Graham Packaging Company Inc.

Financial statements for the period ended

December 31, 2010

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Graham Packaging Company Inc.
York, Pennsylvania

We have audited the accompanying consolidated balance sheets of Graham Packaging Company, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive income (loss), equity (deficit) and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2011 (not included herein) expressed an unqualified opinion on the Company's internal control over financial reporting.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2009, the Company adopted a new accounting and reporting standard related to non-controlling interest.

/s/ DELOITTE & TOUCHE LLP

Philadelphia, Pennsylvania
February 24, 2011
(October 19, 2011, as to Note 30)

Graham Packaging Company Inc.

Consolidated balance sheets

	December 31, 2010	December 31, 2009
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 152,964	$ 147,808
Accounts receivable, net	216,368	191,685
Inventories	247,166	194,702
Deferred income taxes	14,616	3,446
Prepaid expenses and other current assets	42,363	58,297
Total current assets	673,477	595,938
Property, plant and equipment	2,248,597	1,974,152
Less accumulated depreciation and amortization	1,045,455	956,374
Property, plant and equipment, net	1,203,142	1,017,778
Intangible assets, net	195,780	43,012
Goodwill	643,064	437,058
Other non-current assets	91,364	32,506
Total assets	$2,806,827	$ 2,126,292
Liabilities and Equity (Deficit)		
Current liabilities:		
Current portion of long-term debt	$ 34,007	$ 100,657
Accounts payable	142,585	111,013
Accrued expenses and other current liabilities	196,432	186,806
Deferred revenue	32,471	30,245
Total current liabilities	405,495	428,721
Long-term debt	2,798,824	2,336,206
Deferred income taxes	32,428	24,625
Other non-current liabilities	100,804	99,854
Commitments and contingent liabilities (see Notes 22 and 23)		
Equity (deficit):		
Graham Packaging Company Inc. stockholders' equity (deficit):		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized, shares issued and outstanding 63,311,512 and 42,998,786	633	430
Additional paid-in capital	459,422	297,470
Retained earnings (deficit)	(977,318)	(1,032,887)
Notes and interest receivable for ownership interests	(4,838)	(6,353)
Accumulated other comprehensive income (loss)	(22,508)	(31,123)
Graham Packaging Company Inc. stockholders' equity (deficit)	(544,609)	(772,463)
Noncontrolling interests	13,885	9,349
Equity (deficit)	(530,724)	(763,114)
Total liabilities and equity (deficit)	$2,806,827	$ 2,126,292

See accompanying notes to consolidated financial statements.

Graham Packaging Company Inc.

Consolidated statements of operations

	Year ended December 31,		
	2010	2009	2008
	(In thousands, except share and per share data)		
Net sales	$ 2,512,733	$ 2,271,034	$ 2,558,954
Cost of goods sold	2,076,284	1,866,585	2,183,286
Gross profit	436,449	404,449	375,668
Selling, general and administrative expenses	181,359	122,490	127,568
Asset impairment charges	9,621	41,826	96,064
Net loss on disposal of property, plant and equipment	3,758	6,452	6,834
Operating income	241,711	233,681	145,202
Interest expense	185,581	176,861	180,042
Interest income	(663)	(1,103)	(804)
Net loss on debt extinguishment	31,132	8,726	—
Write-off of amounts in accumulated other comprehensive income related to interest rate swaps	6,988	—	—
Increase in income tax receivable obligations	4,971	—	—
Other expense (income), net	2,613	(1,551)	404
Income (loss) before income taxes	11,089	50,748	(34,440)
Income tax (benefit) provision	(50,700)	27,014	12,977
Income (loss) from continuing operations	61,789	23,734	(47,417)
Loss from discontinued operations	—	(9,481)	(10,506)
Net income (loss)	61,789	14,253	(57,923)
Net income attributable to noncontrolling interests	7,077	3,174	—
Net income (loss) attributable to Graham Packaging Company Inc. stockholders	$ 54,712	$ 11,079	$ (57,923)
Earnings per share:			
Income (loss) from continuing operations per share:			
Basic	$ 0.91	$ 0.45	$ (1.10)
Diluted	$ 0.89	$ 0.44	$ (1.10)
Loss from discontinued operations per share:			
Basic	$ —	$ (0.19)	$ (0.25)
Diluted	$ —	$ (0.19)	$ (0.25)
Net income (loss) attributable to Graham Packaging Company Inc. stockholders per share:			
Basic	$ 0.91	$ 0.26	$ (1.35)
Diluted	$ 0.89	$ 0.25	$ (1.35)
Weighted average shares outstanding:			
Basic	60,334,473	42,981,204	42,975,419
Diluted	61,410,535	42,985,179	42,975,419

See accompanying notes to consolidated financial statements.

Graham Packaging Company Inc.

Consolidated statements of comprehensive income (loss)

	Year ended December 31,		
	2010	2009	2008
		(In thousands)	
Net income (loss)	$61,789	$14,253	$ (57,923)
Other comprehensive income (loss):			
Changes in fair value of derivatives designated and accounted for as cash flow hedges (net of tax of $0 for all years presented)	—	490	(22,361)
Amortization of amounts in accumulated other comprehensive income (loss) as of the date the Company discontinued hedge accounting for its interest rate collar and swap agreements (net of tax of $0 for all years presented)(1)	12,956	9,621	—
Amortization of prior service costs and unrealized actuarial losses included in net periodic benefit costs for pension and post-retirement plans (net of tax benefits of $206, $118 and $342 for 2010, 2009 and 2008, respectively)	(4,118)	10,432	(29,028)
Foreign currency translation adjustments (net of tax benefits of $90, $22 and $985 for 2010, 2009 and 2008, respectively)	(1,966)	19,579	(65,941)
Total other comprehensive income (loss)	6,872	40,122	(117,330)
Comprehensive income (loss)	68,661	54,375	(175,253)
Comprehensive income attributable to noncontrolling interests	7,727	9,215	—
Comprehensive income (loss) attributable to Graham Packaging Company Inc. stockholders	$60,934	$45,160	$(175,253)

(1) Amount for the year ended December 31, 2010, includes the write-off of the remaining amount of $7.0 million as a result of the extinguishment of the Term Loan B (as defined herein) on September 23, 2010.

See accompanying notes to consolidated financial statements.

Graham Packaging Company Inc.

Consolidated statements of equity (deficit)

	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings (deficit)	Notes and interest receivable for ownership interests	Accumulated other comprehensive income (loss)	Graham Packaging Company Inc. stockholders' equity (deficit)	Non-controlling interests	Equity (deficit)
	(In thousands, except share data)								
Consolidated balance at January 1, 2008	42,975,419	$430	$293,850	$ (986,043)	$(6,171)	$ 52,126	$(645,808)	$ —	$(645,808)
Net loss for the year	—	—	—	(57,923)	—	—	(57,923)	—	(57,923)
Other comprehensive loss	—	—	—	—	—	(117,330)	(117,330)	—	(117,330)
Stock compensation expense	—	—	2,560	—	—	—	2,560	—	2,560
Interest on notes receivable	—	—	—	—	(121)	—	(121)	—	(121)
Equity transaction of consolidated subsidiary	—	—	240	—	—	—	240	—	240
Consolidated balance at December 31, 2008	42,975,419	430	296,650	(1,043,966)	(6,292)	(65,204)	(818,382)	—	(818,382)
Net income for the year	—	—	—	11,079	—	—	11,079	3,174	14,253
Other comprehensive income	—	—	—	—	—	34,081	34,081	6,041	40,122
Stock compensation expense	—	—	761	—	—	—	761	134	895
Interest on notes receivable	—	—	—	—	(273)	—	(273)	—	(273)
Repayment of notes receivable	—	—	—	—	387	—	387	—	387
Purchase of ownership interests	—	—	—	—	(175)	—	(175)	—	(175)
Net proceeds from net issuance of ownership interests	23,367	—	59	—	—	—	59	—	59
Consolidated balance at December 31, 2009	42,998,786	430	297,470	(1,032,887)	(6,353)	(31,123)	(772,463)	9,349	(763,114)
Net income for the year	—	—	—	54,712	—	—	54,712	7,077	61,789
Other comprehensive income	—	—	—	—	—	6,222	6,222	650	6,872
Stock compensation expense	—	—	1,090	—	—	—	1,090	122	1,212
Units of Holdings (as defined herein) issued under compensation plans	—	—	—	—	—	—	—	4,344	4,344
Interest on notes receivable	—	—	—	—	(367)	—	(367)	—	(367)
Repayment of notes receivable	—	—	—	—	1,882	—	1,882	—	1,882
Net proceeds from initial issuance of common stock	18,232,267	183	162,975	—	—	—	163,158	—	163,158
Common stock issued under exchange agreements	2,080,459	20	4,387	857	—	2,393	7,657	(7,657)	—
Initial obligations under income tax receivable agreements	—	—	(6,500)	—	—	—	(6,500)	—	(6,500)
Consolidated balance at December 31, 2010	63,311,512	$633	$459,422	$ (977,318)	$(4,838)	$ (22,508)	$(544,609)	$13,885	$(530,724)

See accompanying notes to consolidated financial statements.

Graham Packaging Company Inc.

Consolidated statements of cash flows

	Year ended December 31,		
	2010	2009	2008
	(In thousands)		
Operating activities:			
Net income (loss)	$ 61,789	$ 14,253	$ (57,923)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	171,088	159,417	177,784
Amortization of debt issuance fees	6,109	7,961	10,343
Accretion of senior unsecured notes	476	47	—
Net loss on debt extinguishment	31,132	8,726	—
Write-off of amounts in accumulated other comprehensive income related to interest rate swaps	6,988	—	—
Net loss on disposal of property, plant and equipment	3,758	9,991	6,834
Pension expense	3,151	5,118	2,625
Asset impairment charges	9,621	47,721	103,922
Unrealized loss on termination of cash flow hedge accounting	(2,973)	3,798	—
Stock compensation expense	1,212	895	2,560
Equity income from unconsolidated subsidiaries	(49)	(4)	—
Deferred tax (benefit) provision	(65,925)	9,082	932
Increase in income tax receivable obligations	4,971	—	—
Foreign currency transaction (gain) loss	(191)	254	(1,621)
Interest receivable on loans to owners	(367)	(273)	(121)
Changes in operating assets and liabilities, net of acquisitions of businesses:			
Accounts receivable	14,134	42,203	1,651
Inventories	(14,369)	28,600	30,674
Prepaid expenses and other current assets	14,402	1,459	(12,195)
Other non-current assets	(11,633)	(4,599)	(6,426)
Accounts payable and accrued expenses	9,228	430	(41,299)
Pension contributions	(7,339)	(16,328)	(7,991)
Other non-current liabilities	(5,126)	6,718	1,452
Net cash provided by operating activities	230,087	325,469	211,201
Investing activities:			
Cash paid for property, plant and equipment	(157,119)	(146,011)	(148,576)
Proceeds from sale of property, plant and equipment	631	984	4,156
Acquisitions of/investments in businesses, net of cash acquired	(579,049)	(1,385)	—
Cash paid for sale of businesses	(55)	(4,118)	—
Net cash used in investing activities	(735,592)	(150,530)	(144,420)
Financing activities:			
Proceeds from issuance of long-term debt	708,841	311,889	328,182
Payment of long-term debt	(333,463)	(355,847)	(362,024)
Debt issuance fees	(35,856)	(27,193)	—
Proceeds from the issuance of common stock, net of underwriting discount of $11.3 million	171,055	—	—
Payment of other expenses for the issuance of common stock	(5,669)	(3,023)	—
Repayment of notes and interest for ownership interests	1,882	387	—
Proceeds from issuance of ownership interests	4,344	—	240
Net proceeds from net issuance of ownership interests	—	59	—
Purchase of ownership interests	—	(175)	—
Net cash provided by (used in) financing activities	511,134	(73,903)	(33,602)
Effect of exchange rate changes on cash and cash equivalents	(473)	2,893	(7,614)
Increase in cash and cash equivalents	5,156	103,929	25,565
Cash and cash equivalents at beginning of year	147,808	43,879	18,314
Cash and cash equivalents at end of year	$ 152,964	$ 147,808	$ 43,879
Supplemental disclosures:			
Cash paid for interest, net of amounts capitalized	$ 161,122	$ 177,664	$ 169,035
Cash paid for income taxes (net of refunds)	$ 21,064	$ 19,210	$ 9,295
Non-cash investing and financing activities:			
Capital leases	$ —	$ 1,551	$ 403
Accruals for purchases of property, plant and equipment	$ 10,587	$ 10,469	$ 13,806
Accruals related to acquisitions	$ 826	$ —	$ —
Accruals for debt issuance fees	$ 136	$ 335	$ —

See accompanying notes to consolidated financial statements.

Graham Packaging Company Inc.

Notes to consolidated financial statements
December 31, 2010

1. Significant accounting policies

Description of business

The Company focuses on the manufacture and sale of value-added 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.

Principles of consolidation

The consolidated financial statements include the operations of Graham Packaging Company Inc. ("GPC"), formerly BMP/Graham Holdings Corporation, a Delaware corporation formed by Blackstone Capital Partners III Merchant Banking Fund L.P.; BCP/Graham Holdings L.L.C. ("BCP" and together with GPC, the "Equity Investors"), a Delaware limited liability company and a wholly-owned subsidiary of GPC; Graham Packaging Holdings Company ("Holdings"), a Pennsylvania limited partnership, formerly known as Graham Packaging Company; Holdings' wholly-owned subsidiary Graham Packaging Company, L.P. (the "Operating Company"), a Delaware limited partnership, formerly known as Graham Packaging Holdings I, L.P.; and subsidiaries thereof. These entities and assets, as well as other wholly-owned subsidiaries of GPC and Holdings, are referred to collectively as Graham Packaging Company Inc. (the "Company").

GPC owned an 88.0% limited partnership interest and BCP owned a 2.9% general partnership interest in Holdings as of December 31, 2010. The Graham Family (defined as Graham Capital Company, GPC Investments, LLC, Graham Alternative Investment Partners I, LP, Graham Engineering Corporation and other entities controlled by Donald C. Graham and his family) owned a 9.0% limited partnership interest in Holdings as of December 31, 2010. A former member of management owned a 0.1% limited partnership interest in Holdings as of December 31, 2010. Additionally, Holdings owns a 99% limited partnership interest in the Operating Company, and GPC Opco GP L.L.C., a wholly-owned subsidiary of Holdings, owns a 1% general partnership interest in the Operating Company.

In addition, the consolidated financial statements of the Company include 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. The purpose of CapCo I is solely to act as co-obligor with the Operating Company under the Notes (as defined herein) and as co-borrower with the Operating Company 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 independent operations. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

GPC (63.6% owned by Blackstone Capital Partners III Merchant Banking Fund L.P., Blackstone Offshore Capital Partners III L.P. and Blackstone Family Investment Partnership III L.P. (collectively, "Blackstone"), 0.9% owned by the Graham Family, 0.2% owned by management and 35.3% owned by other investors as of December 31, 2010) has no operations. GPC's only assets are its direct and indirect investments in Holdings and its ownership of BCP. Holdings has no assets, liabilities or operations other than its direct and indirect investments in the Operating Company and its ownership of CapCo II and GPC Opco GP L.L.C. Holdings has fully and unconditionally guaranteed the Notes of the Operating Company and CapCo I.

Noncontrolling interests

On January 1, 2009, the Company adopted new guidance issued under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810-10, "Consolidations." This guidance establishes new standards that govern the accounting for, and reporting of, noncontrolling interests in partially-owned consolidated subsidiaries and the loss of control of subsidiaries. Specifically, the guidance requires that: (1) a noncontrolling interest, previously referred to as minority interest, is to be reported as part of equity in

1. Significant accounting policies (continued)

the consolidated financial statements; (2) losses are to be allocated to a noncontrolling interest even when such allocation might result in a deficit balance, thereby reducing the losses attributed to the controlling interest; (3) changes in ownership interest are to be treated as equity transactions if control is maintained; (4) changes in ownership interest resulting in a gain or loss are to be recognized in earnings if control is gained or lost; and (5) in a business combination the noncontrolling interest's share of net assets acquired is to be recorded at fair value, plus its share of goodwill. The provisions under this guidance are prospective upon adoption, except for the presentation and disclosure requirements. The presentation and disclosure requirements must be applied retrospectively for all periods presented. Accordingly, the Company's Consolidated Balance Sheets as of December 31, 2010 and 2009, and the Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2010, 2009 and 2008, reflect this guidance.

The Company attributes earnings and losses of Holdings to the noncontrolling interests of Holdings based on the noncontrolling interests' relative unit ownership percentages. Net income attributable to the noncontrolling interests was $7.1 million and $3.2 million for the years ended December 31, 2010 and 2009, respectively. Net loss attributable to the noncontrolling interests of $8.6 million for the year ended December 31, 2008, has been allocated to the GPC stockholders. As of December 31, 2010, accumulated comprehensive income of $13.9 million attributable to the noncontrolling interests is included in a separate component of equity (deficit). As of December 31, 2010, accumulated losses, incurred prior to the adoption of this guidance, of $69.9 million attributable to the noncontrolling interests have been allocated to the GPC stockholders and are included in the retained deficit.

Revenue recognition

The Company recognizes revenue on product sales in the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, under which title and risk of loss have been transferred, collectability is reasonably assured and pricing is fixed or determinable. For a small percentage of sales where title and risk of loss pass at point of delivery, the Company recognizes revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met. Sales are recorded net of discounts, allowances and returns. Sales allowances are recorded as a reduction to sales in accordance with the guidance under ASC 605-50, "Customer Payments and Incentives." The Company maintains a sales return allowance to reduce sales for estimated future product returns.

Cost of goods sold

Cost of goods sold includes the cost of inventory (materials and conversion costs) sold to customers, shipping and handling costs and warehousing costs. It also includes inbound freight charges, purchasing and receiving costs, quality assurance costs, safety and environmental-related costs, packaging costs, internal transfer costs and other costs of the Company's distribution network.

Selling, general and administrative expenses

Selling, general and administrative expenses include the costs for the Company's sales force and its related expenses, the costs of support functions, including information technology, finance, human resources, legal, global vendor contract services and executive management, and their related expenses and the costs of the Company's research and development activities.

Research and development costs

The Company expenses costs to research, design and develop new packaging products and technologies as incurred. 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.

1. Significant accounting policies (continued)

Equity investments

Investments in which the Company owns 20% to 50% of the common stock of, or otherwise exercises significant influence over, an investee are accounted for under the equity method. Under the equity method of accounting, investments are stated at initial cost and are adjusted for subsequent additional investments, the proportionate share of earnings and losses and distributions. The Company reviews the value of equity method investments and records impairment charges in the consolidated statement of operations for any decline in value that is determined to be other-than-temporary. The carrying value of this investment as of each of December 31, 2010 and 2009, was $1.4 million.

On August 12, 2009, the Company purchased a 22% interest in PPI Blow Pack Private Limited, an Indian limited liability company, for $1.4 million which is being accounted for under the equity method of accounting and is reflected in other non-current assets.

Cash and cash equivalents

The Company considers cash and investments with an initial maturity of three months or less when purchased to be cash and cash equivalents. Outstanding checks of $9.6 million and $7.3 million as of December 31, 2010 and 2009, respectively, are included in accounts payable on the Consolidated Balance Sheets.

Accounts receivable

The Company maintains allowances for estimated losses resulting from the inability of specific customers to meet their financial obligations to the Company. A specific reserve for doubtful receivables is recorded against the amount due from these customers. For all other customers, the Company recognizes reserves for doubtful receivables based on the length of time specific receivables are past due based on past experience.

Inventories

Inventories include material, labor and overhead and are stated at the lower of cost or market with cost determined by the first-in, first-out ("FIFO") method. Provisions for potentially obsolete or slow-moving inventory are made based on management's analysis of inventory levels, historical usage and market conditions. See Note 6.

Property, plant and equipment

Property, plant and equipment are stated at cost. The Company capitalizes significant improvements, and charges repairs and maintenance costs that do not extend the lives of the assets to expense as incurred. The Company accounts for its molds in accordance with the guidance under ASC 340-10, "Pre-Production Costs Related to Long-Term Supply Arrangements." All capitalizable molds, whether owned by the Company or its customers, are included in property, plant and equipment in the Consolidated Balance Sheets. Interest costs are capitalized during the period of construction of capital assets as a component of the cost of acquiring these assets. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the various assets ranging from 2 to 31.5 years. Depreciation and amortization are included in cost of goods sold and selling, general and administrative expenses on the Consolidated Statements of Operations based on the use of the assets. The Company removes the cost and accumulated depreciation of assets sold or otherwise disposed of from the accounts and recognizes any resulting gain or loss upon the disposition of the assets.

Conditional asset retirement obligations

The Company accounts for obligations associated with the retirement of its tangible long-lived assets in accordance with ASC 410-20, "Asset Retirement Obligations." The Company recognizes a liability for a conditional asset retirement obligation when incurred if the liability can be reasonably estimated. A

1. Significant accounting policies (continued)

conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. The Company records corresponding amounts for the asset retirement obligations as increases in the carrying amounts of the related long-lived assets, which are then depreciated over the useful lives of such long-lived assets. The net present value of these obligations was $12.4 million and $11.1 million as of December 31, 2010 and 2009, respectively, which is included in other non-current liabilities.

Goodwill and intangible assets

The Company accounts for purchased goodwill in accordance with ASC 350-10, "Goodwill and Other Intangible Assets." Under this guidance, goodwill is not amortized, but rather is tested for impairment at least annually.

Intangible assets, other than goodwill, with definite lives are amortized over their estimated useful lives. Intangible assets consist of patented technology, customer relationships, trade names and non-compete agreements. The Company amortizes these intangibles using the straight-line method over the estimated useful lives of the assets ranging from 2 to 19 years. The Company periodically evaluates the reasonableness of the estimated useful lives of these intangible assets. See Note 8.

In order to test goodwill for impairment under ASC 350-10, a determination of the fair value of the Company's reporting units is required and is based upon, among other things, estimates of future operating performance. Changes in market conditions, among other factors, may have an impact on these estimates. The Company performs its required annual impairment tests on December 31 of each fiscal year. See Notes 9, 10 and 24.

Other non-current assets

Other non-current assets primarily include deferred income tax assets of $44.6 million and debt issuance fees. Debt issuance fees totaled $27.4 million and $22.0 million as of December 31, 2010 and 2009, respectively. Debt issuance fees are net of accumulated amortization of $15.9 million and $24.6 million as of December 31, 2010 and 2009, respectively. Amortization is computed by the effective interest method over the term of the related debt.

Impairment of long-lived assets and intangible assets

Long-lived assets and amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10, "Impairment or Disposal of Long-Lived Assets." The Company generally uses either a single scenario estimate or a probability-weighted estimate of the future undiscounted cash flows of the related asset or asset grouping over the remaining life in measuring whether the assets are recoverable. Any impairment loss, if indicated, is measured on the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. When fair values are not available, the Company generally estimates fair value using either single scenario expected future cash flows discounted at a risk-adjusted rate or probability-weighted expected future cash flows discounted at a risk-free rate. See Note 10.

Derivatives

The Company accounts for derivatives under ASC 815-10, "Derivative Instruments and Hedging Activities." This guidance establishes accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. ASC 815-10 defines requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. The fair value of the derivatives is determined from sources independent of the Company, including the financial institutions which are party to

1. Significant accounting policies (continued)

the derivative instruments. The fair value of derivatives also considers the credit default risk of the paying party. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item will be recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portion of the change in the fair value of the derivative will be recorded in other comprehensive income (loss) and will be recognized in the income statement when the hedged item affects earnings.

In the past, the Company had entered into interest rate swap and collar agreements, foreign currency exchange contracts and natural gas swap agreements. These derivative contracts had been accounted for as cash flow hedges.

Benefit plans

The Company has several defined benefit plans, under which participants earn a retirement benefit based upon a formula set forth in the plan. Accounting for defined benefit pension plans, and any curtailments thereof, requires various assumptions, including, but not limited to, discount rates, expected rates of return on plan assets and future compensation growth rates. The Company evaluates these assumptions at least once each year, or as facts and circumstances dictate, and makes changes as conditions warrant. Changes to these assumptions will increase or decrease the Company's reported income, which will result in changes to the recorded benefit plan assets and liabilities, the net of which is substantially all included in other non-current liabilities.

Deferred revenue

The Company often receives advance payments related to the design and development of customer molds utilized by the Company under long-term supply arrangements. The Company records these advance payments as deferred revenue and recognizes the related revenue on a straight-line basis over the related term of the long-term supply arrangement. Current and non-current deferred revenue were $32.5 million and $24.4 million, respectively, for the year ended December 31, 2010, and $30.2 million and $28.4 million, respectively, for the year ended December 31, 2009.

Foreign currency translation

The Company uses the local currency as the functional currency for all foreign operations, except as noted below. All assets and liabilities of such foreign operations are translated into U.S. dollars at year-end exchange rates. Income statement items are translated at average exchange rates prevailing during the year. The resulting translation adjustments are included in accumulated other comprehensive income as a component of equity (deficit). Exchange gains and losses arising from transactions denominated in foreign currencies other than the functional currency of the entity entering into the transactions are included in current operations. For operations in highly inflationary economies, the Company remeasures such entities' financial statements as if the functional currency was the U.S. dollar.

Comprehensive income (loss)

The Company follows ASC 220-10, "Comprehensive Income," which requires the classification of items of other comprehensive income (loss) by their nature, and the disclosure of the accumulated balance of other comprehensive income (loss) separately within the equity section of the consolidated balance sheet. Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss), which includes certain changes in equity that are excluded from net income (loss). Changes in fair value of derivatives designated and accounted for as cash flow hedges, amortization of amounts in accumulated other comprehensive income (loss) as of the date the Company discontinued hedge accounting for its interest rate collar and swap agreements, amortization of prior service costs and unrealized actuarial losses included in net periodic benefit costs for pension and post-retirement plans, and foreign currency translation adjustments are included in other comprehensive income (loss) and added to net income (loss) to determine total

1. Significant accounting policies (continued)

comprehensive income (loss), which is displayed in the Consolidated Statements of Comprehensive Income (Loss).

Income taxes

The Company accounts for income taxes in accordance with the guidance under ASC 740-10, "Income Taxes." Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Income tax receivable agreements

In connection with the initial public offering ("IPO"), GPC entered into separate Income Tax Receivable Agreements ("ITRs") with its pre-IPO stockholders (e.g. Blackstone, management and other stockholders) and with GPC Holdings, L.P. ("GPC LP"), an affiliate of the Graham Family. The agreements provide for the payment by GPC of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that is actually realized (or is deemed to be realized in the case of an early termination or change in control as further described in the ITRs) as a result of the utilization of net operating losses attributable to periods prior to the IPO, and any increase to the tax basis of the assets of the Company related to (1) the 1998 acquisition of Holdings and (2) current and future exchanges by the Graham Family of their limited partnership units for common stock of GPC pursuant to the Exchange Agreement, and of certain other tax benefits related to GPC's entering into the ITRs, including tax benefits attributable to payments under the ITRs. Payments under the ITRs are not conditioned upon these parties' continued ownership of the Company or Holdings.

The Company expects that future payments under the ITRs will aggregate to between $200.0 million and $235.0 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 GPC common stock depending on the timing and value of such exchanges. This range is based on the Company's 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. The Company recognizes net deferred income tax assets, including net deferred income tax assets subject to the ITRs, in accordance with the guidance included in ASC 740, "Income Taxes." As a result, changes in the recorded net deferred income tax assets that are subject to the ITRs obligations will result in changes in the ITRs obligations, and such changes will be recorded as non-operating income or expense. As of December 31, 2010, the value of the ITRs obligations was $11.5 million. Because GPC is a holding company with no operations of its own, its ability to make payments under the ITRs is dependent on Holdings' ability to make distributions. Upon the effective date of the respective ITRs, the Company recorded an initial obligation of $6.5 million, which was recognized as a reduction of additional paid-in capital. Additionally, the Company recorded $5.0 million in non-operating expense related to the increase in the ITRs obligations for the year ended December 31, 2010. For the year ended December 31, 2010, no payments have been made under the ITRs.

Option plans

The Company, from time to time, has granted options to purchase partnership units of Holdings, which may be exchanged for shares of GPC's common stock, and options to purchase shares of GPC's common stock. The Company adopted the guidance under ASC 718-20, "Awards Classified as Equity," on January 1, 2006, using the prospective method. In accordance with the guidance under this topic, the Company applied this guidance prospectively to awards issued, modified, repurchased or cancelled after January 1, 2006. Under the guidance of this topic, actual tax benefits, if any, recognized in excess of tax benefits previously

1. Significant accounting policies (continued)

established upon grant are reported as a financing cash inflow. Prior to adoption, such excess tax benefits, if any, were reported as an operating cash inflow.

The Company continued to account for equity-based compensation to employees for awards outstanding as of January 1, 2006, using the intrinsic value method allowed by the guidance in ASC 718-10-30, "Stock Compensation Initial Measurement." The exercise prices of all unit options were equal to or greater than the fair value of the units on the dates of the grants and, accordingly, no compensation cost has been recognized for these options. ASC 718-20 established accounting and disclosure requirements using a fair value based method of accounting for equity-based employee compensation plans. Under ASC 718-20, compensation cost is measured at the grant date based on the value of the award and is recognized over the service (or vesting) period.

Postemployment benefits

The Company maintains deferred compensation plans for the Operating Company's former Chief Executive Officers, which provide them with postemployment benefits. Accrued postemployment benefits of $6.8 million and $7.0 million as of December 31, 2010 and 2009, respectively, were included in liabilities.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events

The Company has evaluated subsequent events that have occurred after the balance sheet date but before the financial statements were available to be issued, which the Company considers to be the date of filing with the Securities and Exchange Commission.

Recently issued accounting pronouncements

In June 2009, the FASB issued guidance under ASC 860, "Transfers and Servicing" (formerly Statement of Financial Accounting Standards ("SFAS") 166, "Accounting for Transfers of Financial Assets, an amendment of SFAS 140"). This guidance enhances the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets, the effects a transfer will have on its financial performance and cash flows and any transferor's continuing involvement in transferred financial assets. The Company adopted this guidance effective January 1, 2010, and the adoption had no impact on its financial statements.

In October 2009, the FASB issued Accounting Standards Update ("ASU") 2009-13, "Multiple Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force." This update provides amendments to the guidance provided under ASC 605, "Revenue Recognition," for separating consideration in multiple-deliverable arrangements and establishes a hierarchy for determining the selling price of a deliverable. The Company adopted this guidance effective January 1, 2011, and the adoption had no impact on its financial statements.

In December 2010, the FASB issued ASU 2010-28, "Intangibles — Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts." ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts by requiring an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. The Company adopted this guidance effective January 1, 2011, and the adoption had no impact on its financial statements.

1. Significant accounting policies (continued)

Management has determined that all other recently issued accounting pronouncements will not have a material impact on the Company's financial statements, or do not apply to the Company's operations.

Reclassification

A reclassification has been made to the 2009 and 2008 Consolidated Statements of Cash Flows to reflect the deferred tax (benefit) provision as a separate component of cash provided by operating activities. Amounts for this line item were previously included in changes in prepaid expenses and other current assets, changes in other non-current assets, changes in accounts payable and accrued expenses and changes in other non-current liabilities.

2. Discontinued operations

On November 12, 2009, the Company sold its wholly-owned subsidiary Graham Emballages Plastiques S.A.S., located in Meaux, France, to an independent third party. The Company determined that the results of operations for this location, which had previously been reported in the Europe segment, would be reported as discontinued operations, in accordance with the guidance under ASC 205-20, "Discontinued Operations." The following table summarizes the operating results for this location for the periods presented:

	Year ended December 31, 2009	Year ended December 31, 2008
	(In thousands)	
Net sales	$16,706	$ 24,703
Cost of goods sold	16,744	26,873
Selling, general and administrative expenses	(26)	245
Asset impairment charges	5,895	7,858
Net loss on disposal of property, plant and equipment	3,538	—
Interest expense	36	236
Other income	—	(3)
Loss from discontinued operations	$ (9,481)	$(10,506)

3. Acquisitions

Purchase of Liquid Entities

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.

Under the acquisition method of accounting, the results of the acquired operation are included in the financial statements of the Company beginning on September 23, 2010. The Liquid Entities, which employ approximately 1,000 employees, have operations in 14 plants located across the United States. Annual net sales totaled $356 million for 2009.

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

3. Acquisitions (continued)

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, polyethylene terephthalate and polypropylene resins to manufacture their containers.

The Liquid Acquisition represents a strategically important acquisition for the Company as it expands the Company's customer reach within its existing food and consumer products end markets while providing it with additional technological capabilities and an expansion of its geographical reach. The Liquid Acquisition will significantly increase the size and scope of the Company's operations, particularly in the food product category, and provide the Company 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 the Company's technologies, and which management believes can help drive new conversions. The Liquid Entities have a similar financial profile to that of the Company, as they use technology to serve their customer base with innovative and cost effective packaging solutions. Management believes 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, management believes it can eliminate overlapping corporate functions and expenses.

The initial purchase price has been allocated to assets acquired and liabilities assumed based on estimated fair values. The purchase price allocation is preliminary pending a final determination of the purchase price and a final valuation of the assets and liabilities, including a final valuation of property, plant and equipment, intangible assets and the impact on taxes of any adjustments to such valuations, all necessary to account for the acquisition in accordance with ASC 805, "Business Combinations." For purposes of allocating the total purchase price, assets acquired and liabilities assumed are recorded at their estimated fair values. The initial allocated fair value of assets acquired and liabilities assumed, and subsequent adjustments, are summarized as follows (in thousands):

	As originally presented	Adjustments	As of December 31, 2010
Cash	$ 1,184	$ —	$ 1,184
Accounts receivable	36,858	—	36,858
Inventories	35,029	136	35,165
Prepaid expenses and other current assets	1,247	194	1,441
Total current assets	74,318	330	74,648
Property, plant and equipment	193,186	(4,324)	188,862
Intangible assets	156,500	(600)	155,900
Goodwill	201,437	2,025	203,462
Total assets acquired	625,441	(2,569)	622,872
Less liabilities assumed	61,140	(2,569)	58,571
Net cost of acquisition	$564,301	$ —	$564,301

The adjustments set forth above did not materially impact previously reported results of operations or cash flows.

The allocation set forth above is based on management's estimate of the fair values using valuation techniques including the income, cost and market approaches. The amount allocated to intangible assets

3. Acquisitions (continued)

represents the estimated fair values of technologies of $58.2 million, customer relationships of $89.7 million, trade names of $5.0 million and non-compete agreement of $3.0 million. These intangible assets are being amortized on a straight-line basis over weighted-average estimated remaining lives of 11 years, 14 years, 3 years and 2 years for technologies, customer relationships, trade names and non-compete agreement, respectively, reflecting the expected future benefit periods of these intangible assets. Goodwill of $275.4 million is expected to be deductible for tax purposes. Acquired property, plant and equipment are being depreciated on a straight-line basis with estimated remaining lives up to 20 years. The initial purchase price allocations set forth above are based on all information available to the Company at the present time and are subject to change due to additional working capital adjustments and finalization of fair value calculations, and such changes could be material. The goodwill for the Liquid Entities is disclosed within the North American segment in Note 24.

The purchase agreement related to the Liquid Entities contains a stated purchase price of $568.0 million, plus cash on hand, minus certain indebtedness and subject to a potential working capital adjustment, resulting in a payment by the Company of $564.3 million on September 23, 2010. 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 Company and the sellers are in the process of finalizing the working capital adjustment and this adjustment could be material.

During the year ended December 31, 2010, the Company incurred legal, professional and advisory costs directly related to the acquisition totaling $8.5 million. All such costs are included in selling, general and administrative expenses on the Consolidated Statement of Operations for the year ended December 31, 2010. Deferred financing fees incurred in connection with issuing debt related to the acquisition totaled $13.4 million and are reflected in other non-current assets on the Consolidated Balance Sheet as of December 31, 2010.

The results of operations for the year ended December 31, 2010, include the results for the Liquid Entities since the acquisition date. 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.

Pro forma information

The following table sets forth unaudited pro forma results of operations, assuming that the above acquisition had taken place at the beginning of each period presented:

	Year ended December 31, 2010	Year ended December 31, 2009
	(In millions, except per share data)	
Net sales	$2,803	$2,627
Net income attributable to Graham Packaging Company Inc. stockholders	39	16
Basic net income attributable to Graham Packaging Company Inc. stockholders per share	$ 0.64	$ 0.38

These unaudited pro forma results of operations have been prepared for comparative purposes only and include certain adjustments, such as additional depreciation and amortization expense as a result of a step-up in the basis of fixed assets and intangible assets, increased interest expense on acquisition debt and related tax effects. They do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect at the beginning of each period presented, or of future results of operations of the entities.

3. Acquisitions (continued)

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.

4. Accounts receivable, net

Accounts receivable, net are presented net of an allowance for doubtful accounts of $1.7 million and $2.4 million at December 31, 2010 and 2009, respectively. Management performs ongoing credit evaluations of its customers and generally does not require collateral.

5. Concentration of credit risk

For the years ended December 31, 2010, 2009 and 2008, 69.3%, 68.8% and 71.1% of the Company's net sales, respectively, were generated by its top twenty customers. The Company's sales to PepsiCo, Inc., the Company's 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 Company had $112.3 million and $113.7 million of accounts receivable from its top twenty customers as of December 31, 2010 and 2009, respectively. The Company had $18.1 million and $17.5 million of accounts receivable from PepsiCo, Inc. as of December 31, 2010 and 2009, respectively.

6. Inventories

Inventories, stated at the lower of cost or market, consisted of the following:

	December 31, 2010	December 31, 2009
	(In thousands)	
Finished goods	$162,136	$130,989
Raw materials	85,030	63,713
Total	$247,166	$194,702

7. Property, plant and equipment

A summary of gross property, plant and equipment at December 31 is presented in the following table:

	Expected useful lives	2010	2009
	(In years)	(In thousands)	
Land		$ 52,651	$ 39,063
Buildings and improvements	7-31.5	280,222	236,446
Machinery and equipment(1)	2-15	1,463,614	1,303,241
Molds and tooling	3-5	321,254	282,243
Furniture and fixtures	7	6,574	5,359
Computer hardware and software	3-7	41,843	40,930
Construction in progress		82,439	66,870
		$2,248,597	$1,974,152

(1) Includes longer-lived machinery and equipment of approximately $1,407.0 million and $1,230.5 million as of December 31, 2010 and 2009, respectively, having estimated useful lives, when purchased new, ranging

7. Property, plant and equipment (continued)

from 8 to 15 years; and shorter-lived machinery and equipment of approximately $56.6 million and $72.7 million as of December 31, 2010 and 2009, respectively, having estimated useful lives, when purchased new, ranging from 2 to 8 years.

Depreciation expense, including depreciation expense on assets recorded under capital leases, for the years ended December 31, 2010, 2009 and 2008 was $159.0 million, $151.2 million and $168.2 million, respectively.

Capital leases included in buildings and improvements were $1.0 million and $2.2 million at December 31, 2010 and 2009, respectively. Capital leases included in machinery and equipment were $3.4 million and $49.1 million at December 31, 2010 and 2009, respectively. Accumulated depreciation on property, plant and equipment accounted for as capital leases is included with accumulated depreciation on owned assets on the Consolidated Balance Sheets.

The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of these assets. Interest capitalized for the years ended December 31, 2010, 2009 and 2008, was $4.4 million, $3.4 million and $3.9 million, respectively.

The Company closed its plant located in Edison, New Jersey in 2008. The land and building at this location, having a carrying value of $6.6 million, are deemed to be held for sale, and as such are reflected in prepaid expenses and other current assets on the Consolidated Balance Sheets as of December 31, 2010 and 2009.

8. Intangible assets, net

The gross carrying amount and accumulated amortization of the Company's intangible assets subject to amortization as of December 31, 2010, were as follows:

	Gross carrying amount	Accumulated amortization	Net	Weighted average amortization period
		(In thousands)		
Patented technology	$ 86,783	$(12,611)	$ 74,172	10 years
Customer relationships	124,864	(10,932)	113,932	14 years
Trade names	5,000	(417)	4,583	3 years
Non-compete agreements	3,511	(418)	3,093	2 years
Total	$220,158	$(24,378)	$195,780	

The gross carrying amount and accumulated amortization of the Company's intangible assets subject to amortization as of December 31, 2009, were as follows:

	Gross carrying amount	Accumulated amortization	Net	Weighted average amortization period
		(In thousands)		
Patented technology	$24,545	$ (8,399)	$16,146	10 years
Customer relationships	33,863	(6,997)	26,866	16 years
Total	$58,408	$(15,396)	$43,012	

8. Intangible assets, net (continued)

Amortization expense for the years ended December 31, 2010, 2009 and 2008 was $9.0 million, $5.0 million and $5.7 million, respectively. The estimated aggregate amortization expense for each of the next five years ending December 31 is as follows (in thousands):

2011	$20,300
2012	19,900
2013	18,300
2014	16,600
2015	16,300

9. Goodwill

The changes in the carrying amount of goodwill were as follows:

	North America Segment	Europe Segment	South America Segment	Asia Segment	Total
			(In thousands)		
Balance at January 1, 2009	$418,784	$15,826	$ 35	$ —	$434,645
Foreign currency translation adjustments	1,981	460	(28)	—	2,413
Balance at December 31, 2009	420,765	16,286	7	—	437,058
Goodwill acquired during the year (see Note 3)	203,462	—	—	1,415	204,877
Foreign currency translation adjustments	1,929	(837)	—	37	1,129
Balance at December 31, 2010	$626,156	$15,449	$ 7	$1,452	$643,064

10. Asset impairment charges

The components of asset impairment charges in the Consolidated Statements of Operations for the years ended December 31 are reflected in the table below and are described in the paragraphs following the table:

	Year ended December 31,		
	2010	2009	2008
		(In thousands)	
Property, plant and equipment	$9,621	$41,826	$93,161
Intangible assets	—	—	1,494
Goodwill	—	—	1,409
	$9,621	$41,826	$96,064

Property, plant and equipment

During 2010 and 2009, the Company evaluated the recoverability of its long-lived tangible assets in light of several trends in some of the markets it serves. Among other factors, the Company considered the following in its evaluation:

- the economic conditions in general;
- a continuing reduction in the automotive quart/liter container business as the Company's customers convert to multi-quart/liter containers;
- the introduction by the Company, and the Company's competitors, of newer production technology in the plastic container industry which is improving productivity, causing certain of the Company's older machinery and equipment to become obsolete; and

10. Asset impairment charges (continued)

- the decline and/or loss of business in certain market segments.

The impaired assets consisted of machinery and equipment, including molds and tooling and support assets, for the production lines. The Company determined the fair value of the production lines using either single scenario or probability-weighted discounted cash flows.

During 2008, the Company evaluated the recoverability of its long-lived tangible assets in light of several trends in some of the markets it serves. Among other factors, the Company considered the following in its evaluation:

- the deteriorating economic conditions in general;
- the expected decrease in volume of a major food and beverage customer;
- a continuing reduction in the automotive quart/liter container business as the Company's customers convert to multi-quart/liter containers;
- the introduction by the Company, and the Company's competitors, of newer production technology in the food and beverage sector which is improving productivity, causing certain of the Company's older machinery and equipment to become obsolete; and
- the loss of business of a large automotive lubricants customer.

The impairment of property, plant and equipment was recorded in the following operating segments:

	Year ended December 31,		
	2010	2009	2008
		(In thousands)	
North America	$5,290	$31,512	$85,367
Europe	3,543	3,918	3,534
South America	788	6,396	4,260
	$9,621	$41,826	$93,161

Intangible assets

During 2010 and 2009, no impairment charges were recorded for intangible assets.

During 2008, the Company recorded impairment charges to its patented technologies and customer relationships of $1.0 million and $0.5 million, respectively, all in its North American operating segment. These intangible assets were recorded in conjunction with the acquisitions of the blow molded plastic container business of Owens-Illinois, Inc. ("O-I Plastic") in 2004 and certain operations from Tetra-Pak Inc. in 2005. The patented technologies were impaired primarily as a result of not realizing the growth in revenues for this technology that was anticipated at the time of the acquisition of O-I Plastic. The customer relationships were impaired primarily as a result of reduced revenues for the plant acquired from Tetra-Pak Inc.

Goodwill

The Company performs its annual test of impairment of goodwill as of December 31. As a result of this test the Company recorded no impairment charges for the years ended December 31, 2010 and 2009, and $1.4 million for the year ended December 31, 2008. The impairment charges in 2008 related to the following locations (with the operating segment under which it reports in parentheses):

- Brazil (South America)
- Argentina (South America)

11. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2010	December 31, 2009
	(In thousands)	
Accrued employee compensation and benefits	$ 72,508	$ 64,536
Accrued interest	41,241	20,395
Accrued sales allowance	24,294	22,917
Other	58,389	78,958
	$196,432	$186,806

12. Debt arrangements

Long-term debt consisted of the following:

	December 31, 2010	December 31, 2009
	(In thousands)	
Term loans (net of $8.9 million and $19.9 million unamortized net discount as of December 31, 2010 and 2009, respectively)	$1,934,707	$1,781,108
Revolver	—	—
Foreign and other revolving credit facilities	6,126	3,381
Senior notes due 2017 (net of $2.9 million and $3.3 million unamortized discount as of December 31, 2010 and 2009, respectively)	250,523	250,047
Senior notes due 2018	250,000	—
Senior subordinated notes	375,000	375,000
Capital leases	1,514	17,039
Other	14,961	10,288
	2,832,831	2,436,863
Less amounts classified as current (net of $3.8 million and $5.8 million unamortized net discount as of December 31, 2010 and 2009, respectively)	34,007	100,657
Total	$2,798,824	$2,336,206

On September 23, 2010, the Company entered into the Sixth Amendment to the Credit Agreement (the "Amendment"), amending the Company's credit agreement dated as of October 7, 2004. Pursuant to the Amendment, and in connection with the acquisition of the Liquid Entities, the Company entered into a new senior secured term loan facility in an aggregate principal amount of $913.0 million ("Term Loan D") and extinguished the amount outstanding under the existing senior secured term loan due October 7, 2011 ("Term Loan B") in the amount of $563.7 million, including accrued interest. The remaining proceeds were used to finance the Liquid Acquisition and pay related costs and expenses. The Term Loan D will mature on the earliest of (i) September 23, 2016, (ii) the date that is 91 days prior to the maturity of the Company's 8.25% senior notes due January 2017 if such senior notes have not been repaid or refinanced in full by such date or (iii) the date that is 91 days prior to the maturity of the Company's 9.875% senior subordinated notes due October 2014 if such senior notes have not been repaid or refinanced in full by such date.

As of December 31, 2010, the credit agreement, as amended, consisted of a senior secured term loan of $1,019.6 million ($1,032.9 million aggregate outstanding principal amount less $13.3 million unamortized discount) due April 5, 2014 ("Term Loan C") and Term Loan D in the amount of $915.1 million

12. Debt arrangements (continued)

($910.7 million aggregate outstanding principal amount plus $4.4 million unamortized premium) (collectively, the "Term Loans"), to the Operating Company and a $124.8 million senior secured revolving credit facility (the "Revolver" and, together with the Term Loans, the "Credit Agreement") with availability of $110.0 million (as reduced by $14.8 million of outstanding letters of credit). The obligations of the Operating Company and CapCo I under the Credit Agreement are guaranteed by Holdings and certain domestic subsidiaries of the Operating Company. The Term Loans are payable in quarterly installments and require payments of $19.6 million in 2011, $19.6 million in 2012, $19.7 million in 2013, $1,010.5 million in 2014, $9.1 million in 2015 and $865.1 million thereafter (disregarding any further mandatory or voluntary prepayments that may reduce such scheduled amortization payments).

Besides regular amortization payments, the debt payments made in 2010 included the paydowns of debt of $114.2 million with the proceeds from the IPO and of $14.7 million with the proceeds from the sale of additional shares following the IPO and from an excess cash flow payment of $62.5 million due for the year ended December 31, 2009, paid in March 2010.

On May 28, 2009, certain of the Revolver lenders agreed to extend their commitments, with respect to $112.8 million of the total commitment, conditioned on the refinancing in full of the senior notes due 2012, which occurred in November 2009. Subsequent to the IPO, the Company received a $12.0 million increase to its Revolver. As of December 31, 2010, the Company had $124.8 million of commitments that will expire on October 1, 2013.

Interest under the Credit Agreement is payable at (a) the "Adjusted Alternate Base Rate" (the higher of (x) the Prime Rate plus a margin of 3.25%; (y) the Federal Funds Rate plus a margin of 3.75%; or (z) the one-month Eurodollar Rate, subject to a floor of 2.50% for the Term Loan C and Revolver and 1.75% for the Term Loan D, plus a margin of 4.25%); or (b) the Eurodollar Rate, subject to a floor of 2.50% for the Term Loan C and Revolver and 1.75% for the Term Loan D, plus a margin of 4.25%. A commitment fee of 0.75% is due on the unused portion of the Revolver.

Substantially all domestic tangible and intangible assets of the Company are pledged as collateral pursuant to the terms of the Credit Agreement.

On September 23, 2010, in conjunction with the Liquid Acquisition, the Operating Company and CapCo I co-issued $250.0 million aggregate principal amount of 8.25% senior unsecured notes due 2018 ("Senior Notes due 2018"). In conjunction with the issuance of the Senior Notes due 2018, the Company recorded $12.5 million in deferred financing fees, which are included in other non-current assets on the Consolidated Balance Sheet and are being amortized to interest expense over the term of the notes using the effective interest method. Besides these notes, as of December 31, 2010, the Company also had outstanding $253.4 million aggregate principal amount of 8.25% senior unsecured notes due 2017 ("Senior Notes due 2017") and $375.0 million in senior subordinated notes due 2014 ("Senior Subordinated Notes") co-issued by the Operating Company and CapCo I (collectively with the Senior Notes due 2018 and the Senior Notes due 2017, the "Notes"). The Notes are unconditionally guaranteed, jointly and severally, by Holdings and certain domestic subsidiaries of the Operating Company and mature on October 7, 2014 (Senior Subordinated Notes), January 1, 2017 (Senior Notes due 2017), and October 1, 2018 (Senior Notes due 2018). Interest on the Senior Subordinated Notes is payable semi-annually at 9.875% per annum and interest on the Senior Notes due 2017 and the Senior Notes due 2018 is payable semi-annually at 8.25% per annum.

During 2007, the Operating Company entered into two forward starting interest rate collar agreements that effectively fixed the interest rate within a fixed cap and floor rate on $385.0 million of the Term Loans at a weighted average cap rate of 4.70% and a weighted average floor rate of 2.88%. These forward starting collar agreements went into effect January 2008 and expired in January 2010.

12. Debt arrangements (continued)

During 2008, the Operating Company entered into four forward starting interest rate swap agreements that effectively fix the interest rate on $350.0 million of the Term Loans at a weighted average rate of 4.08%. These swap agreements went into effect August 2009 and expire in 2011.

The Credit Agreement and indentures governing the Notes contain a number of significant covenants that, among other things, restrict the Company's and the Company's subsidiaries' ability to dispose of assets, repay other indebtedness, incur additional indebtedness, pay dividends, prepay subordinated indebtedness, incur liens, make capital expenditures, investments or acquisitions, engage in mergers or consolidations, engage in transactions with affiliates and otherwise restrict the Company's activities. In addition, under the Credit Agreement, the Company is required to satisfy specified financial ratios and tests. The Credit Agreement also requires that up to 50% of excess cash flow (as defined in the Credit Agreement) be applied on an annual basis to pay down the Term Loans. No excess cash flow payment is due for the year ended December 31, 2010. As of December 31, 2010, the Company was in compliance with all covenants.

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 the Company's common stock, an event of default under the Credit Agreement will be triggered. Upon the occurrence of an event of default under the Credit Agreement, the lenders will not be required to lend any additional amounts 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 the Company's other debt instruments. If the Company were unable to repay those amounts, the lenders under the Credit Agreement could proceed against the collateral granted to them to secure that indebtedness. The Company has pledged a significant portion of its assets as collateral under the Credit Agreement. If the lenders under the Credit Agreement accelerate the repayment of borrowings, the Company may not have sufficient assets to repay the Credit Agreement and the Company's other indebtedness or be able to borrow sufficient funds to refinance such indebtedness. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to the Company.

Under the Credit Agreement, as amended, the Operating Company is subject to restrictions on the payment of dividends or other distributions to Holdings; provided that, subject to certain limitations, the Operating Company may pay dividends or other distributions to Holdings:

- with respect to overhead, tax and tax-related liabilities, ITRs obligations, legal, accounting and other professional fees and expenses; and
- to fund purchases and redemptions of equity interests of Holdings or GPC held by then present or former officers or employees of Holdings, the Operating Company or their Subsidiaries (as defined therein) or by any employee stock ownership plan upon that person's death, disability, retirement or termination of employment or other circumstances with annual dollar limitations.

The Company's weighted average effective interest rate on the outstanding borrowings under the Term Loans and Revolver was 6.57% and 5.71% at December 31, 2010 and 2009, respectively, excluding the effect of interest rate collar and swap agreements.

The Company had several foreign and other revolving credit facilities denominated in U.S. dollars, Brazilian real, Polish zloty and Chinese renminbi with aggregate available borrowings at December 31, 2010, equivalent to $10.2 million. The Company's average effective interest rate on borrowings of $6.1 million on these credit facilities at December 31, 2010, was 10.8%. The Company's average effective interest rate on borrowings of $3.4 million on foreign and other revolving credit facilities at December 31, 2009, was 11.1%.

Cash paid for interest during 2010, 2009 and 2008, net of amounts capitalized of $4.4 million, $3.4 million and $3.9 million, respectively, totaled $161.1 million, $177.7 million and $169.0 million, respectively.

12. Debt arrangements (continued)

The annual debt service requirements of the Company for the succeeding five years are as follows (in thousands):

2011	$ 37,818
2012	23,761
2013	19,950
2014	1,385,487
2015	9,130
Thereafter	1,368,446

As required by the guidance under ASC 470-50-40, "Modifications and Extinguishments," the Company performed an analysis to determine whether the Amendment would be recorded as an extinguishment of debt or a modification of debt. Based on the Company's analysis, it was determined that the Amendment qualified as a debt extinguishment under this guidance and, as a result, the Company recorded a loss of $28.5 million. The loss is comprised of the following items (in millions):

Principal amount of Term Loan D	$913.0
Fair value (see Note 13 for further discussion)	917.6
Subtotal	(4.6)
Write-off of deferred financing fees on extinguished debt	(2.4)
Issuance costs and amendment fees	(21.5)
Loss on debt extinguishment	$ (28.5)
Write-off of remaining amount in accumulated other comprehensive income (loss) related to interest rate swaps	$ (7.0)

In conjunction with the Amendment, the Company recorded $0.9 million in deferred financing fees, which are included in other non-current assets on the Consolidated Balance Sheet and are being amortized to interest expense over the term of the respective debt using the effective interest method.

As required by the guidance under ASC 470-50-40, "Modifications and Extinguishments," the Company performed an analysis to determine whether the amendment of the Credit Agreement to extend the maturity date of the Term Loans and Revolver on May 28, 2009, would be recorded as an extinguishment of debt or a modification of debt. Based on the Company's analysis, it was determined that the amendment qualified as a debt extinguishment under this guidance and, as a result, the Company recorded a gain on debt extinguishment of $0.8 million. The gain on debt extinguishment is comprised of the following items (in millions):

Recorded value of debt subject to amendment, prior to amendment	$ 1,200.0
Fair value of debt resulting from amendment (see Note 13 for further discussion)	(1,177.3)
Gain on extinguished debt, before costs	22.7
Write-off of deferred financing fees on extinguished debt	(9.3)
New issuance costs on extinguished debt	(12.6)
Gain on debt extinguishment	$ 0.8

13. Fair value measurement

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash and cash equivalents, accounts receivable and accounts payable

The fair values of these financial instruments approximate their carrying amounts.

Long-term debt

The Company's long-term debt consists of both variable-rate and fixed-rate debt. The fair values of the Company's long-term debt were based on market price information. The Company's variable-rate debt, including the Company's Credit Agreement, totaled $1,951.3 million (net of $8.9 million unamortized net discount) and $1,790.1 million (net of $19.9 million unamortized discount) at December 31, 2010 and 2009, respectively. The fair value of this long-term debt, including the current portion, was approximately $1,977.1 million and $1,809.8 million at December 31, 2010 and 2009, respectively. The Company's fixed-rate debt, including $253.4 million of Senior Notes due 2017, $250.0 million of Senior Notes due 2018 and $375.0 million of Senior Subordinated Notes, totaled $881.5 million (net of $2.9 million unamortized discount) and $646.8 million (net of $3.3 million unamortized discount) at December 31, 2010 and 2009, respectively. The fair value of this long-term debt, including the current portion, was approximately $915.1 million and $652.8 million at December 31, 2010 and 2009, respectively.

Derivatives

The Company established the following fair value hierarchy that prioritizes the inputs used to measure fair value, in accordance with the guidance under ASC 820-10, "Fair Value Measurements and Disclosures":

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs include the following:

a) Quoted prices in active markets for similar assets or liabilities.

b) Quoted prices in markets that are not active for identical or similar assets or liabilities.

c) Inputs other than quoted prices that are observable for the asset or liability.

d) Inputs that are derived primarily from or corroborated by observable market data by correlation or other means.

Level 3: Inputs are unobservable inputs for the asset or liability.

Recurring fair value measurements

The following table presents the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010, by level within the fair value hierarchy:

	Fair value measurements using		
	Level 1	Level 2	Level 3
		(In thousands)	
Liabilities:			
Interest rate swap agreements	$—	$7,813	$—
Foreign currency exchange contracts	—	9	—

13. Fair value measurement (continued)

The following table presents the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2009, by level within the fair value hierarchy:

	Fair value measurements using		
	Level 1	Level 2	Level 3
		(In thousands)	
Liabilities:			
Interest rate collar agreements	$—	$ 68	$—
Interest rate swap agreements	—	16,688	—
Foreign currency exchange contract	—	27	—

The fair values of the Company's derivative financial instruments are observable at commonly quoted intervals for the full term of the derivatives and therefore considered level 2 inputs.

Non-recurring fair value measurements

The Company has real estate located in Edison, New Jersey that is held for sale. The aggregate carrying value of these assets at December 31, 2010, was $6.6 million, which is less than the fair value of these assets and therefore resulted in no impairment charge for these assets. The determination of fair value included certain unobservable inputs, which reflect the Company's assumptions regarding how market participants would price these assets in the marketplace, and therefore are considered level 3 inputs. The fair value of this real estate was based on offers received from potential buyers.

The Company recorded impairment charges of $9.6 million for the year ended December 31, 2010, for long-lived assets in Argentina, Brazil, Canada, Finland, France, Mexico, Poland, Turkey, the United Kingdom and the United States whose carrying values exceeded fair values. The Company recorded impairment charges in continuing operations of $41.8 million for the year ended December 31, 2009, for long-lived assets in Argentina, Belgium, Brazil, France, Mexico, Netherlands, Poland, Turkey, Venezuela, the United Kingdom and the United States whose carrying values exceeded fair values. Fair values for these assets were based on projected future cash flows, discounted using either a risk-free rate or a risk-adjusted rate, which the Company considers level 3 inputs.

The Company signed a Letter of Intent in the second quarter of 2009 to sell its manufacturing facility located in Meaux, France to an independent third party. The sale occurred in November 2009. Based upon the Letter of Intent, the high probability that the sale would occur and the conclusions made by the Company, after consideration of level 3 inputs, that there were no projected future cash flows for this location, the Company recorded an impairment charge in discontinued operations of $5.9 million for the year ended December 31, 2009.

As previously discussed, on September 23, 2010, the Company entered into the Sixth Amendment to the Credit Agreement. In accordance with the guidance under ASC 470-50-40, "Modifications and Extinguishments," this transaction was treated as a debt extinguishment and the new debt was initially recorded at its fair value of $917.6 million, which was based on the average trading price on the first trade date and is considered a level 2 input. The initial fair value premium of $4.6 million is being amortized as a reduction to interest expense over the term of the Term Loan D using the effective interest method.

On May 28, 2009, the Company amended the Credit Agreement to extend the final maturity date of certain loans and revolver commitments. In accordance with the guidance under ASC 470-50-40, "Modifications and Extinguishments," this transaction was treated as a debt extinguishment and the new debt was initially recorded at its fair value of $1,177.3 million, which was based on the average trading price on the first trade date and is considered a level 2 input. The initial fair value discount of $22.7 million is being amortized to interest expense over the term of the Term Loan C using the effective interest method.

14. Derivative financial instruments

The Company's business and activities expose it to a variety of market risks, including risks related to changes in interest rates, foreign currency exchange rates and commodity prices. These financial exposures are monitored and managed by the Company as an integral part of its market risk management program. This program recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effects that market volatility could have on operating results. As part of its market risk management strategy, the Company uses derivative instruments to protect cash flows from fluctuations caused by volatility in interest rates, foreign currency exchange rates and commodity prices.

Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Company. It is the Company's policy to enter into financial instruments with a diverse group of creditworthy counterparties in order to spread the risk among multiple counterparties.

Cash flow hedges

The Company's interest rate risk management strategy is to use derivative instruments to minimize significant unanticipated earnings fluctuations that may arise from volatility in interest rates of the Company's borrowings and to manage the interest rate sensitivity of its debt. Interest rate collar and swap agreements are used to hedge exposure to interest rates associated with the Company's Credit Agreement. Under these agreements, the Company agrees to exchange with a third party at specified intervals the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. In 2010 and 2009, the liabilities associated with interest rate collar and swap agreements were recorded on the balance sheet in other current liabilities and other non-current liabilities, at fair value. The hedges were highly effective as defined by ASC 815, "Derivatives and Hedging," with the effective portion of the cash flow hedges recorded in other comprehensive income (loss) until the first quarter of 2009, as further discussed below.

Derivatives are an important component of the Company's interest rate management program, leading to acceptable levels of variable interest rate risk. Had the Company not hedged its interest rates in 2010, 2009 and 2008, interest expense would have been lower by $13.4 million, $13.1 million and $0.2 million, respectively, compared to an entirely unhedged variable-rate debt portfolio.

The Company uses foreign currency exchange contracts as hedges against payments of intercompany balances and anticipated purchases denominated in foreign currencies. The Company enters into these contracts to protect itself against the risk that the eventual net cash flows will be adversely affected by changes in exchange rates. At December 31, 2010 and 2009, the Company had foreign currency exchange contracts outstanding for the purchase of pound sterling and U.S. dollars in an aggregate amount of $2.2 million and pound sterling in an amount of $1.5 million, respectively.

The Company's energy risk management strategy is to use derivative instruments to minimize significant unanticipated manufacturing cost fluctuations that may arise from volatility in natural gas prices.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivatives representing hedge ineffectiveness, if any, are recognized in current earnings.

The maximum term over which the Company is hedging exposures to the variability of cash flows (for all forecasted transactions, excluding interest payments on variable-rate debt) is 12 months.

Derivatives not designated as hedging instruments

During the first quarter of 2009, the Company elected to roll over its senior secured term loan in one-month increments to reduce its cash interest, as opposed to continuing to roll over its senior secured term loan

14. Derivative financial instruments (continued)

in three-month increments to match the terms of its interest rate collar agreements. The Company had therefore discontinued hedge accounting for its interest rate collar and swap agreements. The amount recorded in accumulated other comprehensive income (loss) as of that date was being recognized as interest expense over the period in which the previously hedged activity continued to occur. Changes in the fair value of the interest rate collar and swap agreements from that date were also being recognized as interest expense. As a result of the extinguishment of the Term Loan B in conjunction with the refinancing of the Credit Agreement that enabled the Company to purchase the Liquid Entities on September 23, 2010, the Company wrote off the remaining unamortized amount in accumulated other comprehensive income (loss).

In 2009, the Company entered into foreign currency exchange contracts to hedge the effects of fluctuations in exchange rates on an anticipated euro-denominated purchase of equipment. The gains or losses on the derivatives were recognized in current earnings.

Financial instruments are not held by the Company for trading purposes.

The notional amounts of the Company's derivative instruments outstanding were as follows:

	As of December 31,	
	2010	2009
	(In thousands)	
Derivatives designated as hedges:		
Foreign currency exchange contracts	$ 2,222	$ 1,544
Total derivatives designated as hedges	$ 2,222	$ 1,544
Derivatives not designated as hedges:		
Interest rate collar agreements	$ —	$385,000
Interest rate swap agreements	350,000	350,000
Total derivatives not designated as hedges	$350,000	$735,000

14. Derivative financial instruments (continued)

The fair values of the Company's derivative instruments outstanding were as follows:

	Balance Sheet Location	December 31, 2010	December 31, 2009
		(In thousands)	
Liability derivatives:			
Derivatives designated as hedges:			
Foreign currency exchange contracts	Accrued expenses and other current liabilities	$ 9	$ 27
Total derivatives designated as hedges		9	27
Derivatives not designated as hedges:			
Interest rate collar agreements	Accrued expenses and other current liabilities	—	68
Interest rate swap agreements	Accrued expenses and other current liabilities	7,813	10,466
Interest rate swap agreements	Other non-current liabilities	—	6,222
Total derivatives not designated as hedges		7,813	16,756
Total liability derivatives		$7,822	$16,783

The gains and losses on the Company's derivative instruments were as follows:

	Amount of gain or (loss) recognized in AOCI (a) (effective portion) for the year ended December 31, 2010	2009	Income statement classification	Amount of gain or (loss) reclassified from AOCI into income (effective portion) for the year ended December 31, 2010	2009
	(In thousands)			(In thousands)	
Derivatives designated as hedges:					
Cash flow hedges:					
Foreign currency exchange contracts	$(69)	$ 122	Other expense (income), net	$(69)	$ 122
Natural gas swap agreements	—	(180)	Cost of goods sold	—	(430)
Total derivatives designated as hedges	$(69)	$ (58)		$(69)	$(308)

14. Derivative financial instruments (continued)

		Amount of gain or (loss) recognized in income for the year ended December 31, 2010	2009
		(In thousands)	
Derivatives not designated as hedges:			
Interest rate collar agreements	Interest expense	$ (86)	$ (7,790)
Interest rate swap agreements	Interest expense	(10,321)	(9,131)
Interest rate swap agreements	Write-off of amounts in accumulated other comprehensive income related to interest rate swaps	(6,988)	—
Foreign currency exchange contracts	Other expense (income), net	—	95
Total derivatives not designated as hedges		$(17,395)	$(16,826)

(a) Accumulated other comprehensive income (loss) ("AOCI").

15. Transactions with related parties

The Company had transactions with entities affiliated through common ownership. The Company made payments to Graham Engineering Corporation ("Graham Engineering"), which is owned by the Graham Family, for equipment and related services. Affiliates of both the Graham Family and Blackstone have supplied management and advisory services to Holdings since 1998. Under the Fifth Amended and Restated Limited Partnership Agreement and the Amended and Restated Monitoring Agreement (the "Monitoring Agreement"), Holdings was obligated to make annual payments of $2.0 million and $3.0 million to affiliates of the Graham Family and Blackstone, respectively. In exchange for a one-time payment of $26.3 million to Blackstone Management Partners III L.L.C. and $8.8 million to Graham Alternative Investment Partners I, LP, the parties of the Monitoring Agreement agreed to terminate such agreement. These amounts paid to terminate the Monitoring Agreement are reflected in selling, general and administrative expenses on the Consolidated Statement of Operations for the year ended December 31, 2010, and are not included in the table below. As a result of the termination, Blackstone, the Graham Family and their affiliates have no further obligation to provide monitoring services to Holdings, and Holdings has no further obligation to make annual payments of $4.0 million, under the Monitoring Agreement. As a result, as of February 10, 2010, the Company is only obligated to make annual payments of $1.0 million to affiliates of the Graham Family for ongoing management and advisory services under the Sixth Amended and Restated Limited Partnership Agreement, until such time that the Graham Family sells more than two thirds of its original investment owned on February 2, 1998 (or common stock for which such partnership interests have been or are eligible to be exchanged), and such services would then cease.

15. Transactions with related parties (continued)

Transactions with entities affiliated through common ownership included the following:

	Year ended December 31,		
	2010	2009	2008
	(In thousands)		
Equipment and related services purchased from affiliates	$3,127	$ 2,504	$1,272
Management services provided by affiliates(1)	$6,231	$10,024	$5,213
Interest income on notes receivable from owners	$ 367	$ 273	$ 121

(1) Amount for the year ended December 31, 2010, includes a $4.5 million fee paid to Blackstone Advisory Partners L.P. for advisory and other services rendered in connection with the Liquid Acquisition. This fee was negotiated on an arm's-length basis for services performed and the prevailing fees being charged by third parties for comparable services. Amount for the year ended December 31, 2009, includes a $5.0 million fee paid to Blackstone Management Partners III L.L.C. in connection with the Fourth Amendment to the Credit Agreement entered into on May 28, 2009.

Account balances with affiliates included the following:

	As of December 31,	
	2010	2009
	(In thousands)	
Accounts receivable	$ 140	$ —
Accounts payable	$ 219	$ 972
Other current liabilities	$ —	$ 703
Notes and interest receivable for ownership interests	$ —	$1,795
Receivable from Blackstone	$ 4,838	$4,559
ITRs obligations	$11,470	$ —

At December 31, 2009, the Company had loans outstanding to certain former management employees of the Company of $1.8 million for the purchase of shares of GPC. These loans were made in connection with the capital call payments made on September 29, 2000, and March 29, 2001, pursuant to a capital call agreement dated as of August 13, 1998. The proceeds from the loans were used to fund management's share of the capital call payments. The loans were repaid in 2010. The loans and related interest outstanding as of December 31, 2009, are reflected in equity (deficit) on the Consolidated Balance Sheet.

On behalf of Blackstone, the Company made payments to a former Chief Executive Officer and Chief Financial Officer of the Operating Company on January 5, 2007, for the repurchase of all of their outstanding shares of GPC, pursuant to separation agreements dated as of December 3, 2006. Additionally, on behalf of Blackstone, the Company made a payment to a former Senior Vice President of the Operating Company on April 10, 2009, for the repurchase of all of his outstanding shares of GPC. As a result of these payments, Blackstone became the owner of these shares and owes the Company $4.8 million and $4.6 million as of December 31, 2010 and 2009, respectively, including accrued interest. This receivable is reflected in equity (deficit) on the Consolidated Balance Sheets.

Prior to 2010, affiliates of Blackstone had provided funding to the Company to cover its operating expenses, resulting in a payable to the affiliates of Blackstone, which is reflected in other current liabilities on the Consolidated Balance Sheet as of December 31, 2009. Such payable was fully paid in 2010.

In connection with the IPO, on February 10, 2010, GPC entered into separate ITRs with its pre-IPO stockholders (e.g. Blackstone, management and other stockholders) and with GPC LP. The agreements provide for the payment by GPC of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that is actually realized (or is deemed to be realized in the case of an early termination or change in

15. Transactions with related parties (continued)

control as further described in the ITRs) as a result of the utilization of net operating losses attributable to periods prior to the IPO, and any increase to the tax basis of the assets of the Company related to (1) the 1998 acquisition of Holdings and (2) current and future exchanges by the Graham Family of their limited partnership units for common stock of GPC pursuant to the Exchange Agreement, and of certain other tax benefits related to GPC's entering into the ITRs, including tax benefits attributable to payments under the ITRs. Payments under the ITRs are not conditioned upon these parties' continued ownership of the Company or Holdings.

The Company expects that future payments under the ITRs will aggregate to between $200.0 million and $235.0 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 GPC common stock depending on the timing and value of such exchanges. This range is based on the Company's 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. The Company will recognize obligations based on the amount of recorded net deferred income tax assets recognized, and subject to the ITRs. Changes in the recorded net deferred income tax assets that are subject to the ITRs obligations will result in changes in the ITRs obligations, and such changes will be recorded as other income or expense. As of December 31, 2010, the value of the ITRs obligations was $11.5 million. Because GPC is a holding company with no operations of its own, its ability to make payments under the ITRs is dependent on Holdings' ability to make distributions. Upon the effective date of the respective ITRs, the Company recorded an initial obligation of $6.5 million, which was recognized as a reduction of additional paid-in capital. Additionally, the Company recorded $5.0 million in non-operating expense related to the increase in the ITRs obligations for the year ended December 31, 2010. For the year ended December 31, 2010, no payments have been made under the ITRs.

Gary G. Michael, a member of GPC's Board of Directors and a member of the former committee that advised Holdings and its partners, also serves on the Board of Directors of The Clorox Company, which is a large customer of the Company. Included in current assets at December 31, 2010 and 2009, were receivables from The Clorox Company of $1.1 million and $2.3 million, respectively. Included in net sales for the years ended December 31, 2010, 2009 and 2008, were net sales to The Clorox Company of $47.1 million, $49.1 million and $45.2 million, respectively.

Effective October 23, 2008, the Company entered into an employer health program agreement with Equity Healthcare LLC ("Equity Healthcare"), which is an affiliate of Blackstone. Equity Healthcare negotiates with providers of standard administrative services for health benefit plans as well as other related services for cost discounts and quality of service monitoring capability by Equity Healthcare. Because of the combined purchasing power of its client participants, Equity Healthcare is able to negotiate pricing terms for providers that are believed to be more favorable than the companies could obtain for themselves on an individual basis.

In consideration for Equity Healthcare's provision of access to these favorable arrangements and its monitoring of the contracted third parties' delivery of contracted services to the Company, the Company pays Equity Healthcare a fee of $2 per participating employee per month ("PEPM Fee"). As of December 31, 2010, the Company had approximately 3,875 employees enrolled in its health benefit plans in the United States.

Equity Healthcare may also receive a fee ("Health Plan Fee") from one or more of the health plans with whom Equity Healthcare has contractual arrangements if the total number of employees joining such health plans from participating companies exceeds specified thresholds. If and when Equity Healthcare reaches the point at which the aggregate of its receipts from the PEPM Fee and the Health Plan Fee have covered all of its allocated costs, it will apply the incremental revenues derived from all such fees to (a) reduce the PEPM Fee otherwise payable by the Company; (b) avoid or reduce an increase in the PEPM Fee that might otherwise

15. Transactions with related parties (continued)

have occurred on contract renewal; or (c) arrange for additional services to the Company at no cost or reduced cost.

Effective February 1, 2006, the Company entered into a five-year participation agreement ("Participation Agreement") with Core Trust Purchasing Group ("CPG"), a division of HealthTrust Purchasing Corporation, designating CPG as the Company's exclusive "group purchasing organization" for the purchase of certain products and services from third party vendors. CPG secures from vendors pricing terms for goods and services that are believed to be more favorable than participants in the group purchasing organization could obtain for themselves on an individual basis. Under the Participation Agreement, the Company must purchase 80% of the requirements of its participating locations for core categories of specified products and services from vendors participating in the group purchasing arrangement with CPG or CPG may terminate the contract. In connection with purchases by its participants (including the Company), CPG receives a commission from the vendors in respect of such purchases.

Although CPG is not affiliated with Blackstone, in consideration for Blackstone's facilitating the Company's participation in CPG and monitoring the services CPG provides to the Company, CPG remits a portion of the commissions received from vendors in respect of the Company's purchases under the Participation Agreement to an affiliate of Blackstone. For the years ended December 31, 2010, 2009 and 2008, the Company's purchases under the Participation Agreement were approximately $6.5 million, $7.5 million and $6.8 million, respectively.

Pinnacle Foods, which is owned by Blackstone, is a customer of the Company. Included in net sales for the years ended December 31, 2010, 2009 and 2008, were net sales to Pinnacle Foods of $7.4 million, $5.9 million and $10.1 million, respectively.

In 2008, the Company entered into an agreement with Kloeckner Pentaplast ("Kloeckner"), which is owned by Blackstone, to combine the Company's purchasing power on materials used by both the Company and Kloeckner. In connection with this agreement, Kloeckner paid the Company no amounts for the years ended December 31, 2010 and 2009, and $0.2 million for the year ended December 31, 2008.

16. Pension plans

Substantially all employees of the Company participate in noncontributory defined benefit or defined contribution pension plans.

The U.S. defined benefit plan covering salaried employees provides retirement benefits based on the final five years average compensation, while plans covering hourly employees provide benefits based on years of service. The Company's hourly and salaried pension plan covering non-union employees was frozen to future salary and service accruals in 2006.

16. Pension plans (continued)

The Company accounts for its defined benefit plans under the guidance in ASC 715, "Defined Benefit Plans." The Company uses a December 31 measurement date for all of its plans. The components of pension expense and other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) were as follows:

	Pension plan					
	U.S.			Non-U.S.		
	2010	2009	2008	2010	2009	2008
	(In thousands)					
Net periodic benefit cost and amounts recognized in other comprehensive income (loss):						
Service cost	$ 1,662	$ 1,795	$ 1,821	$ 509	$ 442	$ 690
Interest cost	5,393	5,189	4,695	960	847	910
Expected return on assets	(6,080)	(4,958)	(5,711)	(884)	(792)	(963)
Amortization of prior service cost	644	668	665	55	50	54
Amortization of net loss	792	1,602	80	100	42	66
Special benefits charge	—	52	318	—	—	—
Settlements/curtailments	—	181	—	—	—	—
Net periodic pension costs	2,411	4,529	1,868	740	589	757
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):						
Prior service cost for period	—	—	356	—	—	—
Net loss (gain) for period	5,894	(9,953)	29,585	(268)	940	(325)
Amortization of prior service cost	(644)	(849)	(665)	(55)	(50)	(54)
Amortization of net loss	(792)	(1,602)	(80)	(100)	(42)	(66)
Foreign currency exchange rate change	—	—	—	142	884	(84)
Total	4,458	(12,404)	29,196	(281)	1,732	(529)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ 6,869	$ (7,875)	$31,064	$ 459	$2,321	$ 228

The estimated prior service cost and net actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2011 are $0.6 million and $1.1 million, respectively, for the U.S. plans, and $0.1 million and $0.1 million, respectively, for the non-U.S. plans.

16. Pension plans (continued)

All of the Company's plans have a benefit obligation in excess of plan assets. Using the most recent actuarial valuations, the following table sets forth the change in the Company's benefit obligation and pension plan assets at market value for the years ended December 31, 2010 and 2009. The Company uses the fair value of its pension assets in the calculation of pension expense for all of its pension plans.

	U.S.		Non-U.S.	
	2010	2009	2010	2009
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$ (91,116)	$(87,583)	$(16,492)	$(12,425)
Service cost	(1,662)	(1,795)	(509)	(442)
Interest cost	(5,393)	(5,189)	(960)	(847)
Benefits paid	2,661	2,422	385	393
Change in benefit payments due to experience	—	—	16	(21)
Settlements/curtailments	—	142	—	—
Participant contributions	—	—	(72)	(78)
Effect of exchange rate changes	—	—	(97)	(2,293)
Special termination benefits	—	(52)	—	—
Actuarial (loss) gain	(8,033)	939	42	(779)
Benefit obligation at end of year	$(103,543)	$(91,116)	$(17,687)	$(16,492)
Change in plan assets:				
Plan assets at market value at beginning of year	$ 79,003	$ 52,009	$ 13,221	$ 10,146
Actual return on plan assets	8,220	13,831	1,030	1,281
Foreign currency exchange rate changes	—	—	106	1,366
Employer contributions	6,306	15,585	1,033	743
Participant contributions	—	—	72	78
Benefits paid	(2,661)	(2,422)	(385)	(393)
Plan assets at market value at end of year	$ 90,868	$ 79,003	$ 15,077	$ 13,221
Funded status at end of year	$ (12,675)	$(12,113)	$ (2,610)	$ (3,271)
Amounts recognized in the consolidated balance sheets consist of:				
Current liabilities	$ —	$ —	$ (40)	$ (32)
Non-current liabilities	(12,675)	(12,113)	(2,570)	(3,239)
Total	$ (12,675)	$(12,113)	$ (2,610)	$ (3,271)
Amounts recognized in accumulated other comprehensive income (loss):				
Unrecognized prior service cost	$ 4,665	$ 5,309	$ 448	$ 481
Unrecognized net actuarial loss	24,804	19,702	1,383	1,567
Total	$ 29,469	$ 25,011	$ 1,831	$ 2,048
Accrued benefit cost:				
Accrued benefit cost at beginning of year	$ 12,898	$ 1,842	$ (1,223)	$ (1,334)
Net periodic benefit cost	(2,411)	(4,529)	(740)	(589)
Employer contributions	6,306	15,585	1,033	743
Effect of exchange rate changes	—	—	151	(43)
Accrued benefit cost at end of year	$ 16,793	$ 12,898	$ (779)	$ (1,223)

16. Pension plans (continued)

The accumulated benefit obligation for all defined benefit pension plans was $121.2 million and $107.6 million as of December 31, 2010 and 2009, respectively.

Pension plans with accumulated benefit obligations in excess of plan assets at December 31 are as follows:

	As of December 31,	
	2010	2009
	(In thousands)	
Projected benefit obligation	$121,230	$107,608
Accumulated benefit obligation	121,230	107,608
Fair value of plan assets	105,945	92,224

The following table presents significant assumptions used to determine benefit obligations at December 31:

	2010	2009
Discount rate:		
— U.S.	5.50%	6.00%
— Canada	5.00%	5.75%
— UK	5.90%	6.00%
— Mexico	8.33%	8.60%
Rate of compensation increase:		
— U.S.	N/A	N/A
— Canada	4.00%	4.00%
— UK	3.15%	3.10%
— Mexico	5.04%	5.04%

The following table presents significant weighted average assumptions used to determine benefit cost for the years ended December 31:

	Actuarial assumptions			
	U.S.	Canada	UK	Mexico
Discount rate:				
2010	6.00%	6.75%	5.90%	8.33%
2009	6.00%	5.75%	6.00%	8.60%
2008	6.00%	5.25%	5.37%	7.64%
Long-term rate of return on plan assets:				
2010	7.50%	5.75%	6.12%	N/A
2009	8.00%	7.00%	6.43%	N/A
2008	8.75%	7.00%	7.10%	N/A
Rate of increase for future compensation levels:				
2010	N/A	4.00%	3.15%	5.04%
2009	N/A	4.00%	3.10%	5.04%
2008	N/A	4.00%	3.60%	4.54%

Pension expense is calculated based upon a number of actuarial assumptions established on January 1 of the applicable year, detailed in the table above, including a weighted-average discount rate, expected long-term rate of return on plan assets and rate of increase in future compensation levels. The discount rate used by the

16. Pension plans (continued)

Company for valuing pension liabilities is based on a review of high quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligations.

The U.S. expected long-term rate of return assumption on plan assets (which consist mainly of U.S. equity and debt securities) was developed by evaluating input from the Company's actuaries and investment consultants as well as long-term inflation assumptions. Projected returns by such consultants are based on broad equity and bond indices. The expected long-term rate of return on plan assets is based on an asset allocation assumption of 65% with equity managers and 35% with fixed income managers. At December 31, 2010, the Company's asset allocation was 52% with equity managers, 41% with fixed income managers and 7% other. At December 31, 2009, the Company's asset allocation was 48% with equity managers, 47% with fixed income managers and 5% other. The Company believes that its long-term asset allocation on average will approximate 65% with equity managers and 35% with fixed income managers. The Company regularly reviews its actual asset allocation and periodically rebalances its investments to targeted allocations when considered appropriate.

At December 31, 2010, asset allocation for the Company's UK plan is 41% with equity managers, 45% with fixed income managers and 14% in real estate.

The Company made cash contributions to its pension plans in 2010 of $7.3 million and paid benefit payments of $3.0 million. The Company estimates that based on current actuarial calculations it will make cash contributions to its pension plans in 2011 of $5.3 million. Cash contributions in subsequent years will depend on a number of factors including performance of plan assets.

The following table presents the fair value of pension plan assets classified under the appropriate level of the fair value hierarchy as of December 31, 2010. Refer to Note 13 for the definition of fair value and a description of the fair value hierarchy structure.

	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Asset Category:				
Cash and cash equivalents	$ 5,661	$ —	$—	$ 5,661
Mutual funds				
U.S. equity	42,378	—	—	42,378
International equity	10,953	—	—	10,953
International fixed income	10,600	—	—	10,600
Taxable fixed income funds	24,723	—		24,723
International equity securities	4,115	—	—	4,115
Commingled pools / collective trusts	—	7,515	—	7,515
Total	$98,430	$7,515	$—	$105,945

16. Pension plans (continued)

The following table presents the fair value of pension plan assets classified under the appropriate level of fair value hierarchy as of December 31, 2009:

	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Asset Category:				
Cash and cash equivalents	$ 6,440	$ —	$—	$ 6,440
Mutual funds				
U.S. equity	26,826	—	—	26,826
International equity	11,149	—	—	11,149
International fixed income	12,147	—	—	12,147
Taxable fixed income funds	25,831	—		25,831
International equity securities	3,571	—	—	3,571
Commingled pools / collective trusts	—	6,260	—	6,260
Total	$85,964	$6,260	$—	$92,224

The Company measures the fair value of mutual funds, taxable fixed income funds and international equity securities based on quoted market prices, as substantially all of these instruments have active markets. The Canadian pension plan is invested in only one asset, which is a commingled pooled trust that maintains diversification among various asset classes, including Canadian common stocks, bonds and money market securities, U.S. equities, other international equities and fixed income investments. Such investments are valued at the net asset value of the shares held at December 31, 2010. Accordingly, these investments are included in level 2.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Benefit payments
	(In thousands)
2011	$ 3,420
2012	3,775
2013	4,108
2014	4,493
2015	4,870
Years 2016 — 2020	31,927

During 2009, the Company closed its plant located in Bristol, Pennsylvania and announced the closure of its plant in Vicksburg, Mississippi. The Company recorded a net curtailment charge of $0.1 million for the vesting of all non-vested pension plan participants in these plans. On January 29, 2010, the Company made a voluntary contribution of $0.5 million to fully fund the Bristol, Pennsylvania plan.

The Company also participated in a defined contribution plan under Internal Revenue Code Section 401(k), which covered all U.S. employees of the Company except those represented by a collective bargaining unit. The Company's contributions were determined as a specified percentage of employee contributions, subject to certain maximum limitations. The Company's costs for the defined contribution plan for 2010, 2009 and 2008 were $7.7 million, $7.4 million and $8.3 million, respectively.

16. Pension plans (continued)

The Company also had a statutory plan in the Netherlands, the pension amounts of which are not included in the pension amounts above. As of December 31, 2010, this plan had pension liabilities of $0.7 million.

17. Holdings partnership agreement

Holdings was formed under the name "Sonoco Graham Company" on April 3, 1989, as a limited partnership in accordance with the provisions of the Pennsylvania Uniform Limited Partnership Act, and on March 28, 1991, Holdings changed its name to "Graham Packaging Company." Pursuant to an Agreement and Plan of Recapitalization, Redemption and Purchase, dated as of December 18, 1997 (the "Recapitalization Agreement"), (i) Holdings, (ii) the then owners of the Company (the "Graham Entities") and (iii) GPC and BCP agreed to a recapitalization of Holdings (the "Recapitalization"). Closing under the Recapitalization Agreement occurred on February 2, 1998. Upon the closing of the Recapitalization, the name of Holdings was changed to "Graham Packaging Holdings Company." Holdings will continue until its dissolution and winding up in accordance with the terms of the Holdings Partnership Agreement (as defined below).

As contemplated by the Recapitalization Agreement, the Graham Family (as successors and assigns of Graham Capital Company and Graham Family Growth Partnership), Graham Packaging Corporation, GPC and BCP entered into a Fifth Amended and Restated Agreement of Limited Partnership (the "Holdings Partnership Agreement"). The general partner of the partnership, as of December 31, 2010, was BCP, and the limited partners of the partnership were GPC, three entities controlled by the Graham Family (GPC Investments, LLC, Graham Capital Company and Graham Alternative Investment Partners I, LP) and a former member of management.

Capital Accounts. A capital account is maintained for each partner on the books of Holdings. The Holdings Partnership Agreement provides that at no time during the term of the partnership or upon dissolution and liquidation thereof shall a limited partner with a negative balance in its capital account have any obligation to Holdings or the other partners to restore such negative balance. Items of partnership income or loss are allocated to the partners' capital accounts in accordance with their percentage interests except as provided in Section 704(c) of the Internal Revenue Code with respect to contributed property where the allocations are made in accordance with the U.S. Treasury regulations thereunder.

Distributions. The Holdings Partnership Agreement requires certain tax distributions to be made if and when Holdings has taxable income. Other distributions shall be made in proportion to the partners' respective percentage interests.

Transfers of Partnership Interests. The Holdings Partnership Agreement provides that, subject to certain exceptions including, without limitation, the transfer rights described below, general partners shall not withdraw from Holdings, resign as a general partner nor transfer their general partnership interests without the consent of all general partners, and limited partners shall not transfer their limited partnership interests.

If either GPC Investments, LLC, Graham Capital Company and/or Graham Alternative Investment Partners I, LP (individually "Continuing Graham Partner" and collectively the "Continuing Graham Partners") wishes to sell or otherwise transfer its partnership interests pursuant to a bona fide offer from a third party, Holdings and the Equity Investors must be given a prior opportunity to purchase such interests at the same purchase price set forth in such offer. If Holdings and the Equity Investors do not elect to make such purchase, then such Continuing Graham Partner may sell or transfer such partnership interests to such third party upon the terms set forth in such offer. If the Equity Investors wish to sell or otherwise transfer their partnership interests pursuant to a bona fide offer from a third party, the Continuing Graham Partners shall have a right to include in such sale or transfer a proportionate percentage of their partnership interests. If the Equity Investors (so long as they hold 51% or more of the partnership interests) wish to sell or otherwise transfer their partnership interests pursuant to a bona fide offer from a third party, the Equity Investors shall have the right

17. Holdings partnership agreement (continued)

to compel the Continuing Graham Partners to include in such sale or transfer a proportionate percentage of their partnership interests.

Dissolution. The Holdings Partnership Agreement provides that Holdings shall be dissolved upon the earliest of (i) the sale, exchange or other disposition of all or substantially all of Holdings' assets, (ii) the withdrawal, resignation, filing of a certificate of dissolution or revocation of the charter or bankruptcy of a general partner, or the occurrence of any other event which causes the general partner to cease to be the general partner unless a majority-in-interest of the limited partners elect to continue the partnership, or (iii) such date as the partners shall unanimously elect.

18. Comprehensive income (loss)

The components of accumulated other comprehensive income (loss), net of income taxes, consisted of:

	Cash flow hedges	Pension liability	Cumulative translation adjustments	Total other comprehensive income (loss)	Total other comprehensive income (loss) attributable to noncontrolling interests	Total other comprehensive income (loss) attributable to GPC stockholders
			(In thousands)			
Balance at January 1, 2008	$ (706)	$ (8,959)	$ 61,791	$ 52,126	$ —	$ 52,126
Other comprehensive income	(22,361)	(29,028)	(65,941)	(117,330)	—	(117,330)
Balance at December 31, 2008	(23,067)	(37,987)	(4,150)	(65,204)	—	(65,204)
Other comprehensive income	10,111(1)	10,432	19,579	40,122	6,041	34,081
Balance at December 31, 2009	(12,956)	(27,555)	15,429	(25,082)	6,041	(31,123)
Other comprehensive income	12,956(1)	(4,118)	(1,966)	6,872	650	6,222
Common stock issued under exchange agreements	—	—	—	—	(2,393)	2,393
Balance at December 31, 2010	$ —	$(31,673)	$ 13,463	$ (18,210)	$ 4,298	$ (22,508)

(1) Includes amortization and write-off of amounts in accumulated other comprehensive income (loss) as of the date the Company discontinued hedge accounting for its interest rate collar and swap agreements of $13.0 million (net of tax of $0) and $9.6 million (net of tax of $0) for the years ended December 31, 2010 and 2009, respectively.

19. Option plans

Options have been granted under the terms of the Graham Packaging Holdings Company Management Option Plan (the "1998 Option Plan"), the 2004 Graham Packaging Holdings Company Management Option Plan (the "2004 Option Plan"), the 2008 Graham Packaging Holdings Company Management Option Plan (the "2008 Option Plan") and the 2010 Equity Compensation Plan (the "2010 Option Plan" and, collectively with the 1998 Option Plan, the 2004 Option Plan and the 2008 Option Plan, the "Option Plans").

The Option Plans provide for the grant to management employees of Holdings and its subsidiaries and non-employee Directors, advisors, consultants and other individuals providing services to Holdings of options ("Options") to purchase either limited partnership interests in Holdings under the 1998 Option Plan, the 2004 Option Plan and the 2008 Option Plan (each interest being referred to as a "Unit"), which may be exchanged for shares of GPC's common stock, or shares of GPC's common stock under the 2010 Option Plan. On February 4, 2010, GPC effected a 1,465.4874-for-one stock split and Holdings effected a 3,781.4427-for-one unit split. Accordingly, any unit/share information reflects such splits. As a result of these splits, each share of GPC's common stock corresponds to one Unit of Holdings' partnership interest. The aggregate number of

19. Option plans (continued)

combined Units and/or shares with respect to which Options may be granted under the Option Plans may not exceed 7,220,286. A committee has been appointed to administer the Option Plans, including, without limitation, the determination of the individuals to whom grants will be made, the number of Options subject to each grant and the various terms of such grants.

Under the 1998 Option Plan, the 2004 Option Plan and the 2010 Option Plan, the exercise price per Option is or will be equal to or greater than the fair value of a Unit on the date of grant. Under the 2008 Option Plan, the exercise price per Option is or will be less than, equal to, or greater than the fair value of a Unit on the date of grant, provided that there are limitations on exercise of any Option granted at less than fair value on the grant date. Prior to the IPO, the Company determined the fair value of a Unit by considering market multiples of comparable public companies and recent transactions involving comparable public and private companies, and by performing discounted cash flow analyses on its projected cash flows. The Company utilized the services of an appraisal firm to assist in these analyses. Subsequent to the IPO, the fair value of a Unit is equal to the closing price of the Company's common stock on the New York Stock Exchange. The number and type of Units covered by outstanding Options and exercise prices may be adjusted to reflect certain events such as recapitalizations, mergers or reorganizations of or by Holdings. The Option Plans are intended to advance the best interests of the Company by allowing such employees to acquire an ownership interest in the Company, thereby motivating them to contribute to the success of the Company and to remain in the employ of the Company.

In general, Options awarded under the 1998 Option Plan vest according to either a time-based component or time-based and performance-based components as follows: 50% of the Options vest and become exercisable in 20% increments annually over five years, so long as the holder of the Option is still an employee on the vesting date, and 50% of the Options vest and become exercisable in 20% increments annually over five years, so long as the Company achieves specified earnings targets for each year, although these Options do become exercisable in full without regard to the Company's achievement of these targets on the ninth anniversary of the date of grant, so long as the holder of the Option is still an employee on that date.

In general, time-based Options awarded under the 2004 Option Plan, the 2008 Option Plan and the 2010 Option Plan vest and become exercisable in 25% increments annually over four years, so long as the holder of the Option is still an employee on the vesting date, and in limited circumstances, Options have been granted under the 2004 Option Plan and the 2008 Option Plan with vesting subject to the additional requirement of the achievement of an earnings target. In some circumstances, Options have been granted under the 2004 Option Plan and the 2008 Option Plan that vest contingent upon the employee's continuous employment with the Company and the sale by Blackstone of its entire interest in the Company, with the vesting percentage based upon the multiple of invested capital Blackstone achieves in such a sale ("MOIC Options"). These MOIC Options have been amended to provide that the MOIC Options will vest in accordance with the multiple of the invested capital Blackstone achieves if the employee remains continuously employed with the Company through the date on which Blackstone sells 75% of its original ownership interest in the Company. Employees can also qualify for additional vesting if Blackstone achieves additional multiple of invested capital milestones upon subsequent sales of its interest in the Company provided that those employees remain employed through a date that precedes such subsequent sale by three months or less.

Generally, upon a holder's termination, all unvested Options are forfeited and vested Options must be exercised within 90 days of the termination event, with variations based on the circumstances of termination.

Options awarded under the Option Plans have a term of ten years. In the past, the Company has amended the terms of specified Options to extend their terms.

19. Option plans (continued)

The weighted average fair value at date of grant for Options granted in 2010, 2009 and 2008 was $2.70, $1.42 and $2.81 per Option, respectively. The fair value of each Option was estimated on the date of the grant using a fair value option pricing model, with the following weighted-average assumptions:

	2010	2009	2008
Dividend yield	0%	0%	0%
Expected volatility	30%	30%	30%
Risk-free interest rate	1.90%	2.05%	2.28%
Expected option life (in years)	4.0	4.5	4.5

The Company estimates expected volatility based upon the volatility of the stocks of comparable public companies and the volatility of the Company's common stock. The Company's expected life of Options granted was based upon actual experience and expected employee turnover. The risk-free interest rate was based on the implied yield available on U.S. Treasury zero-coupon issues with a term equivalent to the expected life of the Options granted. The Company has not paid dividends in the past and does not plan to pay any dividends in the foreseeable future.

A summary of the changes in the Unit Options outstanding under the Option Plans during 2010 is as follows:

	Units under options	Weighted average exercise price/option	Weighted average remaining contractual term (In years)	Aggregate intrinsic value (In millions)
Outstanding at beginning of year	4,813,115	$8.35		
Granted	—	—		
Exercised(1)	(1,485,906)	9.08		
Forfeited	(227,747)	7.70		
Outstanding at end of year	3,099,462	$8.05	6.5	$14.7
Vested or expected to vest at end of year	2,322,522	$8.30	6.3	$10.5
Exercisable at end of year	1,889,443	$8.22	6.2	$ 8.7

A summary of the changes in the stock Options outstanding under the Option Plans during 2010 is as follows:

	Common stock under options	Weighted average exercise price/option	Weighted average remaining contractual term (In years)	Aggregate intrinsic value (In millions)
Outstanding at beginning of year	—	$ —		
Granted(2)	913,797	10.17		
Exercised	—	—		
Forfeited	(78,275)	10.00		
Outstanding at end of year	835,522	$10.18	9.1	$2.2
Vested or expected to vest at end of year	835,522	$10.18	9.1	$2.2
Exercisable at end of year	—	$ —	—	$ —

19. Option plans (continued)

(1) Under the terms of the Option Plans, Warren Knowlton, the Operating Company's former Chief Executive Officer, net settled his 894,538 Options in exchange for 164,182 Units of Holdings, which were then exchanged for shares of GPC's common stock. The 894,538 Options are included in the "Exercised" line in the table above.

(2) In conjunction with the IPO, the Company granted Options to certain management members to purchase 841,363 shares of GPC's common stock. Subsequently, the Company granted additional Options to purchase 72,434 shares of GPC's common stock. As a result, the Company will incur incremental compensation expense of approximately $2.3 million over the four-year vesting period of the Options. The incremental expense recorded during the year ended December 31, 2010, was $0.5 million.

As of December 31, 2010, there was $2.4 million of total unrecognized compensation cost related to outstanding Options that is expected to be recognized over a weighted average period of 2.8 years. For the years ended December 31, 2010 and 2008, the Company received net proceeds of $4.3 million and $0.2 million, respectively, from the exercise of Options.

The intrinsic value of Options exercised for the years ended December 31, 2010 and 2008, was $3.2 million and $0.0 million, respectively.

20. Other expense (income), net

Other expense (income), net consisted of the following:

	Year ended December 31,		
	2010	2009	2008
	(In thousands)		
Foreign exchange loss (gain), net	$3,019	$(1,907)	$215
Other	(406)	356	189
	$2,613	$(1,551)	$404

21. Income taxes

The (benefit) provision for income taxes consisted of:

	Year ended December 31,		
	2010	2009	2008
	(In thousands)		
(Loss) income from continuing operations before income taxes:			
U.S.	$(16,765)	$ (5,256)	$(78,705)
Foreign	27,854	56,004	44,265
Total	$ 11,089	$50,748	$(34,440)
Current provision:			
Federal	$ 3,054	$ 393	$ 23
State and local	697	849	527
Foreign	11,474	16,690	11,495
Total current provision	15,225	17,932	12,045

21. Income taxes (continued)

	Year ended December 31, 2010	2009	2008
	(In thousands)		
Deferred (benefit) provision:			
Federal	(49,957)	6,451	(536)
State and local	(10,192)	1,008	12
Foreign	(5,776)	1,623	1,456
Total deferred (benefit) provision	(65,925)	9,082	932
Total (benefit) provision	$(50,700)	$27,014	$ 12,977

The following table sets forth the deferred income tax assets and liabilities that result from temporary differences between the reported amounts and the tax bases of the assets and liabilities:

	December 31, 2010	2009
	(In thousands)	
Deferred income tax assets:		
Net operating loss carryforwards	$ 322,461	$ 327,858
Capital loss carryforwards	7,778	7,784
Fixed assets, due to differences in depreciation, impairment and assigned values	—	4,476
Accrued retirement indemnities	3,163	3,177
Inventories	2,486	2,532
Amortizable intangibles, due to differences in amortization, impairment and assigned values	16,635	—
Accruals and reserves	20,512	18,677
Deferred revenue	7,824	7,261
Tax credits	11,133	10,755
Other items	7,546	5,616
Gross deferred income tax assets	399,538	388,136
Valuation allowance	(249,908)	(329,909)
Net deferred income tax assets	149,630	58,227
Deferred income tax liabilities:		
Investment in partnership	24,389	14,580
Fixed assets, due to differences in depreciation, impairment and assigned values	86,372	43,244
Inventories	—	492
Amortizable intangibles, due to differences in amortization, impairment and assigned values	—	13,824
Unremitted earnings of foreign subsidiaries	13,814	11,875
Other items	848	944
Gross deferred income tax liabilities	125,423	84,959
Net deferred income tax assets (liabilities)	$ 24,207	$ (26,732)

21. Income taxes (continued)

Current deferred income tax liabilities of $2.5 million in 2010 and $6.3 million in 2009 are included in accrued expenses. Non-current deferred income tax assets of $44.6 million in 2010 and $0.8 million in 2009 are included in other non-current assets.

Pursuant to the requirements of ASC 740-10-30, "Establishment of a Valuation Allowance for Deferred Tax Assets," the Company assesses the realizability of deferred tax assets based on an evaluation of positive and negative evidence, including past operating results, the existence of cumulative losses and the Company's forecast of future taxable income. In estimating future taxable income, the Company developed assumptions, including the amount of future pre-tax operating income, the reversal of temporary differences and the utilization of net operating loss and credit carryforwards to offset taxable income. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying business. As a result of this analysis, the Company determined that the valuation allowances 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 were not required and were reversed for the year ended December 31, 2010. The remaining valuation allowance of $249.9 million primarily relates to the uncertainty of realizing the benefits arising from tax loss and credit carryforwards of other foreign and domestic subsidiaries. The valuation allowance decrease in 2010 of $80.0 million results from this valuation allowance reversal and is offset by increases related to current year losses in other domestic and foreign subsidiaries.

The difference between the actual income tax (benefit) provision and an amount computed by applying the U.S. federal statutory rate for corporations to earnings before income taxes is attributable to the following:

	Year ended December 31,		
	2010	2009	2008
		(In thousands)	
Taxes at U.S. federal statutory rate	$ 3,881	$ 17,762	$(12,054)
Partnership loss not subject to federal income taxes	1,053	157	273
State income tax net of federal benefit	(6,036)	1,207	350
Permanent differences between tax and book accounting	4,683	1,287	1,372
Prior year adjustments	2,567	(941)	137
Tax contingencies	6,190	(407)	5,011
Income taxed in multiple jurisdictions	6,980	22,913	2,703
Change in valuation allowance	(68,396)	(14,242)	19,081
Tax credits	(2,298)	(1,813)	(4,191)
Other	676	1,091	295
	$(50,700)	$ 27,014	$ 12,977

As of December 31, 2010, the Company's domestic subsidiaries have U.S. federal net operating loss carryforwards of approximately $703.6 million. These net operating loss carryforwards are available to offset future taxable income and expire in the years 2018 through 2030. The Company also has various state net operating loss carryforwards that expire through 2030. The determination of the state net operating loss carryforwards is dependent upon the subsidiaries' taxable income or loss, apportionment percentages and other respective state laws that can change from year to year and impact the amount of such carryforward. The Company's international operating subsidiaries have, in the aggregate, approximately $158.3 million of tax loss carryforwards available as of December 31, 2010. These losses are available to reduce the originating subsidiaries' future taxable foreign income. The loss carryforwards relating to the Company's French subsidiaries ($127.9 million), UK subsidiaries ($4.0 million), Belgian subsidiaries ($1.0 million), and Brazilian subsidiaries ($15.7 million) have no expiration date. The remainder of the foreign loss carryforwards have

21. Income taxes (continued)

expiration dates ranging from 2011 through 2020. The Company has $21.9 million of capital loss carryforwards which are available to offset future capital gains and expire in the years 2011-2013. Additionally, the Company's Canadian subsidiary has $0.5 million of capital loss carryforwards that have no expiration date.

As of December 31, 2010, the Company's domestic subsidiaries had federal and state income tax credit carryforwards of approximately $7.3 million consisting of $2.4 million of Alternative Minimum Tax credits which never expire, $4.1 million of federal research and development credits and other general business credits which expire in the years 2011 through 2024 and $0.8 million of state tax credits with varying expiration dates. The Company's subsidiaries in Mexico and Argentina have tax credit carryforwards of $3.0 million and $0.7 million, respectively, which expire in the years 2011 through 2020.

As of December 31, 2010, the Company's equity in the undistributed earnings of foreign subsidiaries which are deemed to be permanently reinvested, and for which income taxes had not been provided, was $14.9 million. It is not practical to determine the related deferred tax liability.

The Company adopted guidance under ASC 740-10-25, "Basic Recognition Threshold," effective January 1, 2007. This guidance prescribes a recognition threshold of more-likely-than-not for recognition of tax benefits.

The following table summarizes the activity related to the gross unrecognized tax benefits ("UTB") from January 1, 2008, through December 31, 2010:

	December 31,		
	2010	2009	2008
	(In thousands)		
Balance at beginning of year	$50,703	$52,246	$41,817
Increases related to prior year tax positions	1,569	30	1,304
Decreases related to prior year tax positions	(206)	(7,542)	(156)
Increases related to current year tax positions	6,687	6,788	11,328
Decreases related to settlements with taxing authorities	(778)	—	(52)
Decreases related to lapsing of statute of limitations	(828)	(1,059)	(1,128)
Currency translation adjustments	(242)	240	(867)
Balance at end of year	$56,905	$50,703	$52,246

Offsetting long-term deferred income tax assets in the amount of $14.7 million, $14.6 million and $18.8 million at December 31, 2010, 2009 and 2008, respectively, are not reflected in the gross UTB balance above. Approximately $2.4 million, $9.0 million and $10.9 million of UTB at December 31, 2010, 2009 and 2008, respectively, if recognized, would impact the Company's effective tax rate.

The Company operates and files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. Its tax returns are periodically audited by domestic and foreign tax authorities. The Company is currently under examination by various foreign authorities. The U.S. corporate subsidiaries have open tax years from 2005 forward for certain state purposes. The Company generally has open tax years subject to audit scrutiny of three to five years in Europe, six years in Mexico and South America and three to five years in Asia. The Company does not expect a significant change in the UTB balance in the next twelve months.

Upon adoption of ASC 740-10-25, the Company elected to treat interest and penalties related to taxes as a component of income tax expense. As of December 31, 2010, 2009 and 2008, the Company has recorded UTB of $4.8 million, $5.6 million and $6.0 million, respectively, related to interest and penalties, all of which,

21. Income taxes (continued)

if recognized, would affect the Company's effective tax rate. During the year ended December 31, 2010, the Company recorded a tax benefit related to a decrease in UTB for interest and penalties of $0.8 million.

Cash income tax payments of $21.1 million, $19.2 million and $9.3 million were made for income tax liabilities in 2010, 2009 and 2008, respectively.

22. Commitments

In connection with plant expansion and improvement programs, the Company had commitments for capital expenditures of approximately $15.8 million at December 31, 2010.

The Company is a party to various capital and operating leases involving real property and equipment. Lease agreements may include escalating rent provisions and rent holidays, which are expensed on a straight-line basis over the term of the lease. Total rent expense for operating leases was $50.7 million, $50.3 million and $52.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Minimum future lease obligations on long-term noncancelable operating leases in effect at December 31, 2010, were as follows (in thousands):

2011	$33,448
2012	28,199
2013	24,002
2014	18,532
2015	12,774
Thereafter	25,755

Minimum future lease obligations on capital leases in effect at December 31, 2010, were as follows (in thousands):

2011	$985
2012	527
2013	2

The gross amount of assets under capital leases was $4.4 million and $51.3 million as of December 31, 2010 and 2009, respectively. The deferred rent liability relating to escalating rent provisions and rent holidays was $2.6 million and $2.2 million as of December 31, 2010 and 2009, respectively.

The Company has entered into agreements with an unrelated third-party for the financing of specific accounts receivable of certain foreign subsidiaries. The financing of accounts receivable under these agreements is accounted for as a sale of receivables in accordance with ASC 860-20, "Sale of Financial Assets." Under the terms of the financing agreements, the Company transfers ownership of eligible accounts receivable without recourse to the third-party purchaser in exchange for cash. Proceeds on the transfer reflect the face value of the accounts receivable less a discount. The discount is recorded against net sales on the consolidated statement of operations in the period of the sale. The eligible receivables financed pursuant to this factoring agreement are excluded from accounts receivable on the consolidated balance sheet and are reflected as cash provided by operating activities on the consolidated statement of cash flows, while non-eligible receivables remain on the balance sheet with a corresponding liability established when those receivables are financed. The Company does not continue to service, administer and collect the eligible receivables under this program. The third-party purchaser has no recourse to the Company for failure of debtors constituting eligible receivables to pay when due. The Company maintains insurance on behalf of the third-party purchaser to cover any losses due to the failure of debtors constituting eligible receivables to pay when due. At December 31, 2010 and 2009, the Company had sold $18.4 million and $15.7 million of eligible

22. Commitments (continued)

accounts receivable, respectively, which represent the face amounts of total outstanding receivables at those dates.

Under the Fifth Amended and Restated Limited Partnership Agreement and the Monitoring Agreement, the Company was obligated to make annual payments of $2.0 million and $3.0 million to affiliates of the Graham Family and Blackstone, respectively. The Company has terminated the Monitoring Agreement and is no longer obligated to make payments under the Monitoring Agreement. As a result, as of February 10, 2010, the Company is only obligated to make annual payments of $1.0 million to affiliates of the Graham Family for ongoing management and advisory services under the Sixth Amended and Restated Limited Partnership Agreement. See Note 15 for further discussion of the Company's obligations under these agreements.

As discussed in Note 15, in connection with the IPO, on February 10, 2010, GPC entered into separate ITRs with its pre-IPO stockholders (e.g. Blackstone, management and other stockholders) and with GPC LP. The agreements provide for the payment by GPC of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that is actually realized (or is deemed to be realized in the case of an early termination or change in control as further described in the ITRs) as a result of the utilization of net operating losses attributable to periods prior to the IPO, and any increase to the tax basis of the assets of the Company related to (1) the 1998 acquisition of Holdings and (2) current and future exchanges by the Graham Family of their limited partnership units for common stock of GPC pursuant to the Exchange Agreement, and of certain tax benefits related to GPC's entering into the ITRs, including tax benefits attributable to payments under the ITRs.

23. Contingencies and 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

23. Contingencies and legal proceedings (continued)

arbitrators, which resulted in a payment by the Company to OnTech of $8.0 million in the fourth quarter of 2010, which is included in selling, general and administrative expenses.

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.

24. Segment information

The Company is organized and managed on a geographical basis in four operating segments: North America, Europe, South America and Asia. The Company began accounting for its new Asian operations as a new operating segment as of July 1, 2010, with the acquisition of China Roots. The accounting policies of the segments are consistent with those described in Note 1. The Company's measure of segment profit or loss is operating income. Segment information for, and as of, the three years ended December 31, 2010, representing the reportable segments currently utilized by the chief operating decision makers, was as follows:

	Year	North America	Europe	South America	Asia	Eliminations(a)	Total
				(In thousands)			
Net sales(b)(c)	2010	$2,178,118	$226,065	$99,683	$ 9,684	$ (817)	$2,512,733
	2009	1,942,747	235,766	92,771	—	(250)	2,271,034
	2008	2,196,048	274,382	89,747	—	(1,223)	2,558,954
Operating income (loss)	2010	$ 220,253	$ 20,824	$ 387	$ 247	$ —	$ 241,711
	2009	210,990	31,777	(9,086)	—	—	233,681
	2008	119,648	30,181	(4,627)	—	—	145,202
Depreciation and amortization	2010	$ 145,810	$ 17,824	$ 6,600	$ 854	$ —	$ 171,088
	2009	136,929	17,902	3,788	—	—	158,619
	2008	149,765	20,492	5,268	—	—	175,525
Asset impairment charges	2010	$ 5,290	$ 3,543	$ 788	$ —	$ —	$ 9,621
	2009	31,512	3,918	6,396	—	—	41,826
	2008	86,861	3,534	5,669	—	—	96,064
Interest expense, net	2010	$ 180,443	$ 1,104	$ 3,202	$ 169	$ —	$ 184,918
	2009	171,647	1,183	2,928	—	—	175,758
	2008	174,128	2,678	2,432	—	—	179,238
Other (income) expense, net	2010	$ (5,770)	$ 6,139	$ (103)(d)	$ (53)	$ 2,400	$ 2,613
	2009	(17,747)	691	(9,764)	—	25,269	(1,551)
	2008	(4,126)	(1,689)	(4)	—	6,223	404
Income tax (benefit) provision	2010	$ (52,634)	$ 3,146	$ (1,163)	$ (49)	$ —	$ (50,700)
	2009	16,433	9,535	1,046	—	—	27,014
	2008	3,569	9,560	(152)	—	—	12,977
Identifiable assets(b)(c)(e)	2010	$ 991,676	$125,433	$69,044	$16,989	$ —	$1,203,142
	2009	830,897	138,053	48,828	—	—	1,017,778
Goodwill	2010	$ 626,156	$ 15,449	$ 7	$ 1,452	$ —	$ 643,064
	2009	420,765	16,286	7	—	—	437,058
Cash paid for property, plant and equipment	2010	$ 107,387	$ 19,761	$26,761	$ 3,210	$ —	$ 157,119
	2009	119,875	13,529	12,607	—	—	146,011
	2008	116,442	20,767	11,367	—	—	148,576

(a) To eliminate intercompany transactions.

24. Segment information (continued)

(b) The Company's net sales for Europe include countries having significant sales as follows:

	Year ended December 31,		
	2010	2009	2008
	(In millions)		
Poland	$54.4	$49.3	$63.7
Belgium	50.5	54.9	57.4
Spain	29.1	40.6	40.8
France	29.7	24.3	34.4

The Company's identifiable assets for Europe include countries having significant identifiable assets as follows:

	December 31,	
	2010	2009
	(In millions)	
Poland	$33.0	$36.6
Belgium	27.2	31.9
Spain	21.0	23.6
France	20.9	15.3

(c) The Company's net sales for North America include sales in Mexico which totaled $173.4 million, $147.3 million and $150.4 million for the years ended December 31, 2010, 2009 and 2008, respectively. Identifiable assets in Mexico totaled $70.6 million and $58.8 million as of December 31, 2010 and 2009, respectively. Substantially all of the North America reportable segment's remaining net sales and identifiable assets are in the United States.

(d) Beginning January 1, 2010, Venezuela's economy is considered to be highly inflationary for accounting purposes. Accordingly, the Company has adopted the U.S. dollar as the functional currency for its Venezuelan operations. All bolivar-denominated transactions, as well as monetary assets and liabilities, are remeasured into U.S. dollars. As a result of the application of hyper-inflationary accounting requiring the revaluation of monetary assets and liabilities, the Company recorded a $2.3 million loss in other expense for the year ended December 31, 2010. Net sales for Venezuela were $6.0 million for the year ended December 31, 2010, and net assets for Venezuela were less than 1.0% of the Company's total net assets as of December 31, 2010 and 2009. As the Venezuelan operations are not significant to the overall operations of the Company, future rate changes in the bolivar would not have a significant impact on the Company's financial statements.

(e) Represents property, plant and equipment, net.

Product net sales information

The following is supplemental information on net sales by product category:

	Food and beverage	Household	Personal care/specialty	Automotive lubricants	Total
			(In thousands)		
2010	$1,586,417	$442,928	$163,931	$319,457	$2,512,733
2009	1,385,544	423,004	171,278	291,208	2,271,034
2008	1,561,273	491,641	186,787	319,253	2,558,954

25. Environmental matters

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,

25. Environmental matters (continued)

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, however, the Company does not believe that such changes will have a significant impact on the results of operations.

26. Earnings per share

The following are reconciliations of income (loss) from continuing operations, loss from discontinued operations and net income (loss) attributable to GPC stockholders used to calculate basic and diluted earnings (loss) per share.

The following summarizes earnings per share for the year ended December 31, 2010 (in thousands, except share and per share data):

	As reported	Attributable to noncontrolling interests(1)	Attributable to GPC stockholders for computation of basic earnings per share	Adjustment for potentially dilutive options to purchase partnership units(2)	Adjusted for computation of diluted earnings per share
Numerator:					
Net income	$61,789	$(7,077)	$ 54,712	$111	$ 54,823
Denominator:					
Weighted average number of GPC shares outstanding(3)			60,334,473		61,410,535
			Basic		**Diluted**
Earnings per share:					
Net income attributable to GPC stockholders			$ 0.91		$ 0.89

26. Earnings per share (continued)

The following summarizes earnings per share for the year ended December 31, 2009 (in thousands, except share and per share data):

	As reported	Attributable to noncontrolling interests(1)	Attributable to GPC stockholders for computation of basic earnings per share	Adjustment for potentially dilutive options to purchase partnership units(2)	Adjusted for computation of diluted earnings per share
Numerator:					
Income from continuing operations	$23,734	$(4,602)	$ 19,132	$(273)	$ 18,859
Loss from discontinued operations	(9,481)	1,428	(8,053)	85	(7,968)
Net income	$14,253	$(3,174)	$ 11,079	$(188)	$ 10,891
Denominator:					
Weighted average number of GPC shares outstanding(4)			42,981,204		42,985,179
			Basic		**Diluted**
Earnings per share:					
Income from continuing operations			$ 0.45		$ 0.44
Loss from discontinued operations			(0.19)		(0.19)
Net income attributable to GPC stockholders			$ 0.26		$ 0.25

26. Earnings per share (continued)

The following summarizes loss per share for the year ended December 31, 2008 (in thousands, except share and per share data):

	As reported	Attributable to noncontrolling interests(1)	Attributable to GPC stockholders for computation of basic loss per share	Adjustment for potentially dilutive options to purchase partnership units(2)	Adjusted for computation of diluted loss per share
Numerator:					
Loss from continuing operations	$(47,417)	$—	$ (47,417)	$—	$ (47,417)
Loss from discontinued operations	(10,506)	—	(10,506)	—	(10,506)
Net loss	$(57,923)	$—	$ (57,923)	$—	$ (57,923)
Denominator:					
Weighted average number of GPC shares outstanding(5)			42,975,419		42,975,419
			Basic		**Diluted**
Loss per share:					
Loss from continuing operations			$ (1.10)		$ (1.10)
Loss from discontinued operations			(0.25)		(0.25)
Net loss attributable to GPC stockholders			$ (1.35)		$ (1.35)

(1) The allocation of earnings is based on the noncontrolling interests' relative ownership percentage.

(2) Holdings adjustment is based on incremental earnings that would be attributable to those potentially dilutive options to purchase partnership units on an "as-if converted" basis. For the years ended December 31, 2010, 2009 and 2008, 669,694, 721,828 and 4,954,011 potential options to purchase partnership units, respectively, have been excluded as the options are either antidilutive or as a result of the related contingencies not being met as of the reporting dates. Regarding contingencies, there are two types of options that contain contingencies: (1) those which vest and become exercisable upon the attainment of certain financial performance goals associated with a sale by Blackstone of 75% of its original ownership interest in the Company, and (2) those which vest and become exercisable upon Holdings' achievement of specified earnings targets.

(3) For the year ended December 31, 2010, 20,134 potential options to purchase GPC common stock have been excluded as the options are antidilutive.

(4) Reflects 3,975 incremental shares calculated using the treasury stock method.

(5) As of December 31, 2008, there were no potentially dilutive common stock equivalents outstanding regarding GPC shares. Accordingly, the number of basic and diluted weighted average shares outstanding is the same.

27. Capital stock

On February 10, 2010, the Company completed its IPO and on February 11, 2010, its stock began trading on the New York Stock Exchange under the symbol "GRM." In connection with the IPO, the Company, on February 4, 2010, increased the number of authorized shares of $0.01 par value common stock to 500,000,000 and of $0.01 par value preferred stock to 100,000,000, and effected a 1,465.4874-for-one stock split of its shares of common stock. On February 10, 2010, and in connection with the IPO, the Company issued 16,666,667 of its registered common stock at the initial public offering price of $10.00 per share, less underwriters discount and expenses.

Additionally, as part of the IPO, the Graham Family entered into an Exchange Agreement. Under the Exchange Agreement, the Graham Family and certain permitted transferees may, subject to specific terms, exchange their limited partnership units in Holdings for shares of the Company's common stock at any time and from time to time on a one-for-one basis, subject to customary conversion rate adjustments for splits, stock dividends and reclassifications. Under this Exchange Agreement, entities controlled by the Graham Family and certain of their permitted transferees exercised their rights to exchange 1,324,900 limited partnership units of Holdings for 1,324,900 shares of the Company's common stock. The Company has also entered into Management Exchange Agreements, which provide for similar rights to management to exchange limited partnership units of Holdings obtained on exercise of outstanding options for shares of the Company's common stock.

On March 11, 2010, the underwriters of the IPO partially exercised their option to purchase additional shares of common stock from the Company and purchased 1,565,600 shares of registered common stock at the initial public offering price of $10.00 per share, less underwriters discount (the "Underwriters' Allotment"). The Underwriters' Allotment closed on March 16, 2010.

There were 0 shares of preferred stock issued and outstanding for each of the years ended December 31, 2010, 2009 and 2008. There were 63,311,512, 42,998,786 and 42,975,419 shares of common stock issued and outstanding for the years ended December 31, 2010, 2009 and 2008, respectively.

28. Interim financial results (unaudited)

	2010				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(In thousands, except per share data)				
STATEMENT OF OPERATIONS DATA:					
Net sales	$585,576	$652,832	$630,439	$643,886	$2,512,733
Gross profit	$102,319	$120,598	$112,043	$101,489	$ 436,449
Net (loss) income	$ (24,511)	$ 37,800	$ (4,354)	$ 52,854	$ 61,789
Net (loss) income attributable to noncontrolling interests	$ (2,290)	$ 4,264	$ (209)	$ 5,312	$ 7,077
Net (loss) income attributable to Graham Packaging Company Inc. stockholders	$ (22,221)	$ 33,536	$ (4,145)	$ 47,542	$ 54,712
Earnings per share:					
Net (loss) income attributable to Graham Packaging Company Inc. stockholders per share(1):					
Basic	$ (0.42)	$ 0.54	$ (0.07)	$ 0.75	$ 0.91
Diluted	$ (0.42)	$ 0.53	$ (0.07)	$ 0.75	$ 0.89

28. Interim financial results (unaudited) (continued)

	2009				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(In thousands, except per share data)				
STATEMENT OF OPERATIONS DATA:					
Net sales	$561,851	$585,714	$588,803	$534,666	$2,271,034
Gross profit	$ 93,576	$112,693	$111,799	$ 86,381	$ 404,449
Income (loss) from continuing operations	$ 17,170	$ 34,570	$ 13,084	$ (41,090)	$ 23,734
Net income (loss)	$ 16,843	$ 33,091	$ 10,966	$ (46,647)	$ 14,253
Net income (loss) attributable to noncontrolling interests	$ 2,826	$ 5,262	$ 1,930	$ (6,844)	$ 3,174
Net income (loss) attributable to Graham Packaging Company Inc. stockholders	$ 14,017	$ 27,829	$ 9,036	$ (39,803)	$ 11,079
Earnings per share:					
Net income (loss) attributable to Graham Packaging Company Inc. stockholders per share(1):					
Basic	$ 0.33	$ 0.65	$ 0.21	$ (0.93)	$ 0.26
Diluted	$ 0.33	$ 0.65	$ 0.21	$ (0.93)	$ 0.25

(1) Net (loss) income attributable to Graham Packaging Company Inc. stockholders per share may not necessarily total to the yearly income per share due to the weighting of shares outstanding on a quarterly and year-to-date basis.

29. Subsequent event

On January 13, 2011, Graham Alternative Investment Partners I, LP ("GAIP"), Graham Capital Company ("GCC") and GPC Investments, LLC ("GPCI") exercised their rights under the Exchange Agreement to exchange on a one-for-one basis Holdings limited partnership units for shares of GPC's common stock. On January 13, 2011, GAIP, GCC and GPCI exchanged 1,500,000, 240,000 and 26,681 Holdings limited partnership units, respectively, for the same number of shares of GPC's common stock. Holdings issued an aggregate of 1,766,681 limited partnership units to GPC in consideration for the corresponding number of limited partnership units surrendered and extinguished as a result of such exchanges. No underwriters were involved in the transactions, and the transactions were exempt from the registration requirements under Section 4(2) of the Securities Act. This exchange will impact the ITRs obligations, for which the Company is currently in the process of determining the impact.

30. Subsequent events and condensed guarantor data

Merger

On June 17, 2011, the Company, Reynolds Group Holdings Limited ("Reynolds") and Bucephalas Acquisition Corp., an indirect wholly-owned subsidiary of Reynolds ("Merger Sub"), entered into an Agreement and Plan of Merger and an amendment thereto (as amended, the "Merger Agreement"). Prior to entering into the Merger Agreement, the Company terminated the previously announced merger agreement (the "Prior Merger Agreement") with Silgan Holdings, Inc ("Silgan"). In accordance with the terms of the Prior Merger Agreement, the Company paid a $39.5 million termination fee to Silgan.

Blackstone, which owned approximately 60% of the outstanding shares of the Company's common stock on June 17, 2011, executed a written consent on that date to approve the transaction, thereby providing the required stockholder approval for the Merger.

30. Subsequent events and condensed guarantor data (continued)

On September 8, 2011, Merger Sub merged with and into the Company, with the Company continuing as the surviving corporation as an indirect wholly-owned subsidiary of Reynolds (the "Merger").

As a result of the Merger, each outstanding share of the Company's common stock, other than shares owned by Reynolds or the Company (which were cancelled) and other than those shares with respect to which appraisal rights were properly exercised and not withdrawn, was converted into the right to receive $25.50 in cash, without interest. In addition, immediately prior to the effective time of the Merger, Holdings engaged in a merger that resulted in the equity holders of Holdings (other than GPC) receiving the same cash consideration as is payable in the Merger. Also, pursuant to the terms of the equity incentive plans of the Company and corresponding award agreements with its officers and directors, upon the completion of the Merger, all stock options that vest based solely on the passage of time and continued employment and all stock options that vest upon attainment of certain performance goals became fully vested if the option holder remained employed by the Company until the effective time of the Merger. Additionally, at the closing of the Merger, Reynolds made a cash payment of $245 million pursuant to contractual change in control provisions in the ITRs.

Tender offer and consent solicitations

On July 7, 2011, the Company announced that the Operating Company and CapCo I (collectively, the "Issuers") commenced tender offers for any and all of their Notes outstanding and solicitation of consents of holders of each series of Notes to make certain amendments to the indentures governing the Notes. The tender offers and consent solicitations were requested by Reynolds in connection with the Merger. The tender offers and consent solicitations were conditioned on consummation of the Merger. In addition, the tender offers and consent solicitations were conditioned on the receipt of requisite consents to approve the proposed amendments (with respect to each series of Notes, consents in respect of at least a majority in principal amount of the then outstanding Notes issued under the applicable indenture) and the general conditions set forth in the offer to purchase and consent solicitations statement. On July 18, 2011, the Issuers amended the pricing terms of the tender offers and consent solicitations for their Senior Notes.

On July 19, 2011, the Company announced that the Issuers received the requisite consents from holders of the Senior Subordinated Notes to adopt the proposed amendments that were the subject of the consent solicitation for such Notes. The Issuers did not receive the requisite consents from holders of the Senior Notes to adopt the proposed amendments that were the subject of the consent solicitation for such Notes.

On August 4, 2011, the tender offers and consent solicitations for the Senior Notes expired. On August 25, 2011, the Issuers purchased $20,455,000 of Senior Subordinated Notes tendered in connection with the related tender offer and consent solicitation.

Senior Secured Intercompany Loan Agreement

In connection with the proposed Merger, Reynolds, through one of its subsidiaries, loaned $2,078 million to certain subsidiaries of the Company pursuant to an intercompany loan agreement evidenced by a senior secured intercompany note. The proceeds of the loan made on the closing date of the Merger were used to repay amounts owed under the Company's Credit Agreement, to pay related fees and expenses and to pay transaction costs associated with the Merger.

The loan made on the closing date of the Merger bears interest at a rate equal to LIBOR (subject to a LIBOR floor of 1.50%), plus 4.50% per annum and will mature on or about October 15, 2018. The principal of the loan made on the closing date of the Merger is subject to quarterly amortization at a rate equal to 7.5% per annum, which increases to 10% per annum commencing in January, 2013. Such amortization payments are due quarterly and may be funded through committed additional loans under the intercompany loan agreement. The intercompany loan agreement contains a cash flow sweep covenant under which the borrowers are

30. Subsequent events and condensed guarantor data (continued)

required to make periodic cash sweep payments to repay the principal balance of the loans, based on 50% of excess cash flow.

Change of Control Offer

The Company commenced a change of control offer with respect to the Company's senior notes due 2017 and senior notes due 2018 to repurchase for cash at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase, as required by the applicable indentures. Holders of $239.8 million aggregate principal amount of the senior notes due 2017 and $230.6 million aggregate principal amount of the senior notes due 2018 tendered their notes in the change of control offer prior to its expiration on October 17, 2011.

Condensed guarantor data

In connection with the proposed Merger, Reynolds issued Senior Secured Notes due 2019 and Senior Notes due 2019 (together, the "August 2019 Reynolds Notes"), the proceeds from which, together with other funds, were used to fund the Merger. In addition, Reynolds has previously issued 7.750% Senior Secured Notes due 2016, 8.500% Senior Notes due 2018, 7.125% Senior Secured Notes due 2019, 9.000% Senior Notes due 2019, 6.875% Senior Secured Notes due 2021 and 8.250% Senior Notes due 2021, 8.0% senior notes due 2016 and 9.5% senior subordinated notes due 2017 (collectively, with the Reynolds August 2019 Notes, the "Reynolds Notes"). Following the consummation of the merger between the Company and Reynolds, the Company and BCP/Graham Holdings LLC (a 100%-owned subsidiary of the Company) ("BCP") each became a guarantor of the Reynolds Notes by executing supplemental indentures to the indentures governing the Reynolds Notes. As a result, the Company and BCP fully and unconditionally guarantee the Reynolds Notes (subject to certain customary guarantee release provisions set forth in the indentures governing the Reynolds Notes), as provided by the Supplemental Indentures. These guarantees are both joint and several. In addition to providing guarantees, both the Company and BCP pledged their respective assets as collateral to the holders of the secured Reynolds Notes.

The following condensed consolidating information presents, in separate columns, the condensed consolidating balance sheet as of December 31, 2010, and the related condensed consolidating statement of operations and condensed consolidating statement of cash flows for the year ended December 31, 2010, for (i) the Guarantors, including the Company and BCP, with their investments in Holdings recorded under the equity method, (ii) Holdings, (iii) eliminating entries necessary to consolidate the Company and Holdings, and (iv) the Company on a consolidated basis.

Graham Packaging Company Inc.

Condensed consolidating balance sheet
As of December 31, 2010

	Graham Packaging Company Inc. and BCP/Graham Holdings LLC (Guarantors)	Graham Packaging Holdings Company (Non-Guarantor)	Eliminations	Consolidated
		(In thousands)		
ASSETS				
Current assets:				
Cash and cash equivalents	$ —	$ 152,964	$ —	$ 152,964
Accounts receivable, net	—	216,368	—	216,368
Inventories	—	247,166	—	247,166
Deferred income taxes	—	14,616	—	14,616
Prepaid expenses and other current assets	—	42,363	—	42,363
Total current assets	—	673,477	—	673,477
Property, plant and equipment, net	—	1,203,142	—	1,203,142
Intangible assets, net	—	195,780	—	195,780
Goodwill	—	643,064	—	643,064
Other non-current assets	—	91,364	—	91,364
Total assets	$ —	$2,806,827	$ —	$2,806,827
LIABILITIES AND EQUITY (DEFICIT)				
Current liabilities:				
Current portion of long-term debt	$ —	$ 34,007	$ —	$ 34,007
Accounts payable	—	142,585	—	142,585
Accrued expenses and other current liabilities	100	196,332	—	196,432
Deferred revenue	—	32,471	—	32,471
Total current liabilities	100	405,395	—	405,495
Long-term debt	—	2,798,824	—	2,798,824
Deferred income taxes	21,134	11,294	—	32,428
Other non-current liabilities	13,742	89,333	(2,271)	100,804
Investment in subsidiaries	509,633	—	(509,633)	—
Commitments and contingent liabilities				
Equity (deficit):				
Graham Packaging Company Inc. stockholders' equity (deficit):				
Preferred stock, $0.01 par value, 100,000,000 shares authorized, 0 shares issued and outstanding	—	—	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized, shares issued and outstanding 63,311,512	633	—	—	633
Additional paid-in capital	459,422	—	—	459,422
Retained earnings (deficit)	(977,318)	—	—	(977,318)
Notes and interest receivable for ownership interests	(4,838)	—	—	(4,838)
Accumulated other comprehensive income (loss)	(22,508)	—	—	(22,508)
Graham Packaging Company Inc. stockholders' equity (deficit)	(544,609)	—	—	(544,609)
Noncontrolling interests	—	—	13,885	13,885
Equity (deficit)	(544,609)	—	13,885	(530,724)
Partners' capital (deficit)	—	(498,019)	498,019	—
Total liabilities and equity (deficit)	$ —	$2,806,827	$ —	$2,806,827

Graham Packaging Company Inc.

Condensed consolidating statement of operations
For the year ended December 31, 2010

	Graham Packaging Company Inc. and BCP/Graham Holdings LLC (Guarantors)	Graham Packaging Holdings Company (Non-Guarantor)	Eliminations	Consolidated
		(In thousands)		
Net sales	$ —	$2,512,733	$ —	$2,512,733
Cost of goods sold	—	2,076,284	—	2,076,284
Gross profit	—	436,449	—	436,449
Selling, general and administrative expenses	873	180,486	—	181,359
Asset impairment charges	—	9,621	—	9,621
Net loss on disposal of property, plant and equipment	—	3,758	—	3,758
Operating (loss) income	(873)	242,584	—	241,711
Interest expense, net	—	184,918	—	184,918
Net loss on debt extinguishment	—	31,132	—	31,132
Write-off of amounts in accumulated other comprehensive income related to interest rate swaps	—	6,988	—	6,988
Increase in income tax receivable obligations	4,971	—	—	4,971
Other expense, net	—	2,613	—	2,613
Equity in earnings of subsidiaries	(81,788)	—	81,788	—
Income (loss) before income taxes	75,944	16,933	(81,788)	11,089
Income tax provision (benefit)	14,155	(64,855)	—	(50,700)
Net income (loss)	61,789	81,788	(81,788)	61,789
Net income attributable to noncontrolling interests	7,077	—	—	7,077
Net income (loss) attributable to Graham Packaging Company Inc. stockholders	$ 54,712	$ 81,788	$(81,788)	$ 54,712

Graham Packaging Company Inc.

Condensed consolidating statement of cash flows
For the year ended December 31, 2010

	Graham Packaging Company Inc. and BCP/Graham Holdings LLC (Guarantors)	Graham Packaging Holdings Company (Non-Guarantor)	Eliminations	Consolidated
		(In thousands)		
Operating activities:				
Net cash provided by (used in) operating activities	$ —	$ 231,524	$ (1,437)	$ 230,087
Investing activities:				
Net cash paid for property, plant and equipment	—	(156,488)	—	(156,488)
Acquisitions of/investments in businesses, net of cash acquired	—	(579,049)	—	(579,049)
Intercompany investing activities	(171,055)	—	171,055	—
Cash paid for sale of business	—	(55)	—	(55)
Net cash (used in) provided by investing activities	(171,055)	(735,592)	171,055	(735,592)
Financing activities:				
Proceeds from issuance of long-term debt	—	708,841	—	708,841
Payment of long-term debt	—	(333,463)	—	(333,463)
Debt issuance fees	—	(35,856)	—	(35,856)
Net proceeds from sale of additional units to GPC	—	165,386	(165,386)	—
Proceeds from the issuance of common stock, net of underwriting discount of $11.3 million	171,055	—	—	171,055
Payment of other expenses for the issuance of common stock	—	—	(5,669)	(5,669)
Fees paid on behalf of GPC	—	(1,437)	1,437	—
Repayment of notes and interest for ownership interests	—	1,882	—	1,882
Proceeds from issuance of ownership interests	—	4,344	—	4,344
Net cash provided by (used in) financing activities	171,055	509,697	(169,618)	511,134
Effect of exchange rate changes on cash and cash equivalents	—	(473)	—	(473)
Increase in cash and cash equivalents	—	5,156	—	5,156
Cash and cash equivalents at beginning of year	—	147,808	—	147,808
Cash and cash equivalents at end of year	$ —	$ 152,964	$ —	$ 152,964