mature on April 5, 2014, less $13.3 million unamortized discount that will be amortized and included in interest expense as the term loan matures, and $910.7 million of which is scheduled to mature on September 23, 2016, plus $4.4 million unamortized premium that will be amortized and included in interest expense as the term loan matures.
(15) $253.4 million of senior unsecured notes due 2017, less $2.9 million unamortized discount that will be amortized and included in interest expense as the notes mature.
(16) $250.0 million of senior unsecured notes due 2018.
(17) $375.0 million of senior subordinated unsecured notes due 2014.

GPC is a public company incorporated in Delaware with common stock listed on the New York Stock Exchange and is currently owned by public investors, Blackstone, the Graham Family and management. GPC is a holding company whose only material assets are the direct ownership of 1) a limited partnership interest in Holdings of 88.0%, and 2) 100% of the limited liability company interests of BCP, a Delaware limited liability company, which holds a 2.9% general partnership interest in Holdings.

As of December 31, 2010, Holdings, a Pennsylvania limited partnership, has one owner of its general partnership units (BCP) and five owners of its limited partnership units (GPC, three entities controlled by the Graham Family and a former member of management). Holdings owns a 99% limited partnership interest in the Operating Company, and GPC Opco GP LLC (Opco GP), a wholly-owned subsidiary of Holdings, owns a 1% general partnership interest in the Operating Company.

GPC Capital Corp. I (CapCo I), a wholly-owned subsidiary of the Operating Company, and GPC Capital Corp. II (CapCo II), a wholly-owned subsidiary of Holdings, were incorporated in Delaware in January 1998. The sole purpose of CapCo I is to act as co-obligor of the Notes (as defined herein) and as co-borrower under the Credit Agreement (as defined herein). CapCo II currently has no obligations under any of the Company s outstanding indebtedness. CapCo I and CapCo II have only nominal assets and do not conduct any operations. Accordingly, investors in the Notes must rely on the cash flow and assets of the Operating Company for payment of the Notes.

Employees

As of December 31, 2010, the Company had approximately 8,300 employees, 6,700 of whom were located in North America, 900 of whom were located in Europe, 500 of whom were located in South America and 200 of whom were located in Asia. Approximately 79% of the Company s employees are hourly wage employees, 45% of whom are represented by various labor unions and are covered by various collective bargaining agreements that expire between now and September 2014. In North America, 80% of the Company s employees are hourly wage

Table of Contents

employees, 36% of whom are represented by various labor unions. In Europe, 79% of the Company s employees are hourly wage employees, 91% of whom are represented by various labor unions. In South America, 76% of the Company s employees are hourly wage employees, 96% of whom are represented by various labor unions. In Asia, 60% of the Company s employees are hourly wage employees, none of whom are represented by labor unions. Management believes that it enjoys good relations with the Company s employees. There have been no significant work stoppages in the past three years.

Environmental Matters

The Company s operations, both in the United States and abroad, are subject to national, state, foreign, provincial and/or local laws and regulations that impose limitations and prohibitions on the discharge and emission of, and establish standards for the use, disposal and management of, regulated materials and waste, and that impose liability for the costs of investigating and cleaning up, and damages resulting from, present and past spills, disposals or other releases of hazardous substances or materials. These domestic and international environmental laws can be complex and may change often. Compliance expenses can be significant and violations may result in substantial fines and penalties. In addition, environmental laws such as the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, also known as Superfund in the United States, impose strict, and in some cases joint and several, liability on specified responsible parties for the investigation and cleanup of contaminated soil, groundwater and buildings, and liability for damages to natural resources, at a wide range of properties. As a result, the Company may be liable for contamination at properties that it currently owns or operates, as well as at its former properties or off-site properties where it may have sent regulated materials. The Company is not aware of any material noncompliance with the environmental laws currently applicable to it and is not the subject of any material environmental claim for liability with respect to contamination at any location. Based on existing information, management believes that it is not reasonably likely that losses related to known environmental liabilities, in aggregate, will be material to the Company s financial position, results of operations, liquidity or cash flows. For its operations to comply with environmental laws, the Company has incurred and will continue to incur costs, which were not material in fiscal 2010 and are not expected to be material in the future.

As a result of the Company closing its plant located in Edison, New Jersey, the Company is subject to New Jersey s Industrial Site Recovery Act (ISRA). The Company acquired this facility from Owens-Illinois, Inc. in 2004. ISRA is an environmental law that specifies a process of reporting to the New Jersey Department of Environmental Protection (NJDEP) and, in some situations, investigating, cleaning up and/or taking other measures with respect to environmental conditions that may exist at an industrial establishment that has been shut down or is being transferred. The Company is in the process of evaluating and implementing its obligations under ISRA regarding this facility. The Company has recorded expense of $0.4 million for this obligation. This amount may change based on results of additional investigation expected to be undertaken for NJDEP.

A number of governmental authorities, both in the United States and abroad, have considered, are expected to consider or have passed legislation aimed at reducing the amount of disposed plastic wastes. Those programs have included, for example, mandating certain rates of recycling and/or the use of recycled materials, imposing deposits or taxes on plastic packaging material and/or requiring retailers or manufacturers to take back packaging used for their products. That legislation, as well as voluntary initiatives similarly aimed at reducing the level of plastic wastes, could reduce the demand for certain plastic packaging, result in greater costs for plastic packaging manufacturers or otherwise impact the Company s business. Some consumer products companies, including some of the Company s customers, have responded to these governmental initiatives and to perceived environmental concerns of consumers by using containers made in whole or in part of recycled plastic. To date, the Company has not been materially adversely affected by these initiatives and developments. The Company operates a large HDPE bottles-to-bottles recycling plant in York, Pennsylvania.

Intellectual Property

The Company holds various patents and trademarks. While in the aggregate the patents are of material importance to its business, the Company believes that its business is not dependent upon any one single patent, group of patents or trademark. The Company also relies on unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain its competitive position. Third parties could, however, obtain knowledge of this proprietary know-how through independent development or other unauthorized access. In addition to its own patents and proprietary know-how, the Company is a party to licensing arrangements and other agreements authorizing it to use other proprietary processes, know-how and related technology and/or to operate within the scope of certain patents owned by other entities. The duration of the

Table of Contents

Company s licenses generally ranges from 5 to 17 years. In some cases the licenses granted to the Company are perpetual and in other cases the term of the license is related to the life of the patent associated with the license. The Company also has licensed some of its intellectual property rights to third parties.

Item 1A. Risk Factors

The following are certain risk factors that could materially and adversely affect our business, results of operations or financial condition.

Risks Related to Our Business

We may not be able to successfully integrate the Liquid Entities, or other businesses we may acquire in the future, and we may not be able to realize anticipated cost savings, revenue enhancements or other synergies from such acquisitions.

Our ability to successfully implement our business plan and achieve targeted financial results depends on our ability to successfully integrate the Liquid Entities or other businesses we may acquire in the future. The process of integrating the Liquid Entities, or any other acquired businesses, involves risks. These risks include, but are not limited to:

- demands on management related to the significant increase in the size of our business;
- diversion of management s attention from the management of daily operations;
- difficulties in conforming the acquired business accounting principles to ours;
- retaining the loyalty and business of the customers of the acquired businesses;
- retaining employees that may be vital to the integration of departments, information technology systems, including accounting systems, technologies, books and records, and procedures, and maintaining uniform standards, such as internal accounting controls and procedures, and policies; and
- costs and expenses associated with any undisclosed or potential liabilities.

Failure to successfully integrate the Liquid Entities, or any other acquired businesses, may result in reduced levels of revenue, earnings or operating efficiency that might have been achieved if we had not acquired such businesses.

In addition, the Liquid Acquisition has resulted, and any future acquisitions could result, in the incurrence of additional debt and related interest expense and amortization expenses related to intangible assets, which could have a material adverse effect on our financial condition, operating results and cash flows.

We may not be able to achieve the estimated future cost savings expected to be realized as a result of the Liquid Acquisition or other future acquisitions. Failure to achieve such estimated future cost savings could have an adverse effect on our financial condition and results of operations.

We may not be able to realize anticipated cost savings, revenue enhancements or other synergies from the Liquid Acquisition or other future acquisitions, either in the amount or within the time frame that we expect. In addition, the costs of achieving these benefits may be higher than, and the timing may differ from, what we expect. Our ability to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including, but not limited to, the following:

the use of more cash or other financial resources on integration and implementation activities than we expect;

increases in other expenses unrelated to the acquisition, which may offset the cost savings and other synergies from the acquisition;

our ability to eliminate duplicative back office overhead and redundant selling, general and administrative functions, obtain procurement related savings, rationalize our distribution and warehousing networks, rationalize manufacturing capacity and shift production to more economical facilities; and

Table of Contents

our ability to avoid labor disruptions in connection with any integration, particularly in connection with any headcount reduction. Specifically, the significant anticipated cost savings and operating cost reductions in respect of the Liquid Acquisition reflect estimates and assumptions made by our management as to the benefits and associated expenses and capital spending with respect to our cost savings initiatives, and it is possible that these estimates and assumptions may not reflect actual results. In addition, these estimated cost savings may not actually be achieved in the timeframe anticipated or at all.

If we fail to realize anticipated cost savings, synergies or revenue enhancements, our financial results may be adversely affected, and we may not generate the cash flow from operations that we anticipate.

Our industry is very competitive and increased competition could reduce prices and our profit margins.

We operate in a competitive environment. In the past, we have encountered pricing pressures in our markets and could experience further declines in prices of plastic packaging as a result of competition. Although we have been able over time to partially offset pricing pressures by reducing our cost structure and making the manufacturing process more efficient by providing new and innovative technology, we may not be able to continue to do so in the future. Our business, results of operations and financial condition may be materially and adversely affected by further declines in prices of plastic packaging and such further declines could lead to a loss of business and a decline in our margins.

If we are unable to develop product innovations and improve our production technology and expertise, we could lose customers or market share.

Our success may depend on our ability to adapt to technological changes in the plastic packaging industry. If we are unable to timely develop and introduce new products, or enhance existing products, in response to changing market conditions or customer requirements or demands, our competitiveness could be materially and adversely affected.

We may be unable to protect our proprietary technology from infringement.

We rely on a combination of patents and trademarks, licensing agreements and unpatented proprietary know-how and trade secrets to establish and protect our intellectual property rights. We enter into confidentiality agreements with customers, vendors, employees, consultants and potential acquisition candidates as necessary to protect our know-how, trade secrets and other proprietary information. However, these measures and our patents and trademarks may not afford complete protection of our intellectual property, and it is possible that third parties may copy or otherwise obtain and use our proprietary information and technology without authorization or otherwise infringe on our intellectual property rights. We cannot assure that our competitors will not independently develop equivalent or superior know-how, trade secrets or production methods. Significant impairment of our intellectual property rights could harm our business or our ability to compete. For example, if we are unable to maintain the proprietary nature of our technologies, our profit margins could be reduced as competitors could more easily imitate our products, possibly resulting in lower prices or lost sales for certain products. In such a case, our business, results of operations and financial condition may be materially and adversely affected.

We are periodically involved in litigation in the course of our business to protect and enforce our intellectual property rights, and third parties from time to time initiate claims or litigation against us asserting infringement or violation of their intellectual property rights. We cannot assure that our products will not be found to infringe upon the intellectual property rights of others. Further, we cannot assure that we will prevail in any such litigation, or that the results or costs of any such litigation will not have a material adverse effect on our business. Any litigation concerning intellectual property could be protracted and costly and is inherently unpredictable and could have a material adverse effect on our business, results of operations or financial condition regardless of its outcome.

We would lose a significant source of revenues and profits if we lost any of our largest customers.

The loss of one of our largest customers could result in: (i) our having excess capacity if we are unable to replace that customer; (ii) our having excess overhead and fixed costs and possible impairment of long-lived assets; and (iii) our selling, general and administrative expenses and capital expenditures representing increased portions of our revenues.

Table of Contents

In 2010, our top 20 customers comprised 69% of our net sales. PepsiCo (collectively, with its affiliates, such as Frito-Lay, Gatorade and Tropicana) is our largest customer, with all product lines we provide to PepsiCo collectively accounting for approximately 9.6%, 10.8% and 13.3% of our net sales for the years ended December 31, 2010, 2009 and 2008, respectively.

If any of our large customers terminated its relationship with us, we would lose a significant source of revenues and profits.

Contracts with customers generally do not require them to purchase any minimum amounts of products from us, and customers may not purchase amounts that meet our expectations.

The majority of our sales are made pursuant to long-term customer purchase orders and contracts. Customers purchase orders and contracts typically vary in length with terms up to ten years. The contracts, including those with PepsiCo, generally are requirements contracts which do not obligate the customer to purchase any given amount of product from us. Prices under these arrangements are tied to market standards and therefore vary with market conditions. Changes in the cost of resin, the largest component of our cost of goods sold, are passed through to customers by means of corresponding changes in product pricing in accordance with our agreements with these customers and industry practice. Increases in resin prices relative to alternative packaging materials, or other price increases, may cause customers to decrease their purchases from us. Additionally, if customers undertake transformational initiatives to their product lines, such as concentrate conversions or product obsolescence actions, we may lose a source of revenues and profits. As a result, despite the existence of supply contracts with our customers, we face the risk that in the future customers will not continue to purchase amounts that meet our expectations.

Increases in resin prices, relative to alternative packaging materials, and reductions in resin supplies could significantly slow our growth and disrupt our operations.

We depend on large quantities of PET, HDPE and other resins in manufacturing our products. One of our primary strategies is to grow the business by capitalizing on the conversion from glass, metal and paper containers to plastic containers. Resin prices can fluctuate significantly with fluctuations in crude oil and natural gas prices, as well as changes in refining capacity and the demand for other petroleum-based products. A sustained increase in resin prices, relative to alternative packaging materials, to the extent that those costs are not passed on to the end-consumer, would make plastic containers less economical for our customers and could result in a slower pace of conversions to, or reductions in the use of, plastic containers. Changes in the cost of resin are passed through to customers by means of corresponding changes in product pricing, in accordance with our agreements with these customers and industry practice. However, if we are not able to do so in the future and there are sustained increases in resin prices, relative to alternative packaging materials, our operating margins could be affected adversely.

While there is currently an adequate supply of resin available from many sources, this may not be the case in the future. Several of our larger suppliers have either entered, or are emerging from, bankruptcy protection. If the number of suppliers is significantly reduced in the future, this could affect our ability to obtain resin timely, or obtain resin at favorable prices, and our operations and profitability may be impaired.

Our international operations are subject to a variety of risks related to foreign currencies and local law in several countries.

We have significant operations outside the United States, and therefore hold assets, incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar. The financial statements of our foreign subsidiaries are translated into U.S. dollars. Our operations outside the United States accounted for approximately 20.3%, 21.5% and 20.9% of our net sales for the years ended December 31, 2010, 2009 and 2008, respectively. As a result, we are subject to risks associated with operating in foreign countries, including fluctuations in currency exchange and interest rates, imposition of limitations on conversion of foreign currencies into U.S. dollars or remittance of dividends and other payments by foreign subsidiaries, imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries, labor relations problems, hyperinflation in some foreign countries and imposition or increase of investment and other restrictions by foreign governments or the imposition of environmental or employment laws. Furthermore, we typically price our products in our foreign operations in local currencies. As a result, an increase in the value of the U.S. dollar relative to the local currencies of profitable foreign subsidiaries can have a negative effect on our profitability. In our consolidated financial statements, we translate our local currency financial results into U.S. dollars based on average exchange rates prevailing during a reporting period or the exchange rate at the end of that period. During times of a strengthening U.S. dollar, at a constant level of business, our reported international sales, earnings, assets and liabilities will be reduced because the local currency will translate into fewer U.S. dollars. Exchange rate fluctuations decreased comprehensive income by $2.0 million, increased comprehensive income by $19.6 million and increased comprehensive loss by $65.9 million for the years ended December 31, 2010, 2009 and 2008, respectively. In addition to currency translation risks, we incur a currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sale transaction using a currency different from the operating subsidiary s functional currency. In several countries where we operate, resin purchases must be made in U.S. dollars. Furthermore, changes in local economic conditions can affect operations. Our international operations also expose us to different local political and business risks and challenges. For example, in certain countries, such as Venezuela and Argentina, we are faced with periodic political issues which could result in currency risks or the risk that we are required to include local ownership or management in our businesses. The above mentioned risks in North America, Europe, South America and Asia may hurt our ability to generate revenue in those regions in the future.

We may not be able to recover the carrying value of our long-lived assets, which could require us to record additional asset impairment charges and materially and adversely affect our results of operations.

We had net property, plant and equipment of $1,203.1 million at December 31, 2010, or 42.9% of our total assets. We recorded asset impairment charges to property, plant and equipment of $9.6 million, $41.8 million and $93.2 million for the years ended December 31, 2010, 2009 and 2008, respectively. We operate in a competitive industry with rapid technological innovation. In order to remain competitive, we develop and invest in new equipment which enhances productivity, often making older equipment obsolete. In addition, changing market conditions can also impact our ability to recover the carrying value of our long-lived assets. The continuing presence of these factors, as well as other factors, could require us to record additional asset impairment charges in future periods which could materially and adversely affect our results of operations.

Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.

As of December 31, 2010, goodwill and other identifiable intangible assets were $838.8 million, or 29.9% of our total assets. Goodwill and other identifiable intangible assets are recorded at fair value on the date of acquisition. In accordance with the guidance under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-20, Intangibles Goodwill and Other, we review such assets at least annually for impairment. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services we sell, challenges to the validity of certain registered intellectual property, reduced sales of certain products incorporating registered intellectual property, and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial position and results of operations.

Our ability to operate effectively could be impaired if we lost key personnel.

Our success depends to a large extent on a number of key employees, and the loss of the services provided by them could have a material adverse effect on our ability to operate our business and implement our strategies effectively. The loss of members of our senior management team could have a material adverse effect on our operations. We do not maintain key person insurance on any of our executive officers.

If we make acquisitions in the future, we may experience assimilation problems and dissipation of management resources and we may need to incur additional indebtedness.

Our future growth may be a function, in part, of acquisitions of other consumer goods packaging businesses, including investments in geographic regions with which we are not familiar. To the extent that we grow through acquisitions, we will face operational and financial risks, such as the risk of failing to assimilate the operations and personnel of the acquired businesses, disrupting our ongoing business, dissipating our limited

Table of Contents

management resources and impairing relationships with employees and customers of the acquired business as a result of changes in ownership and management. Additionally, we have incurred indebtedness to finance past acquisitions, and would likely incur additional indebtedness to finance future acquisitions, as permitted under the Credit Agreement (as defined herein) and the indentures governing our Notes (as defined herein), in which case we would also face certain financial risks associated with the incurrence of additional indebtedness to make an acquisition, such as a reduction in our liquidity, access to capital markets and financial stability.

Additionally, the types of acquisitions we will be able to make are limited by our Credit Agreement, which limits the amount that we may pay for an acquisition to $200 million plus additional amounts based on an unused available capital expenditure limit, certain proceeds from new equity issuances and other amounts.

Our operations and profitability could suffer if we experience labor relations problems.

As of December 31, 2010, approximately 3,000 of our approximately 8,300 employees were covered by collective bargaining agreements with various international and local labor unions. In addition, as of December 31, 2010, we operated 98 facilities, of which 42 were union facilities operated primarily by union employees. In the U.S., our union agreements typically have a term of three or four years and thus regularly expire and require negotiation in the course of our business. In 2011, collective bargaining agreements covering approximately 325 employees in the U.S. will expire. Upon the expiration of any of our collective bargaining agreements, we may be unable to negotiate new collective bargaining agreements on terms favorable to us, and our business operations at one or more of our facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating our collective bargaining agreements. A work stoppage at one or more of our facilities could have a material adverse effect on our business, results of operations and financial condition.

Our ability to expand our operations could be adversely affected if we lose access to additional blow molding equipment.

Access to blow molding equipment is important to our ability to expand our operations. We have access to a broad array of blow molding equipment and suppliers. However, if we fail to continue to access this new blow molding equipment or these suppliers, our ability to expand our operations may be materially and adversely affected until alternative sources of technology can be arranged.

Our operations could expose us to substantial environmental costs and liabilities.

We are subject to a variety of national, state, foreign, provincial and/or local laws and regulations that impose limitations and prohibitions on the discharge and emission of, and establish standards for the use, disposal and management of, regulated materials and waste, and that impose liability for the costs of investigating and cleaning up, and damages resulting from, present and past spills, disposals or other releases of hazardous substances or materials. These domestic and international environmental laws can be complex and may change often, the compliance expenses can be significant and violations may result in substantial fines and penalties. In addition, environmental laws such as Superfund impose strict, and in some cases joint and several, liability on specified responsible parties for the investigation and cleanup of contaminated soil, groundwater and buildings, and liability for damages to natural resources, at a wide range of properties. As a result, we may be liable for contamination at properties that we currently own or operate, as well as at our former properties or off-site properties where we may have sent regulated materials. As a manufacturer, we have an inherent risk of liability under environmental laws, both with respect to ongoing operations and with respect to contamination that may have occurred in the past on our properties or as a result of our operations. We could, in the future, incur a material liability resulting from the costs of complying with environmental laws or any claims concerning noncompliance, or liability from contamination.

We cannot predict what environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted, or what environmental conditions may be found to exist at our facilities or at third party sites for which we are liable. Enactment of stricter laws or regulations, stricter interpretations of existing laws and regulations or the requirement to undertake the investigation or remediation of currently unknown environmental contamination at our own or third-party sites may require us to make additional expenditures, some of which could be material.

In addition, a number of governmental authorities, both in the United States and abroad, have considered, or are expected to consider, legislation aimed at reducing the amount of plastic wastes disposed. Programs have included, for example, mandating certain rates of recycling and/or the use of recycled materials, imposing deposits or taxes on plastic packaging material and requiring retailers or manufacturers to take back packaging used for their products. Legislation, as well as voluntary initiatives similarly aimed at reducing the level of plastic wastes, could reduce the demand for certain plastic packaging, result in greater costs for plastic packaging manufacturers or otherwise impact our business. Some consumer products companies, including some of our customers, have responded to these governmental initiatives and to perceived environmental concerns of consumers by using containers made in whole or in part of recycled plastic. Future legislation and initiatives could adversely affect us in a manner that would be material.

If we were deemed an investment company under the Investment Company Act of 1940 (the 1940 Act) as a result of our ownership of Holdings, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

If we were to cease participation in the management of Holdings, our interest in Holdings could be deemed an investment security for purposes of the 1940 Act. Generally, a person is deemed to be an investment company if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items), absent an applicable exemption. We will have no material assets other than our equity interest in Holdings. A determination that this interest was an investment security could result in our being an investment company under the 1940 Act and becoming subject to the registration and other requirements of the 1940 Act.

The 1940 Act and the rules thereunder contain detailed parameters for the organization and operations of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, prohibit the issuance of stock options, and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the 1940 Act. However, if anything were to happen which would cause us to be deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among us, Holdings, Blackstone or the Graham Family, or any combination thereof and materially adversely affect our business, financial condition and results of operations.

We will be required to pay our pre-IPO stockholders and the Graham Family for certain tax benefits we may claim arising in connection with our IPO and related transactions, which amounts are expected to be material.

In connection with our IPO, we entered into an exchange agreement with the Graham Family. Pursuant to the exchange agreement, limited partnership units held by the Graham Family may (subject to the terms of the exchange agreement) be exchanged for shares of our common stock outstanding on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. Holdings intends to have in effect an election under Section 754 of the Internal Revenue Code of 1986, as amended (the Code), effective for each taxable year in which an exchange of limited partnership units for shares of common stock occurs, which may result in an adjustment to the tax basis of the assets of Holdings at the time of an exchange of limited partnership units. Any such exchanges are expected to result in an increase in the tax basis of the tangible and intangible assets of Holdings that otherwise would not have been available. Similar increases to the tax basis of the tangible and intangible assets of Holdings resulted from our 1998 acquisition of Holdings. These increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that we would otherwise be required to pay in the future. These increases in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. Additionally, in connection with the IPO, we will be able to utilize net operating losses that arose prior to the IPO and are therefore attributable to our pre-IPO stockholders (i.e., Blackstone, management and other stockholders). These net operating loss carryforwards will also reduce the amount of tax that we would otherwise be required to pay in the future.

We have entered into an income tax receivable agreement with GPC Holdings, L.P. (GPC LP) that provides for the payment by us to the Graham Family of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in the case of an early termination payment or a change of control as discussed below) as a result of these increases in tax basis (specifically, those attributable to exchanges of limited partnership units, as described above) and of certain other tax benefits related to our entering into the income tax receivable agreement, including tax benefits attributable to payments under the income tax receivable agreement. We have also entered into an income tax receivable agreement with certain of our

Table of Contents

pre-IPO stockholders that will provide for the payment to all of our pre-IPO stockholders (i.e., Blackstone, management and other investors) of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in the case of an early termination or a change of control as discussed below) as a result of (i) the utilization of our net operating losses attributable to periods prior to the IPO, and (ii) any increase to the tax basis of the assets of Holdings relating to our 1998 acquisition of 85% of Holdings (as discussed above) and certain other tax benefits related to our entering into the income tax receivable agreement, including tax benefits attributable to payments under the income tax receivable agreement.

These payment obligations are our obligations and not obligations of Holdings or any of our other subsidiaries. The actual increase in tax basis, actual amount and utilization of net operating losses, as well as the amount and timing of any payments under the income tax receivable agreements, will vary depending upon a number of factors, including the timing of subsequent exchanges, the price of shares of our common stock outstanding at the time of an exchange, the extent to which such exchanges are taxable and the amount, character and timing of our taxable income in the future.

We expect that the payments that we make under these income tax receivable agreements will be material. Assuming no material changes in the relevant tax law, and that we earn sufficient taxable income to realize the full tax benefits subject to the income tax receivable agreements, we expect that future payments under the income tax receivable agreements will aggregate to between $200 million to $235 million with potential additional payments for tax basis step-ups relating to future exchanges by the Graham Family of their limited partnership units in Holdings for common stock depending on the timing and value of such exchanges. This range is based on our assumptions using various items, including valuation analysis and historical tax basis amounts. This range also includes step-ups related to the Graham Family s exchange of 1,324,900 limited partnership units through December 31, 2010. Such amounts may differ materially from the amounts presented above based on various items, including final valuation analysis and updated determinations of taxable income and historic tax basis amounts. The payments under the income tax receivable agreements are not conditioned upon these parties continued ownership of us or Holdings.

In addition, the income tax receivable agreements provide that upon certain mergers, asset sales, other forms of business combinations or other changes of control, the income tax receivable agreements will terminate and we will be required to make a payment equal to the present value of future payments under the income tax receivable agreements, which payment would be based on certain assumptions, including those relating to our future taxable income. In these situations, our obligations under the income tax receivable agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other form of business combinations or other changes of control.

Our counterparties under these agreements will not reimburse us for any payments previously made under the income tax receivable agreements if such benefits are subsequently disallowed (although future payments would be adjusted to the extent possible to reflect the result of such disallowance). As a result, in certain circumstances, payments could be made under the income tax receivable agreements in excess of our cash tax savings.

Our only material asset is our interest in Holdings, and we are accordingly dependent upon distributions from Holdings to pay dividends and taxes and other expenses, including payments under the income tax receivable agreements.

Table of Contents

We are a holding company and have no material assets other than our ownership of limited partnership units in Holdings. We have no independent means of generating revenue. We intend to cause Holdings to make distributions to its partners in an amount sufficient to cover all applicable taxes payable and dividends, if any, declared by us, as well as any payments due under the income tax receivable agreements described above. However, the instruments and agreements governing our indebtedness contain covenants that restrict the ability of our subsidiaries to make distributions to us, which could affect our ability to make payments under the income tax receivable agreements and to pay dividends. To the extent that we need funds and Holdings is restricted from making such distributions under applicable law or regulation, or is otherwise unable to provide such funds pursuant to the terms of our indebtedness, it could materially adversely affect our liquidity and financial condition. To the extent that we are unable to make payments under the income tax receivable agreements for any reason, such payments will be deferred and will accrue interest at LIBOR plus five percent per annum until paid.

Blackstone controls us and may have conflicts of interest with us in the future.

Blackstone owns shares of our common stock sufficient for the majority vote over all matters requiring a stockholder vote, including: the election of directors; mergers, consolidations or acquisitions; the sale of all or substantially all of our assets and other decisions affecting our capital structure; the amendment of our restated certificate of incorporation and amended and restated bylaws; and our winding up and dissolution. In addition, pursuant to the stockholders agreement with Blackstone, Blackstone has the right to nominate to our board of directors a number of designees equal to: (i) at least a majority of the total number of directors comprising our board at such time as long as Blackstone beneficially owns more than 35% of the shares of our common stock entitled to vote generally in the election of our directors; (ii) 42% of the total number of directors comprising our board at such time as long as Blackstone beneficially owns more than 25% but less than or equal to 35% of the shares of our common stock entitled to vote generally in the election of our directors; (iii) 28% of the total number of directors comprising our board of directors at such time as long as Blackstone beneficially owns more than 15% but less than or equal to 25% of the shares of our common stock entitled to vote generally in the election of our directors; and (iv) 14% of the total number of directors comprising our board of directors at such time as long as Blackstone beneficially owns 5% or more of the shares of our common stock entitled to vote generally in the election of our directors. As a result, even after Blackstone no longer owns a majority of our voting stock, Blackstone could continue to have significant influence over our decision to enter into any corporate transaction and may have the ability to prevent any transaction that requires the approval of stockholders, regardless of whether or not other stockholders believe that such transaction is in their own best interests. Such concentration of voting power could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders. As long as Blackstone continues to own, directly or indirectly, a significant amount of the outstanding shares of our common stock, it will continue to be able to or effectively control our decisions.

Additionally, Blackstone is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Our restated certificate of incorporation provides that neither Blackstone, nor members of our board of directors who are not our employees (including any directors who also serve as officers) have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Blackstone may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations or prospects if attractive corporate opportunities are allocated by Blackstone to themselves or their other affiliates instead of to us.

Risks Related to Our Indebtedness

Our indebtedness could adversely affect our cash flow and our ability to operate and grow our business.

At December 31, 2010, we had $2,832.8 million of total consolidated indebtedness. In addition, at December 31, 2010, after taking into account letters of credit of $14.8 million, we had $110.0 million of revolving loan capacity under our senior secured credit facility (the Credit Agreement). Under our Credit Agreement, we also have available to us an uncommitted incremental loan facility in an amount of up to an additional $300.0 million and we may incur additional indebtedness as permitted under our Credit Agreement and other instruments governing our indebtedness.

Table of Contents

A significant portion of our cash flow must be used to service our indebtedness and is therefore not available to be used in our business. Our ability to generate cash flow is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control. In addition, a substantial portion of our indebtedness bears interest at floating rates. At December 31, 2010, a one percentage point change in the interest rates for our variable-rate indebtedness would impact interest expense by an aggregate of approximately $0.2 million, excluding the impact of our interest rate swap agreements.

Our obligations in connection with our indebtedness could have important consequences. For example, they could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, acquisitions, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from making strategic acquisitions or exploiting business opportunities; and
- limit our ability to borrow additional funds.

Despite our current level of indebtedness, we may incur additional debt in the future, which could increase the risks associated with our substantial outstanding indebtedness.

We continually pursue organic growth and selectively evaluate and pursue acquisition opportunities and may incur additional indebtedness, including indebtedness under our Credit Agreement, to finance any such growth and acquisitions and to fund any resulting increased operating needs. If new debt is added to our current debt levels, the risks we now face related to our indebtedness could increase.

The terms of our debt instruments restrict the manner in which we conduct our business and may limit our ability to implement elements of our business strategy.

The instruments and agreements governing our indebtedness contain numerous covenants, including financial and operating covenants, some of which are quite restrictive. These covenants affect, and in many respects limit, among other things, our ability to:

- incur additional debt;
- create liens;
- consolidate, merge or sell assets;
- make certain capital expenditures;
- make certain advances, investments and loans;

- enter into certain transactions with affiliates;
- engage in any business other than the packaging business;
- pay dividends; and
- repurchase stock.

These covenants could restrict us in the pursuit of our business strategy. As of December 31, 2010, we were in compliance with the covenants under the instruments and agreements governing our indebtedness.

We may not be able to renew or replace our senior secured revolving credit facility and our senior secured term loan facility, and we may obtain less favorable terms when we attempt to renew or replace them.

Approximately $1,032.9 million of the term loans under our senior secured credit facility will mature on April 5, 2014, and $910.7 million will mature on September 23, 2016. Our senior secured revolving credit facility of $124.8 million will mature on October 1, 2013.

We may not be able to renew or replace these facilities on favorable terms as they expire, or we may not be able to renew or replace them at all. As a result, we may incur higher borrowing costs and could have more stringent debt covenants. If financial market conditions deteriorate, our business and financial results could be materially and adversely affected.

Table of Contents

In the event that a party acquires beneficial ownership representing voting power in Holdings greater than the voting power represented by the interests beneficially owned by Blackstone, it will trigger an event of default under our Credit Agreement.

In the event that a party acquires beneficial ownership representing voting power in Holdings greater than the voting power represented by the interests beneficially owned by Blackstone through shares of our common stock, an event of default under our Credit Agreement will be triggered. Upon the occurrence of an event of default under our Credit Agreement, the lenders will not be required to lend any additional amounts to us or could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable, which could result in an event of default under our other debt instruments. If we were unable to repay those amounts, the lenders under our Credit Agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under our Credit Agreement. If the lenders under our Credit Agreement accelerate the repayment of borrowings, we may not have sufficient assets to repay our Credit Agreement and our other indebtedness or be able to borrow sufficient funds to refinance such indebtedness. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us.

Risks Related to Our Common Stock

The market price of our common stock may be volatile, which could cause the value of our common stock to decline.

The market price of our common stock may be volatile due to a number of factors such as those listed in Risks Related to Our Business and the following, some of which are beyond our control:

- quarterly variations in our results of operations;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- announcements by us, our competitors or our vendors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- announcements by third parties of significant claims or proceedings against us;
- future sales of our common stock; and
- changes in investor sentiment toward the stock of packaging companies in general and plastic packaging companies in particular.

Furthermore, the stock market may experience volatility that in some cases is unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

If we or our pre-IPO investors sell our common stock or exchange Holdings limited partnership units for additional shares of our common stock, the market price of our common stock could decline.

The market price of our common stock could decline as a result of sales of a large number of shares of common stock in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Subject to registration of certain shares pursuant to a registration rights agreement, substantially all of the shares of our common stock are available for resale in the public market.

Table of Contents

Pursuant to exchange agreements, the Graham Family and other holders of Holdings limited partnership units and options to purchase Holdings limited partnership units have, or will have, the right to exchange limited partnership units in Holdings for shares of our common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. Our shares of common stock issuable upon exchange of Holdings limited partnership units are eligible for resale from time to time, subject to certain contractual restrictions and restrictions under the Securities Act of 1933, as amended (the Securities Act). The sale of a substantial number of shares of our common stock received in exchange for limited partnership units could cause the market price of our common stock to decline.

In addition, pursuant to a registration rights agreement, we have granted certain stockholders and unitholders the right to cause us, in certain instances, at our expense, to file registration statements under the Securities Act covering resales of shares of our common stock held by them or to be acquired by them by exchanging partnership units. These restricted shares also may be sold pursuant to Rule 144 under the Securities Act, depending on their holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates. The Graham Family exercised its rights under the registration rights agreement, and, on December 30, 2010, a registration statement on Form S-1 for the resale of up to 6,507,599 shares of GPC s common stock was declared effective by the SEC. The market price of our common stock could decline if the holders of our shares sell them or are perceived by the market as intending to sell them.

Because we may not pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell our common stock for a price greater than that which you paid for it.

We currently intend to retain future earnings, if any, for future operation, debt reduction and expansion, and do not anticipate paying any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, level of indebtedness, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future indebtedness we or our subsidiaries incur, including the Credit Agreement and the indentures. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

We have anti-takeover provisions in our organizational documents that may discourage a change of control.

Certain provisions of our restated certificate of incorporation and amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- a classified board of directors with staggered three-year terms;
- the ability of our board of directors to issue one or more series of preferred stock;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings;
- the removal of directors only for cause and only upon the affirmative vote of holders of at least 75% of the shares of common stock entitled to vote generally in the election of directors; and

that certain provisions may be amended only by the affirmative vote of at least 75% of the shares of common stock entitled to vote generally in the election of directors.

These anti-takeover provisions could make it more difficult for a third party to acquire our company, even if the third party s offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares.

Table of Contents

We are a controlled company within the meaning of the New York Stock Exchange rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Blackstone controls a majority of the voting power of our outstanding common stock. As a result, we are a controlled company within the meaning of the corporate governance standards of the New York Stock Exchange. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

We utilize these exemptions and, therefore, do not have a majority of independent directors, our nominating and corporate governance committee and our compensation committee do not consist entirely of independent directors and such committees are not subject to annual performance evaluations. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2010, the Company owned or leased 101 plants (98 of which are manufacturing facilities) located in Argentina, Belgium, Brazil, Canada, China, Finland, France, Mexico, the Netherlands, Poland, Spain, Turkey, the United Kingdom, the United States and Venezuela. Thirty-one of the plants are located on-site at customer facilities. The Company believes that its plants, which are of varying ages and types of construction, are in good condition, are suitable for its operations and generally are expected to provide sufficient capacity to meet its requirements for the foreseeable future.

The following table sets forth the location of the Company s plants and administrative facilities, their approximate current square footage, whether on-site or off-site and whether leased or owned as of December 31, 2010. In addition to the facilities listed below, the Company leases other warehousing space.

	Location	Size (Square Feet)	On-Site or Off-Site	Leased/ Owned
	U.S. Packaging Facilities (1)			
1.	Findlay, Ohio	406,800	Off-Site	Owned
2.	York (Household), Pennsylvania	395,554	Off-Site	Owned
3.	Maryland Heights, Missouri	308,961	Off-Site	Owned

4.	Racine, Wisconsin	300,410	Off-Site	Leased
5.	Henderson, Nevada	298,407	Off-Site	Owned
6.	Vandalia, Illinois	277,500	Off-Site	Owned
7.	Evansville, Indiana	266,720	Off-Site	Leased
8.	Woodridge, Illinois	265,062	Off-Site	Leased
9.	Hammond, Louisiana	262,344	Off-Site	Leased
10.	Florence (Food & Beverage), Kentucky	260,000	Off-Site	Owned
11.	Rockwall, Texas	241,000	Off-Site	Owned
12.	Modesto, California	238,000	Off-Site	Owned

Table of Contents

	Location	Size (Square Feet)	On-Site or Off-Site	Leased/ Owned
13.	Newark, Delaware	235,450	Off-Site	Owned
14.	Hazleton (Household), Pennsylvania	218,384	On-Site	Leased
15.	Holland, Michigan	218,168	Off-Site	Leased
16.	West Chicago, Illinois	212,256	Off-Site	Leased
17.	Fremont, Ohio	210,883	Off-Site	Owned
18.	Bedford, New Hampshire	210,510	Off-Site	Owned
19.	York (Food & Beverage), Pennsylvania	210,370	Off-Site	Leased
20.	Tolleson, Arizona	209,468	Off-Site	Owned
21.	Cartersville, Georgia	208,000	Off-Site	Owned
22.	Edison, New Jersey (2)	194,000	Off-Site	Owned
23.	Hazleton (Food & Beverage), Pennsylvania	185,080	Off-Site	Owned
24.	Newell, West Virginia	183,388	On-Site	Leased
25.	Harrisonburg, Virginia	180,000	Off-Site	Owned
26.	Lexington, Kentucky	180,000	Off-Site	Leased
27.	Selah, Washington	170,553	Off-Site	Owned
28.	Atlanta, Georgia	165,000	On-Site	Leased
29.	Jefferson, Louisiana	162,047	Off-Site	Leased
30.	Kansas City, Missouri	162,000	Off-Site	Leased
31.	Belvidere, New Jersey	160,000	Off-Site	Owned
32.	Florence (Personal Care/Specialty), Kentucky	153,600	Off-Site	Owned
33.	Cincinnati, Ohio	153,301	Off-Site	Leased
34.	Rancho Cucamonga, California	152,337	Off-Site	Owned
35.	Montgomery, Alabama (2)	150,143	Off-Site	Leased
36.	Memphis, Tennessee	150,000	Off-Site	Leased
37.	Kansas City, Missouri	148,800	Off-Site	Leased
38.	Emigsville, Pennsylvania	148,300	Off-Site	Leased
39.	Iowa City, Iowa	140,896	Off-Site	Owned
40.	Mason, Ohio	137,000	Off-Site	Owned
41.	Baltimore, Maryland	128,500	Off-Site	Owned
42.	Santa Ana, California	127,680	Off-Site	Owned
43.	Chicago, Illinois	125,500	Off-Site	Owned
44.	Muskogee, Oklahoma	125,000	Off-Site	Owned
45.	Alta Vista, Virginia	122,680	Off-Site	Leased
46.	Kansas City, Kansas	111,000	On-Site	Leased
47.	West Chicago, Illinois	101,500	Off-Site	Owned
48.	West Chicago, Illinois	100,000	Off-Site	Owned
49.	Prattville, Alabama	100,000	Off-Site	Owned
50.	Delta, Ohio	100,000	Off-Site	Owned
51.	Casa Grande, Arizona	100,000	Off-Site	Leased
52.	Bradford, Pennsylvania	90,350	Off-Site	Leased
53.	Modesto, California	87,500	Off-Site	Leased
54.	Atlanta, Georgia	81,600	Off-Site	Leased
55.	Lakeland, Florida	80,000	Off-Site	Leased
56.	Berkeley, Missouri	75,000	Off-Site	Owned
57.	Cambridge, Ohio	57,000	On-Site	Leased
58.	Port Allen, Louisiana	56,721	On-Site	Leased
59.	Richmond, California	55,256	Off-Site	Leased
60.	Houston, Texas	52,500	Off-Site	Owned
61.	St. Louis, Missouri	48,150	On-Site	Leased
62.	Darlington, South Carolina	43,200	Off-Site	Leased
63.	Ogden, Utah	30,000	On-Site	Leased
64.	Bordentown, New Jersey	30,000	On-Site	Leased
65.	Joplin, Missouri	29,200	On-Site	Leased
66.	Minster, Ohio	27,674	On-Site	Leased
67.	West Jordan, Utah	25,760	On-Site	Leased

28

	Location	Size (Square Feet)	On-Site or Off-Site	Leased/ Owned
68.	Bradenton, Florida	21,500	On-Site	Leased
	Canadian Packaging Facilities			
69.	Mississauga, Ontario	78,416	Off-Site	Owned
	Mexican Packaging Facilities			
70.	Tlalnepantla	214,349	Off-Site	Owned
71.	Pachuca	152,286	Off-Site	Owned
72.	Mexicali	59,700	Off-Site	Leased
73.	Irapuato	54,000	On-Site	Leased
74.	Tepozotian	10,000	On-Site	Leased
75.	Tlaxcala	9,792	On-Site	Leased
	European Packaging Facilities			
76.	Assevent, France	186,000	Off-Site	Owned
77.	Rotselaar, Belgium	162,212	On-Site	Leased
78.	Etten-Leur, Netherlands	124,450	Off-Site	Leased
79.	Ryttyla, Finland	121,079	Off-Site	Owned
80.	Chalgrove, the United Kingdom	104,200	Off-Site	Leased
81.	Aldaia, Spain	75,350	On-Site	Leased
82.	Istanbul, Turkey	45,000	Off-Site	Leased
83.	Lummen, Belgium	42,840	On-Site	Leased
84.	Sulejowek, Poland	32,732	Off-Site	Owned
85.	Villecomtal, France	31,300	On-Site	Leased
86.	Zoetermeer, Netherlands	22,702	On-Site	Leased
87.	Bierun, Poland	10,652	On-Site	Leased
88.	Eskisehir, Turkey	9,461	On-Site	Leased
89.	Creully, France	8,073	On-Site	Leased
	South American Packaging Facilities			
90.	Valencia, Venezuela	93,757	Off-Site	Leased
91.	Sao Paulo, Brazil	71,300	Off-Site	Leased
92.	Rio de Janeiro, Brazil	56,000	On-Site	Leased
93.	Buenos Aires, Argentina (San Martin) (2)	40,501	Off-Site	Owned
94.	Longchamps, Argentina	30,100**	On-Site	Owned/Leased
95.	Caxias, Brazil	29,493**	On-Site	Owned/Leased
96.	Rio de Janeiro, Brazil	22,220	On-Site	Leased
97.	Inhauma, Brazil	14,208	On-Site	*
98.	Curitiba, Brazil	12,293	On-Site	*
99.	Carambei, Brazil	7,621	On-Site	*
	Asian Packaging Facilities			
100.	Guangzhou, China	162,747**	Off-Site	Owned/Leased
	Graham Recycling			
101.	York, Pennsylvania	44,416	Off-Site	Owned
	Administrative Facilities			
	York, Pennsylvania Technology Center	159,000	N/A	Leased
	York, Pennsylvania Corporate Office	116,400	N/A	Leased
	Warsaw, Poland Technology Center	32,636	N/A	Leased
	West Chicago, Illinois Corporate Office	26,786	N/A	Leased
	Rueil, Paris, France Corporate Office	4,300	N/A	Leased
	Mexico City, Mexico Corporate Office	656	N/A	Leased

Table of Contents

(1) Substantially all of the Company s domestic tangible and intangible assets are pledged as collateral pursuant to the terms of the Credit Agreement.
(2) The Company has closed these facilities.
* The Company operates these on-site facilities without leasing the space it occupies.
** The building is owned and the land is leased.

Item 3. Legal Proceedings

On November 3, 2006, the Company filed a complaint with the Supreme Court of the State of New York, New York County, against Owens-Illinois, Inc. and OI Plastic Products FTS, Inc. (collectively, OI). The complaint alleges certain misrepresentations by OI in connection with the Company s 2004 purchase of the blow molded plastic container business of Owens-Illinois, Inc. and seeks damages in excess of $30 million. In December 2006, OI filed an Answer and Counterclaim, seeking to rescind a Settlement Agreement entered into between OI and the Company in April 2005, and disgorgement of more than $39 million paid by OI to the Company in compliance with that Settlement Agreement. The Company filed a Motion to Dismiss the Counterclaim in July 2007, which was granted by the Court in October 2007. On August 1, 2007, the Company filed an Amended Complaint to add additional claims seeking indemnification from OI for claims made against the Company by former OI employees pertaining to their pension benefits. These claims arise from an arbitration between the Company and Glass, Molders, Pottery, Plastic & Allied Workers, Local #171 (the Union) that resulted in an award on April 23, 2007, in favor of the Union. The Arbitrator ruled that the Company had failed to honor certain pension obligations for past years of service to former employees of OI, whose seven Union-represented plants were acquired by the Company in October 2004. In the Amended Complaint, the Company maintains that under Section 8.2 of the Stock Purchase Agreement between the Company and OI, OI is obligated to indemnify the Company for any losses associated with differences in the two companies pension plans including any losses incurred in connection with the Arbitration award. The litigation is proceeding.

On April 10, 2009, OnTech Operations, Inc. (OnTech) initiated an arbitration proceeding against the Company, in which OnTech alleged that the Company breached a bottle purchase agreement dated April 28, 2008, and an equipment lease dated June 1, 2008. In its statement of claims, OnTech alleged, among other things, that the Company s failure to produce bottles as required by the bottle purchase agreement resulted in the failure of OnTech s business. As a result, OnTech sought to recover the value of its business, which it alleged was between $80 million and $150 million. The arbitration was heard by a three arbitrator panel from August 2, 2010, to August 16, 2010. On October 5, 2010, the Company received the decision from the arbitrators, which resulted in a payment by the Company to OnTech of $8.0 million in the fourth quarter of 2010.

The Company is a party to various other litigation matters arising in the ordinary course of business. The ultimate legal and financial liability of the Company with respect to such litigation cannot be estimated with certainty, but management believes, based on its examination of these matters, experience to date and discussions with counsel, that ultimate liability from the Company s various litigation matters will not be material to the business, financial condition, results of operations or cash flows of the Company.

Item 4. [Removed and Reserved]

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

At the close of business on February 18, 2011, there were 12 common stockholders of record.

The Company s common stock has traded on the New York Stock Exchange under the symbol GRM since February 11, 2010. Prior to that date, there was no public market for its common stock. The following table sets forth, for the periods indicated, the high and low sales prices per share of its common stock, as reported by the New York Stock Exchange, since February 11, 2010.

	Price Range	
	High	Low
Quarter ended March 31, 2010 (1)	$ 13.20	$ 7.34
Quarter ended June 30, 2010	13.52	11.34
Quarter ended September 30, 2010	14.12	10.32
Quarter ended December 31, 2010	$ 13.82	$ 11.37

(1) The Company s common stock began trading on February 11, 2010.

Dividend Policy

The Company has not paid any cash dividends since inception and does not anticipate paying any cash dividends for the foreseeable future, and instead intends to retain earnings, if any, for future operation and expansion. Any decision to pay dividends in the future will be at the discretion of its board of directors and will depend on, among other things, the Company s results of operations, financial condition, level of indebtedness, cash requirements, contractual restrictions and other factors that its board of directors may deem relevant. In addition, the Company s ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness it or its subsidiaries incur, including the Company s Credit Agreement and indentures.

Table of Contents

Item 6. Selected Financial Data

The following tables set forth the selected historical consolidated financial data of the Company for and at the end of each of the years in the five-year period ended December 31, 2010. The information in the following tables gives effect to the 1,465.4874-for-one stock split of the Company s common stock which occurred on February 4, 2010. The selected consolidated statement of operations data and the selected consolidated cash flow data for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, and the selected consolidated balance sheet data as of December 31, 2010, 2009, 2008 and 2007, have been derived from the Company s audited consolidated financial statements. The selected consolidated balance sheet data as of December 31, 2006, is unaudited. The following tables should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations (Item 7) and the Financial Statements included under Item 8.

	Year Ended December 31,				
	2010 (1)	**2009**	**2008**	**2007**	**2006**
	(In millions, except share and per share data)				
STATEMENT OF OPERATIONS DATA:					
Net sales (2)	$ 2,512.7	$ 2,271.0	$ 2,559.0	$ 2,470.9	$ 2,500.4
Cost of goods sold (2)	2,076.3	1,866.6	2,183.3	2,129.4	2,212.3
Gross profit (2)	436.4	404.4	375.7	341.5	288.1
Selling, general and administrative expenses	181.4	122.4	127.6	136.2	131.3
Asset impairment charges (3)	9.6	41.8	96.1	157.7	25.9
Net loss on disposal of property, plant and equipment	3.7	6.5	6.8	19.5	14.3
Operating income	241.7	233.7	145.2	28.1	116.6
Interest expense	185.6	176.9	180.0	205.9	205.3
Interest income	(0.7)	(1.1)	(0.8)	(0.9)	(0.6)
Net loss on debt extinguishment	31.1	8.7		4.5	2.1
Write-off of amounts in accumulated other comprehensive income related to interest rate swaps	7.0				
Increase in income tax receivable obligations	5.0				
Other expense (income), net	2.6	(1.6)	0.4	2.0	2.2
Income tax (benefit) provision (4)	(50.7)	27.0	13.0	20.3	27.5
Income (loss) from continuing operations	61.8	23.8	(47.4)	(203.7)	(119.9)
Loss from discontinued operations		(9.5)	(10.5)	(3.7)	(1.1)
Net income (loss)	61.8	14.3	(57.9)	(207.4)	(121.0)
Net income attributable to noncontrolling interests (5)	7.1	3.2			
Net income (loss) attributable to Graham Packaging Company Inc. stockholders	$ 54.7	$ 11.1	$ (57.9)	$ (207.4)	$ (121.0)
EARNINGS PER SHARE (5):					
Income (loss) from continuing operations per share:					
Basic	$ 0.91	$ 0.45	$ (1.10)	$ (4.74)	$ (2.79)
Diluted	$ 0.89	$ 0.44	$ (1.10)	$ (4.74)	$ (2.79)
Loss from discontinued operations per share:					
Basic	$	$ (0.19)	$ (0.25)	$ (0.09)	$ (0.03)
Diluted	$	$ (0.19)	$ (0.25)	$ (0.09)	$ (0.03)
Net income (loss) attributable to Graham Packaging Company Inc. stockholders per					

share:					
Basic	$ 0.91	$ 0.26	$ (1.35)	$ (4.83)	$ (2.82)
Diluted	$ 0.89	$ 0.25	$ (1.35)	$ (4.83)	$ (2.82)
Weighted average shares outstanding:					
Basic	60,334,473	42,981,204	42,975,419	42,975,419	42,975,419
Diluted	61,410,535	42,985,179	42,975,419	42,975,419	42,975,419

Table of Contents

	As of December 31,				
	2010 (1)	2009	2008	2007	2006 (Unaudited)
	(In millions)				
BALANCE SHEET DATA (6):					
Cash and cash equivalents	$ 153.0	$ 147.8	$ 43.9	$ 18.3	$ 13.3
Working capital (7)	149.0	120.1	190.3	186.2	158.4
Total assets	2,806.8	2,126.3	2,149.8	2,377.3	2,586.0
Total debt (8)	2,832.8	2,436.9	2,499.2	2,534.3	2,546.9
Equity (deficit)	$ (530.7)	$ (763.1)	$ (818.4)	$ (645.8)	$ (454.9)

	Year Ended December 31,				
	2010(1)	2009	2008	2007	2006
	(In millions)				
OTHER DATA:					
Cash flow provided by (used in) (6):					
Operating activities	$ 230.1	$ 325.5	$ 211.2	$ 174.2	$ 263.0
Investing activities	(735.6)	(150.5)	(144.4)	(149.1)	(172.4)
Financing activities	511.1	(73.9)	(33.6)	(23.2)	(104.6)
Depreciation and amortization (9)	$ 171.1	$ 159.4	$ 177.8	$ 203.7	$ 206.1

(1) On July 1, 2010, and September 23, 2010, the Company purchased China Roots and the Liquid Entities, respectively. Results of operations for these entities are included since the dates of the acquisitions.

(2) Net sales and cost of goods sold increase or decrease based on fluctuations in resin prices. Consistent with industry practice and as permitted under agreements with the Company s customers, resin price changes are passed through to customers by means of corresponding changes in product pricing. Net sales and cost of goods sold are also impacted by changes in exchange rates and other factors, as further described in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

(3) The Company evaluated the recoverability of its long-lived tangible and intangible assets in selected locations, due to indicators of impairment, and recorded impairment charges of $9.6 million, $41.8 million, $94.7 million, $156.6 million and $14.2 million for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively. Goodwill is reviewed for impairment on at least an annual basis. The resulting impairment charges recognized were $1.4 million, $1.1 million and $11.7 million for the years ended December 31, 2008, 2007 and 2006, respectively. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations for a further discussion.

(4) Included in the amount for the year ended December 31, 2010, is the reversal of valuation allowances previously established on the net deferred tax assets of certain domestic subsidiaries in the amount of $86.6 million and certain foreign subsidiaries in the amount of $3.8 million.

(5) Earnings per share is calculated based on amounts attributable to Graham Packaging Company Inc. stockholders and excludes amounts attributable to noncontrolling interests. Net income attributable to noncontrolling interests consists of $7.1 million of income related to continuing operations for the year ended December 31, 2010. Net income attributable to noncontrolling interests consists of $4.6 million of income related to continuing operations and $1.4 million of loss related to discontinued operations for the year ended December 31, 2009.

(6) Includes both continuing and discontinued operations.
(7) Working capital is defined as current assets, less cash and cash equivalents, minus current liabilities, less current maturities of long-term debt.
(8) Total debt includes capital lease obligations and current portion of long-term debt.
(9) Depreciation and amortization includes continuing and discontinued operations, and excludes asset impairment charges and amortization of debt issuance fees, which is included in interest expense.

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations
Overview

We are a worldwide leader in the design, manufacture and sale of value-added, custom blow molded plastic containers for branded consumer products. We operate in product categories where customers and end users value the technology and innovation that our custom plastic containers offer as an alternative to traditional packaging materials such as glass, metal and paperboard. We selectively pursue opportunities where we can leverage our technology portfolio to continue to drive the trend of conversion to plastic containers from other packaging materials. Our customers include leading multi-national and regional blue-chip consumer product companies that seek customized, sustainable plastic container solutions in diverse and stable end markets, such as the food and beverage and the household consumer products markets. We believe we are well-positioned to meet the evolving needs of our customers who often use our technology to differentiate their products with value-added design and performance characteristics such as smooth-wall panel-less bottles, unique pouring and dispensing features, multilayer bottles incorporating barrier technologies to extend shelf life, and ultra lightweight bottles with hot-fill capabilities that allow containers to be filled at high temperatures.

As of December 31, 2010, we operated a network of 98 manufacturing facilities throughout North America, Europe, South America and Asia. We are organized and managed on a geographical basis in four operating segments: North America, Europe, South America and Asia. Each operating segment includes four major categories: Food and Beverage, Household, Personal Care/Specialty and Automotive Lubricants. Our primary strategies are to manage our business for stable growth and strong cash flow from operations, leverage our technology portfolio to meet the needs of our customers, target organic growth in attractive markets utilizing our proven business model, continue to focus on operational excellence, and supplement our organic growth with opportunistic strategic investments.

We believe that the critical success factors to our business are our ability to:

- maintain relationships with, and serve the complex packaging demands of, our customers, which include some of the world s largest branded consumer products companies;
- participate in growth opportunities associated with the conversion of packaging products from glass, metal and paper to plastic;
- develop proprietary technologies that provide a meaningful competitive advantage in product design, product performance, process technology and sustainability features;
- focus on operational excellence, cost reductions and overall efficiencies;
- make investments in plant and technology necessary to satisfy the factors mentioned above; and
- reduce our financial leverage.

We intend to capitalize on our leadership positions in value-added custom plastic containers to increase our EBITDA (as defined herein) and cash flow in order to reduce our financial leverage and increase stockholder return.

We believe that the area with the greatest opportunity for growth continues to be in producing containers for the food and beverage product category because of the industry s continued conversion to plastic packaging, including the demand for containers for juices and juice drinks, nutritional beverages, beer, yogurt drinks, liquor, teas, sports drinks/isotonics, vitamin enhanced waters, snacks, sauces, jellies, and jams. Much of the growth in this area in recent years has been in the sale of smaller sized containers. We believe we are a leader in providing value-added hot-fill PET juice containers. We also believe we are a leading participant in the growing markets for yogurt drinks and nutritional beverages where we manufacture containers using polyolefin resins.

Growth in our household container product category was fueled in prior years by conversions from powders to liquids for such products as detergents, household cleaners and automatic dishwashing detergent. Our strongest position is in fabric care, where management believes we are a leader in plastic container design and manufacture. It should be noted the fabric care industry now offers most of its brands in a concentrated formula which has reduced sales in this product category.

Our personal care/specialty product category is driven by new product launch and re-launch cycles of our customers. Based on the volume of our sales to many major suppliers of personal care/specialty products, management believes we are among the leading suppliers in this product category, which includes products for the hair care, skin care, oral care and specialty markets. Management believes that our supply position results from our commitment to, and reputation in, new product development and flexible manufacturing processes and operations.

Our North American one-quart/liter motor oil container product category is in a mature industry. Unit volume in the one-quart/liter motor oil industry decreased approximately 8% per year from 2006 through 2010 as the product category migrated towards the quick-lube market and larger multi-quart/liter packages. Even though we believe we have the largest market share of multi-quart/liter containers, these sales only partially offset the loss in sales of one-quart/liter containers.

As of December 31, 2010, we operated 31 manufacturing facilities outside of the United States in Argentina, Belgium, Brazil, Canada, China, Finland, France, Mexico, the Netherlands, Poland, Spain, Turkey, the United Kingdom and Venezuela. Over the past few years, we have expanded our international operations with the addition of three new plants in Brazil, one new plant in Mexico and one new plant in China.

For the year ended December 31, 2010, 2009 and 2008, 69.3%, 68.8% and 71.1% of our net sales, respectively, were generated by our top twenty customers. All of the top twenty customers were under long-term contracts with terms up to ten years and have been doing business with us for over 20 years on average. Prices under these arrangements are typically tied to plastic resin market standards and, therefore, vary with market conditions. In general, the contracts have annually set minimum purchase requirements but do not obligate the customer to purchase any given amount of product from us beyond one year. Our sales to PepsiCo, our largest customer, were 9.6%, 10.8% and 13.3% of total sales for the years ended December 31, 2010, 2009 and 2008, respectively. All of these sales were made in North America.

The largest component of our cost of goods sold is resin costs. Based on certain resin industry indices, the following table summarizes average market prices per pound of PET and HDPE resins in the United States during the periods indicated:

	Year		
	2010	**2009**	**2008**
PET	$ 0.81	$ 0.73	$ 0.87
HDPE	0.82	0.67	0.86

Resin and colorants make up a significant part of our cost of goods sold. Colorants are pigments added to the resin to formulate different colors of blow molded plastic bottles. Changes in the cost of colorants are typically passed through to customers, similarly to resin. On a percentage basis, resin and colorant costs generally make up between 40% and 50% of cost of goods sold, depending on the price of resin and colorants and bottle features. As a percentage of net sales, resin and colorant costs make up between 35% and 40%, in general. The percentage depends not only on the price of the resin and colorants, but also the physical characteristics of the bottle, such as size, weight, design features, labels and decorations, color and the technology platform and equipment used to make the bottle.

Changes in the cost of resin are passed through to customers by means of corresponding changes in product pricing, in accordance with our agreements with these customers and industry practice. A sustained increase in resin prices relative to other packaging materials, to the extent that those costs are not passed on to the end-consumer, would make plastic containers less economical for our customers and could result in a slower pace of conversions to, or reductions in the use of, plastic containers. The timing of the Liquid Entities pass-through arrangements has resulted in their being slightly more exposed to fluctuations in resin prices than we have historically been. These provisions will continue to be in effect until we renegotiate those customer contracts.

Acquisitions

On September 23, 2010, we acquired the Liquid Entities for approximately $564.3 million, subject to a potential working capital adjustment, which could be material. Included in this amount was a payment of $208.2 million to satisfy existing indebtedness of the Liquid Entities, including accrued interest, then outstanding.

The Liquid Acquisition represents a strategically important acquisition for us as it expands our customer reach within our existing food and consumer products end markets while providing us with additional technological capabilities and an expansion of our geographical reach. The Liquid Acquisition will significantly increase the size

Table of Contents

and scope of our operations, particularly in the food product category, and provide us with considerable opportunities to convert new products to plastic containers. The Liquid Entities have been a leader in custom blow molded plastic containers used in cold-fill applications and have new hot-fill technologies, which complement our technologies, and which we believe can help drive new conversions. The Liquid Entities have a similar financial profile to ours, as they use technology to serve their customer base with innovative and cost effective packaging solutions. We believe the combined purchasing power can yield savings in freight, energy, outside services, leased equipment and miscellaneous raw materials such as packaging, pallets, shrink wrap and spare parts. Additionally, we believe we can eliminate overlapping corporate functions and expenses.

On July 1, 2010, we acquired China Roots, a plastic container manufacturing company located in Guangzhou, China, for approximately $15 million, subject to certain adjustments. China Roots manufactures plastic containers and closures for food, health care, personal care and petrochemical products. Its customers include several global consumer product marketers.

The results of operations for the year ended December 31, 2010, include the results of operations of the Liquid Entities since September 23, 2010, and China Roots since July 1, 2010. As a result, the results of operations for the year ended December 31, 2010, are not fully comparable to the results of operations for the year ended December 31, 2009. Net sales and operating income of the Liquid Entities included in the Company s consolidated results of operations totaled $101.4 million and $0.0 million, respectively, for the year ended December 31, 2010. Net sales and operating income of China Roots included in the Company s consolidated results of operations totaled $9.3 million and $0.7 million, respectively, for the year ended December 31, 2010.

Results of Operations

The following tables set forth the major components of our net sales and such net sales expressed as a percentage of total net sales:

	Year Ended December 31,					
	2010		2009		2008	
	(Dollars in millions)					
North America	$ 2,177.5	86.6%	$ 1,942.5	85.5%	$ 2,195.0	85.8%
Europe	225.8	9.0	235.7	10.4	274.2	10.7
South America	99.7	4.0	92.8	4.1	89.8	3.5
Asia	9.7	0.4				
Total Net Sales	$ 2,512.7	100.0%	$ 2,271.0	100.0%	$ 2,559.0	100.0%

	Year Ended December 31,					
	2010		2009		2008	
	(Dollars in millions)					
Food and Beverage	$ 1,586.4	63.2%	$ 1,385.5	61.0%	$ 1,561.3	61.0%
Household	442.9	17.6	423.0	18.6	491.6	19.2
Personal Care/Specialty	163.9	6.5	171.3	7.6	186.8	7.3
Automotive Lubricants	319.5	12.7	291.2	12.8	319.3	12.5
Total Net Sales	$ 2,512.7	100.0%	$2,271.0	100.0%	$ 2,559.0	100.0%

Table of Contents

2010 Compared to 2009

The following table sets forth the summary of the condensed consolidated statements of income and related percentage changes for the periods indicated:

	Year Ended December 31,		Increase/	% Increase/
	2010	2009	(Decrease)	(Decrease)
	(Dollars in millions)			
Net sales	$ 2,512.7	$ 2,271.0	$ 241.7	10.6%
Cost of goods sold	2,076.3	1,866.6	209.7	11.2
Gross profit (1)	436.4	404.4	32.0	7.9
% of net sales (2)	17.4%	17.8%		
Selling, general and administrative expenses (1)	181.4	122.4	59.0	