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GIBALTAR PACKAGING GROUP INC  
Form 10-K  
September 23, 2003

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

FORM 10-K  
(Mark One)

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

For the fiscal year ended June 28, 2003

OR

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

Commission file No. 00-19800

GIBALTAR PACKAGING GROUP, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State of incorporation)

47-0496290  
(I.R.S. Employer  
Identification Number)

2000 SUMMIT AVENUE  
HASTINGS, NEBRASKA  
(Address of principal  
executive offices)

68901  
(Zip Code)

(402) 463-1366  
(Registrant's telephone number,  
including area code)

www.gibaltarpackaginggroup.com  
(Registrant's website)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:  
COMMON STOCK, PAR VALUE \$0.01 PER SHARE  
(Title of class)

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

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

The aggregate market value of the voting and non-voting common equity stock held by nonaffiliates of the registrant on June 28, 2003 was \$8,876,117 (based upon the June 28, 2003 closing sale price of the common stock as reported on the Over-The-Counter Bulletin Board).

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES  NO

The number of shares of common stock of the registrant outstanding as of September 15, 2003 was 5,041,544 shares.

## DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12 and 13 of Part III are incorporated by reference to the definitive proxy statement relating to the registrant's Annual Meeting of Stockholders for fiscal 2003, which definitive proxy statement will be filed within 120 days of the end of the registrant's fiscal year.

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## TABLE OF CONTENTS

PART I		Page
		----
Item 1.	Business.....	1
Item 2.	Properties.....	7
Item 3.	Legal Proceedings.....	7
Item 4.	Submission of Matters to a Vote of Security Holders.....	8
PART II		
Item 5.	Market for the Registrant's Common Equity and Related Stockholder Matters.....	9
Item 6.	Selected Financial Data.....	11
Item 7.	Management's Discussion and Analysis of Financial Conditions and Results of Operations.....	12
	Forward-Looking Statements.....	18
Item 7A.	Quantitative and Qualitative Disclosure About Market Risk.....	19
Item 8.	Financial Statements and Supplementary Data.....	19
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	19
Item 9A.	Controls and Procedures.....	19
PART III		
Item 10.	Directors and Executive Officers of the Registrant.....	20
Item 11.	Executive Compensation.....	20
Item 12.	Security Ownership of Certain Beneficial Owners and Management	

# Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

and Related Stockholder Matters.....	20
Item 13. Certain Relationships and Related Transactions.....	20

## PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....	21
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## PART I

### ITEM 1. BUSINESS

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#### GENERAL

Gibraltar Packaging Group, Inc. ("Gibraltar" or the "Company") designs, manufactures, and markets packaging products nationwide, for numerous industries. The Company produces four types of packaging products at three manufacturing facilities. These facilities are: Gibraltar Packaging Group, Inc. (dba "Great Plains Packaging", or "Great Plains") in Hastings, Nebraska; RidgePak Corporation (dba "Flashfold Carton") in Fort Wayne, Indiana; and Standard Packaging & Printing Corp. ("Standard Packaging") in Mount Gilead, North Carolina. Folding cartons is the primary product line for the Company; however, Standard Packaging also manufactures flexible packaging, and Great Plains Packaging also manufactures litho-laminated cartons and corrugated containers.

In August 1998, the Company announced its strategy to refocus on its core capabilities of folding cartons and to leverage the success of the Company's Great Plains division to improve the performance of the Company's other folding carton divisions. As a result, the Company initiated a plan to divest its facilities that manufactured non-folding carton related products. This included the sale of two of the Company's subsidiaries: Niemand Industries, Inc. ("Niemand") in Marion, Alabama; and GB Labels, Inc. ("GB Labels"), in Burlington, North Carolina. Niemand, a manufacturer of tubular paper packaging as well as contract packaging and filling, was sold in two stages. The sale of the operating assets of its container business was finalized in June 1999 and the remaining operating assets were sold in February 2000. The operating assets of GB Labels, a manufacturer of pressure-sensitive labels, were sold in August 1999.

Through the implementation of this strategy, the Company has improved operations and positioned itself for future growth. Over the past fiscal year the Company has continued to evaluate capacity levels at its three facilities and has implemented new technologies and equipment that add value to the products it provides and positions the Company to increase its performance, productivity, and profitability. These improvements include the purchase and installation of a blanking die cutter and a sheeter for the Hastings, Nebraska facility. In conjunction with these purchases, existing equipment was relocated to the Fort Wayne, Indiana facility which increases capabilities and improves the productivity of this facility. In addition, the Company also purchased a flexible packaging laminator and other equipment for the manufacture of flexible pouches at the Company's Mount Gilead, North Carolina facility. Gibraltar will continue to focus its efforts on its core business of folding cartons, as well as the supporting product lines of flexible, litho-laminated, and corrugated products. The Company intends to continue to expand these product lines by utilizing the maximum capacity at each facility, while continually identifying, researching, and when applicable, implementing new technologies and equipment.

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The Company markets its products to customers located throughout the United States, with the majority of its sales located within the central, southern and eastern regions of the nation. The Company's sales are derived from a variety of industries including the following markets: food products, paper and allied products, pharmaceuticals and medical instruments, textiles, automotive, household, tobacco, and industrial products. The Company believes its three folding carton facilities are strategically located to enhance its competitive position by providing broad geographic coverage to serve larger, nationwide customers.

Gibraltar's predecessor was incorporated under the name GPC Co. in Hastings, Nebraska in 1967, and subsequently changed its name to Great Plains Packaging Co. in 1986. In 1991

1

Great Plains Packaging Co. was reincorporated in Delaware, and its name was changed to Gibraltar Packaging Group, Inc.

The Company's principal executive offices are located at 2000 Summit Avenue, Hastings, Nebraska 68901, its phone number is 402-463-1366, and its website is [www.gibraltarpackaginggroup.com](http://www.gibraltarpackaginggroup.com).

Unless otherwise stated in this Annual Report, references to fiscal 2003, 2002, and 2001 relate to the fiscal years ended June 28, 2003, June 29, 2002, and June 30, 2001, respectively.

### MANUFACTURING PRODUCTS AND PROCESSES

Gibraltar offers four types of packaging products, which are described in the following sections.

#### FOLDING CARTONS

The Company designs, manufactures, and markets a variety of printed folding cartons, which are purchased by customers in a variety of consumer and industrial markets. The Company's customers use folding cartons for both product packaging and retail display of products. Sales of folding cartons represented approximately 77%, 78%, and 79% of the Company's net sales for fiscal 2003, 2002, and 2001, respectively.

The Company believes that recent trends in the folding carton market favor manufacturers that can produce creative graphics to enhance visual presentation, point-of-sale appeal, and product differentiation. Specialty packaging designed to address these needs often includes graphics with high-resolution print, multiple colors, and innovative structural designs. The Company's internal structural design teams have won numerous industry awards, due in part, to the Company's emphasis on product design. The Company believes that its design resources enhance its competitiveness in the folding carton market, and result in increased profitability. The Company's facilities also offer specialty features for its folding cartons including windowing, security label application, Velcro application, and coupon application.

Folding cartons are produced at each of the Company's three production facilities utilizing offset printing presses. The Hastings, Nebraska facility also utilizes flexographic printing for the manufacture of folding cartons. For offset printing, once a customer's order is received, paperboard rolls are purchased from outside suppliers and converted into sheets with sheeting equipment, in sizes determined for each order. Customers supply graphic disks, artwork, or film to the Company, and then specialized printing plates are

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created to use in the printing of paperboard sheets on multicolor offset printing presses. The printed board is then cut, creased, embossed, folded, and glued into individual cartons per the carton specifications, and then packaged for shipment to customers. For the flexographic printing, the process differs slightly. Once a customer's order is received, paperboard rolls are purchased from outside suppliers. Folding cartons are then produced directly from the roll stock by printing and die cutting in line to output blanks for gluing or flat packing. This printing process utilizes UV ink and coating, which is an additional feature the Company offers to its customers.

2

In June 1996, the Company's Hastings, Nebraska facility became the sixth folding carton plant in the United States to achieve ISO 9001 certification, the rigorous international quality standard. This facility renewed its certification in June 1999, and in June 2002 achieved certification to the ISO 9001:2000 standard, the organization's most recent standard. In January 1998, the Company's Fort Wayne, Indiana facility also achieved ISO 9001 certification, renewed its certification in January 2001, and in December 2002 received certification to the ISO 9001:2000 standard. The facility in Mount Gilead, North Carolina received ISO 9001 certification in June 2001 and achieved certification to the ISO 9001:2000 standard in December 2001. ISO (International Organization for Standardization) has steadily become a worldwide standard for quality management. The ISO standards require a company to codify its quality programs by defining and documenting its quality system.

The Company's Hastings, Nebraska facility also initiated and formalized programs for compliance with the American Institute of Baking's Standards for Packaging Facilities. This standard covers adequacy of the product safety program, pest control, operation methods, personnel practices, maintenance for product safety, and cleaning practices. In December 2001 the facility achieved an Excellent rating following its first American Institute of Baking audit. In November 2002 at the facility's first annual follow-up audit, the facility improved its rating to Superior.

### FLEXIBLE POLY-FILM PACKAGING

Flexible packaging sales represented approximately 11% of the Company's net sales for fiscal years 2003, 2002, and 2001.

The flexible packaging industry has experienced significant historical growth due to advances in plastic technology and the popularity of convenient packaging. Flexible packaging offers light-weight, low-bulk, resource-conserving packaging that also protects perishable products, by creating a barrier against air and moisture. For consumer marketing purposes, flexible packaging combines high-quality, multicolor graphics, with a see-through feature that enables the consumer to see the product within the package, along with the package graphics. Although the Company sells most of its flexible packaging for use in the food, textile, and household products markets, flexible packaging is also used by many other industries.

Flexible packaging is produced at the Standard Packaging facility in Mount Gilead, North Carolina. The Company purchases its plastic films including polyethylene, polypropylene, and similar materials, from film manufacturers rather than producing its own plastic films. The film is printed at the Company's facilities using multicolor printing presses. The printed rolls are then slit into smaller rolls, or shipped in roll form, to customers who then convert it into its final package form (for example, bags, pouches or overwrap). The Company also converts the printed film rolls into bags or pouches, and then

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ships the final package forms to its customers. The Company has additional capabilities which can be incorporated into poly-film packaging, which include affixing pressure-sensitive labels, attaching hanging display hooks, grommets, zip-lock closures, Velcro, and tape seals.

### SPECIALTY LAMINATED CARTONS

At the Hastings, Nebraska facility, the Company manufactures specialty laminated cartons, which it markets to customers throughout the United States, primarily in the food, automotive, household, and industrial markets. Laminated cartons are used for the retail sale of products and offer customers a number of visual marketing benefits. Specialty laminated carton sales represented approximately 7% of the Company's net sales for fiscal 2003 and 6% for fiscal years 2002 and 2001.

### 3

During the manufacturing process, laminated sheets, which are composed of a printed paperboard sheet glued onto single face corrugate, are die cut, glued, and folded into cartons per the carton specifications. Laminated packaging offers a structurally stronger package suitable for packaging heavier contents, protecting products during shipping, or meeting other package performance needs, while at the same time providing high-resolution graphics. The Company believes that the resolution of the print and graphics enhances the product's appeal, and that the lamination provides increased product visibility without sacrificing the protection of the product.

### CORRUGATED CONTAINERS

The Company's Hastings, Nebraska facility also designs and manufactures printed corrugated containers, which it markets to customers located in the mid-western United States. The primary markets for this product line are the automotive, industrial, and agricultural markets. Corrugated container sales represented approximately 5% of the Company's net sales for fiscal years 2003 and 2002 and 4% for fiscal year 2001.

The Company purchases corrugated sheets from outside suppliers, then prints, cuts, creases, folds, and glues the sheets into individual containers per the carton specifications. The Company also manufactures corrugated inserts, which require specialty die-cutting and gluing, and are used to provide additional strength and protection of packaged products. Corrugated containers offer a structurally strong package, suitable for protecting products during shipping, or meeting other packaging performance needs.

### COMPETITION

The packaging markets in which the Company competes are highly fragmented and increasingly competitive. The Company competes with numerous small, non-integrated companies that produce one or more packaging products and, to a lesser extent, with divisions or subsidiaries of large integrated packaging producers, as well as in-house packaging operations. The vertically integrated paperboard, oil, and chemical companies that the Company competes with may have multiple lines of business and produce their own raw materials. In general, the integrated companies focus primarily on producing large quantities of basic, commodity packaging and often provide their products to large companies nationwide. The non-integrated manufacturers generally operate only one or two production facilities and emphasize higher-margin, value-added packaging, often with specialized or customized graphics. Unlike the integrated manufacturers, these manufacturers produce smaller orders of packaging with quick turnaround,

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and in many cases also work with the customer in designing the packaging.

Competition among the non-integrated packaging manufacturers, against which the Company primarily competes, is based on product quality, service, timeliness of delivery, manufacturing capabilities, and price. The Company believes that its expertise and reputation within the packaging industry for providing timely, personalized service and high-quality packaging enables it to compete effectively with other non-integrated packaging companies.

The Company has continued to be impacted by the increasing trends of customers to leverage their buying power through vendor consolidations. These customers have taken advantage of the overcapacity within the packaging industry in order to lower their packaging price. The Company has responded to these changes by continuing to control its internal costs and acquiring equipment that improves efficiencies. Through these efforts the Company has been able to enhance its competitiveness within the current market dynamics, but cannot guarantee success in future strategic sourcing efforts.

4

Many of the Company's competitors have greater resources, financial and otherwise, than the Company. In addition, to the extent that packaging methods are developed and successfully marketed as alternatives to the Company's products, the Company may compete with producers of such alternative packaging methods.

### RAW MATERIALS

Raw materials used in the Company's production process include paperboard, inks, flexible films, resin, and adhesives, all of which the Company purchases from more than one supplier. In fiscal 2003, prices remained relatively steady with increases experienced for some materials in the second half. The Company expects increases in some materials for the first half of fiscal 2004. Although the Company has historically been able to pass material increases on to its customers, any future price increases could have an adverse impact on the Company's results of operations, if the Company is unable to continue to pass these increases on to its customers.

The supply of materials such as polyethylene, polypropylene, and other plastic films and resins used in the manufacture of flexible packaging, is subject to the disruptions generally associated with the petroleum and petroleum product markets. The supply of plastic materials depends upon factors beyond the control of the Company, including, directly or indirectly, changes in the economy, price levels and seasons, the level of domestic oil production, the availability of imports, and the actions of OPEC. In addition, if the supply of oil-based resins or plastic films should tighten in the future, vertically integrated producers may have an advantage over the Company, as such competitors could allocate scarce resin resources to their own flexible packaging units, or transfer them at advantageous prices to their own flexible packaging units.

Although the Company's supply of raw materials is presently sufficient, a prolonged shortage of raw materials, the resulting higher costs, or diminished availability of such materials could adversely affect its business.

### PRODUCTION BACKLOG AND INVENTORY CONTROL

The majority of demand for the Company's products does not fluctuate significantly throughout the fiscal year. However, the Company occasionally experiences a slight increase in production backlog due to the seasonal business

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of some of its customers. Because the Company produces according to firm purchase orders, as do the majority of manufacturers within the industry, fluctuations in production, shipments, and inventory levels are not significant.

### CUSTOMERS

The Company derives its sales from a diverse market base. In fiscal 2003, the Company sold its products throughout the United States to over 468 different customers for use in a variety of industries. The table below sets forth the Company's approximate percent of net sales by market for each of the years indicated.

5

	JUNE 28, 2003	JUNE 29, 2002	JUNE 30, 2001
Food products	28%	23%	19%
Paper and allied products	17%	18%	18%
Pharmaceutical and medical instruments	15%	15%	15%
Textiles	10%	11%	14%
Tobacco products	8%	10%	8%
Automotive products	8%	9%	10%
Household products	8%	7%	9%
Industrial products	1%	2%	2%
Other	5%	5%	5%
	---	---	---
Total net sales	100%	100%	100%
	===	===	===

Sales to the Company's top three customers accounted for approximately 34% of the Company's net sales for fiscal 2003. Sales to Smead Manufacturing represented approximately 15% of net sales in fiscal 2003.

The Company believes that developing long-term relationships with customers is critical to its success in the packaging industry. Customers generally purchase products and services under firm purchase orders rather than long-term contracts, although the Company does have several customers with contracts ranging from one to three years.

### EMPLOYEES

As of June 28, 2003, the Company employed approximately 423 full-time employees - 90 salaried and 333 hourly. The Company primarily markets its products and services through 15 employee sales representatives, as well as several commissioned brokers or agents.

The Graphics Communication Union, No. 19-M, represents approximately 80 hourly employees at the Fort Wayne, Indiana facility. The current three-year union contract was ratified in January 2003 and is in effect through November 2005. The Company considers its relationship with its employees and the union to be generally satisfactory. Although there are no difficulties anticipated, the Company is unable to forecast the outcome of future negotiations between the Company and the Graphics Communication Union, or the potential impact any dispute could have on the Company's financial position or results of operations.

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## REGULATION

The Company's activities are subject to various environmental, health and worker safety laws. The Company has expended resources, both financial and managerial, to comply with applicable environmental, health and worker safety laws in its operations and at its facilities, and anticipates that it will continue to do so in the future. Compliance with environmental laws has not generally had a material effect on the Company's capital expenditures, earnings or competitive position. However, as part of the environmental due diligence carried out in fiscal 1995 in connection with a proposed merger, the Company became aware of groundwater contamination at its GB Labels facility in Burlington, North Carolina.

6

Groundwater testing performed in 1995 revealed the presence of tetrachlorethelene ("PCE") and related compounds in the groundwater at the site, and in three of the neighboring properties' wells. The Company notified the North Carolina Division of Environmental Management and the County Health Department, provided bottled water to affected residents, and offered to connect, at its cost, any resident wishing to be connected to the municipal water supply.

In February 1997, the North Carolina Division of Water Quality ("DWQ") asked Gibraltar to conduct a follow-up assessment of the GB Labels facility. The Company arranged with its environmental consultants to install additional groundwater monitoring wells, conduct additional investigative work at the GB Labels site and prepare an updated report. The Comprehensive Assessment Report was filed with the DWQ in June 1998. To date, the DWQ has requested no further updates.

Following the August 1995 preliminary site assessment, the Company had its environmental consultants prepare an estimate of likely remediation costs based on all of the information known at that time. These estimated costs ranged from \$750,000 to \$1.1 million over a period of seven to ten years. Accordingly, the Company recorded a liability for such remediation costs of \$750,000 in fiscal year 1995. This estimate may be affected by new information learned, any modifications to any remediation plan that may be proposed by the DWQ and the actual costs incurred as part of evaluation and remediation. The reduction in the accrual for such remediation costs to \$420,000 from \$430,000 at June 28, 2003 and June 29, 2002, respectively, reflects legal and environmental consulting expenses incurred in fiscal 2003. Cumulative incurred expenses as of June 28, 2003 related to remediation totaled \$330,000. Management believes that the ultimate resolution of this and other environmental matters will not materially affect the financial position or results of future operations and cash flows of the Company.

## ITEM 2. PROPERTIES

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The Company owns offices and manufacturing facilities in Hastings, Nebraska; Fort Wayne, Indiana; and Mount Gilead, North Carolina. The Company's facilities consist of a total of more than 425,000 square feet. The Company also leases 71,000 square feet of office, production, and warehouse space in Hastings, Nebraska. Additional warehouse facilities are leased in Fort Wayne, Indiana.

The Niemand facility, which is owned by the Company and was previously

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used in a manufacturing capacity, is currently being leased to the company that acquired Niemand's operating assets.

The Company's facilities and equipment are generally in good operating condition, and are suitable for their respective uses and adequate for current needs.

The Company maintains business property and other insurance coverage for its facilities and operations, in amounts and for risks generally consistent with industry practice for companies of similar size.

### ITEM 3. LEGAL PROCEEDINGS

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From time to time, the Company is a party to certain lawsuits and administrative proceedings that arise in the conduct of its business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty, management believes that, if adversely determined, the lawsuits and proceedings, either singularly or in the aggregate, would not have a

7

material adverse effect on the financial condition, results of operations or net cash flows of the Company.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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No matters were submitted to a vote of the stockholders of Gibraltar during the fourth quarter of Gibraltar's fiscal year ended June 28, 2003.

## PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED

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STOCKHOLDER MATTERS  
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## PRICE RANGE OF COMMON STOCK

The Company's common stock is currently traded on the Over-The-Counter Bulletin Board ("OTCBB"). The trading symbol for the Company's common stock is "PACK." The following table sets forth, for the periods indicated, the high and low sale prices for the Company's common stock as reported on the OTCBB:

	HIGH	LOW
FISCAL 2003		
Fourth Quarter	\$ 2.80	\$ 2.27
Third Quarter	2.90	2.40
Second Quarter	3.25	1.85
First Quarter	2.05	1.45
FISCAL 2002		
Fourth Quarter	\$ 1.55	\$ 1.15
Third Quarter	1.60	1.16
Second Quarter	1.30	1.16
First Quarter	1.32	1.20

There were approximately 163 shareholders of record of the Company's common stock as of September 15, 2003. The Company believes that the number of beneficial owners of its common stock is approximately 575.

## DIVIDEND POLICY

Historically, the Company has not paid cash dividends on its common stock. Any payment of cash dividends in the future will depend upon the terms of the Company's debt instruments, the financial condition, capital requirements and earnings of the Company, as well as other factors the Board of Directors may deem relevant. In addition, the Company's credit facility with LaSalle Business Credit, Inc. restricts the ability of the Company to pay dividends.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B)	NU REMA FUT EQUIT (EX REFL
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Equity compensation plans approved by security holders:			
(a) Incentive Stock Option Plan	13,000	\$ 8.85	
(b) Director Stock Option Plan	16,000	\$ 8.63	
Equity compensation plans not approved by security holders:	--	--	
	-----	-----	
Total	29,000	\$ 8.73	

RECENT SALES OF UNREGISTERED SECURITIES

None.

ITEM 6. SELECTED FINANCIAL DATA

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The following selected historical financial information has been derived from the Company's audited consolidated financial statements. This information should be read in connection with the Company's Consolidated Financial Statements and the Notes thereto, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations," included

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elsewhere in this Annual Report.

### GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES SELECTED CONSOLIDATED FINANCIAL DATA (IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED			
	JUNE 28, 2003 (1)	JUNE 29, 2002 (2)	JUNE 30, 2001 (3)	J 2
<b>STATEMENT OF OPERATIONS DATA:</b>				
Net Sales	\$67,378	\$63,803	\$64,084	\$
Cost of Goods Sold	54,229	51,396	50,908	
Gross Profit	13,149	12,407	13,176	
Operating Expenses	7,773	7,864	7,961	
Income (Loss) From Operations	5,376	4,543	5,215	
Other Expense - Net	1,030	1,659	2,499	
Provision (Benefit) for Income Taxes	1,601	1,131	(923)	
Net Income (Loss)	2,745	1,753	3,639	
<b>Basic and Diluted Per Common Share Amounts:</b>				
Net Income (Loss)	0.54	0.35	0.72	
Weighted Average Shares Outstanding	5,042	5,042	5,042	
<b>BALANCE SHEET DATA:</b>				
Working Capital	5,389	2,563	2,403	
Total Assets	34,260	34,544	36,374	
Long-Term Debt (net of current portion)	13,339	14,917	18,578	
Stockholders' Equity	9,436	6,908	5,155	

- (1) With the adoption of SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, the Company discontinued amortizing goodwill in the first quarter of fiscal 2003, and is now testing for impairment on a periodic basis.
- (2) Includes a charge of \$260 (\$156 after tax) reflecting the write-off of unamortized finance costs related to the First Source financing.
- (3) Includes a \$2.0 million reduction to the tax provision. As a result of earnings improvements, the Company reduced its deferred income tax asset valuation allowance by \$2.0 million in fiscal 2001 to reflect a change in estimate related to the realizability of its deferred income tax assets.
- (4) Includes the effect of the sale of the operating assets of Niemand in June 1999 and February 2000 and the sale of the operating assets of GB Labels in August 1999.
- (5) Includes impairment write-downs of long-lived assets related to Flashfold Carton and GB Labels of \$11,861 and \$352, respectively, and restructuring charges of \$235 related to the relocation of the Company's corporate offices.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
 -----  
 AND RESULTS OF OPERATIONS  
 -----

RECENT EVENTS

Due to increased competition (See "Business - Competition"), the Company lost two customers in the last quarter of fiscal 2003. This lost business represented approximately \$8.5 million of net sales for fiscal 2003, which will transition out sometime during fiscal 2004. If the Company's efforts to replace this business fall substantially short, results of operations would be materially impacted.

However, the Company is responding to these recent trends by making a strong push for new business in growth industries, by controlling costs, and by improving efficiencies. For example, recent and planned acquisitions of new equipment will play an integral part in the Company achieving these objectives, and will also help Gibraltar to compete in new growth markets. (See "Business - General.")

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the percentage relationship that certain items in the Company's Consolidated Statement of Operations bear to net sales. This information should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report.

	YEARS ENDED		
	JUNE 28, 2003	JUNE 29, 2002	JUNE 30, 2001
Net Sales	100.0%	100.0%	100.0%
Cost of Goods Sold	80.5	80.6	79.4
Gross Profit	19.5	19.4	20.6
Operating Expenses	11.5	12.3	12.5
Income from Operations	8.0	7.1	8.1
Other Expense - Net	1.5	2.6	3.9
Provision (Benefit) for Income Taxes	2.4	1.8	(1.5)
Net Income	4.1%	2.7%	5.7%

FISCAL YEAR 2003 VS. 2002

In fiscal 2003, the Company had net sales of \$67.4 million compared with \$63.8 million in fiscal 2002, an increase of \$3.6 million or 5.6%. This increase is primarily attributable to additional business from new and existing customers, partially offset by a reduction in some existing accounts due to soft economic conditions and increased competition.

Gross profit for fiscal 2003 increased slightly to \$13.1 million, or 19.5% of net sales from \$12.4 million, or 19.4% in fiscal 2002. Higher material costs from changes in customer mix and pricing pressures were offset by \$0.2 million in lower maintenance and repair costs and the effect of spreading fixed costs over higher volume.

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Income from operations for fiscal 2003 was \$5.4 million compared with \$4.5 million in fiscal 2002, an increase of \$0.8 million or 18.3%. This increase was primarily a result of the increase in gross profit coupled with a slight decrease in selling, general, and administrative costs. With the adoption of SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, the Company

12

stopped amortizing goodwill in the first quarter of fiscal 2003. Goodwill amortization was \$0.1 million in fiscal 2002.

Total interest expense decreased \$0.6 million, or 39.3%, to \$1.0 million in fiscal 2003 from \$1.6 million in fiscal 2002. In December 2001, the Company refinanced its credit facility with LaSalle Business Credit, Inc. ("LaSalle"). As part of this refinancing, the Company recorded a charge of \$260,000 in fiscal 2002 reflecting the write-off of unamortized finance costs relating to the previous credit facility. Excluding the effect of this write-off, the decrease of \$0.4 million is the result of \$2.8 million in lower average borrowings coupled with a decline in the average interest rate to 4.9% from 6.1%.

The income tax provision as a percentage of pre-tax income for fiscal 2003 was 36.8% compared with an income tax provision of 39.2% for fiscal 2002. Prior to the adoption of SFAS No. 142 in the first quarter of fiscal 2003, the effective tax rate typically differed from the statutory rate primarily as a result of non-deductible amortization of goodwill.

Net income in fiscal 2003 was \$2.7 million, or \$0.54 per share, compared to \$1.8 million or \$0.35 per share in fiscal 2002.

### FISCAL YEAR 2002 VS. 2001

In fiscal 2002, the Company had net sales of \$63.8 million compared with \$64.1 million in fiscal 2001, a decrease of \$0.3 million or 0.4%. Sales were negatively impacted by the overall slow-down in economic conditions.

Gross profit for fiscal 2002 decreased to 19.4% of net sales from 20.6% in fiscal 2001. This is attributable to higher material costs from changes in customer mix and pricing pressures, as well as higher repair and maintenance costs of \$0.2 million. However, these increases were partially offset by continued cost control efforts, such as a substantial reduction in labor cost of \$0.3 million. Cost of goods sold increased \$0.5 million, or 1.0%, to \$51.4 million in fiscal 2002 compared to \$50.9 million in fiscal 2001.

Income from operations for fiscal 2002 was \$4.5 million compared with \$5.2 million in fiscal 2001, a decrease of \$0.7 million or 12.9%. This decrease is primarily a result of lower sales, partially offset by a small reduction in selling, general and administrative expenses. Selling, general and administrative expenses decreased \$0.1 million or 1.2% to \$7.7 million in fiscal 2002 from \$7.8 million in fiscal 2001. Expressed as a percentage of net sales, selling, general and administrative expenses decreased to 12.1% in fiscal 2002, compared with 12.2% in fiscal 2001. This is primarily the result of lower bad debt expense.

Total interest expense decreased \$0.9 million, or 36.1%, to \$1.6 million in fiscal 2002 from \$2.5 million in fiscal 2001. In December 2001, the Company refinanced its credit facility with LaSalle. As part of this refinancing, the Company recorded a charge of \$260,000 reflecting the write-off of unamortized finance costs relating to the previous existing credit facility.

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Excluding the effect of this write-off, the decrease of \$1.2 million is the result of \$3.8 million in lower average borrowings coupled with a decline in the average interest rate to 6.1% from 9.9%.

The income tax provision as a percentage of pre-tax income for fiscal 2002 was 39.3% compared with an income tax benefit of 34.0% for fiscal 2001. The effective tax rate typically differs from the statutory rate primarily as a result of non-deductible amortization of goodwill. However, as a result of earnings improvements, the Company reduced its deferred income tax asset valuation allowance by \$2.0 million in fiscal 2001 to reflect a change in estimate related to the realizability of its deferred income tax assets. See Note 6 of the Notes to Consolidated

13

Financial Statements for a detailed description of the adjustment to the deferred income tax asset valuation.

Net income in fiscal 2002 was \$1.8 million, or \$0.35 per share, compared to \$3.6 million or \$0.72 per share in fiscal 2001. Net income in fiscal 2001 includes the effect of reducing the deferred income tax asset valuation allowance by \$2.0 million, as a result of earnings improvements. Excluding the impact of the change in the deferred income tax asset valuation allowance, net income would have been \$1.7 million (or \$0.33 per share). The following table illustrates the effect of the income tax asset valuation allowance (in thousands, except per share data):

	AS REPORTED	EXCLUDING IMPACT OF CHANGE IN TAX VALUATION ALLOWANCE
	-----	-----
Income Before Income Taxes	\$2,716	\$2,716
Provision (Benefit) for Income Taxes	(923)	1,046
	-----	-----
Net Income	\$3,639	\$1,670
	=====	=====
Net Income Per Share	\$ 0.72	\$ 0.33
	=====	=====

### LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's liquidity requirements have been met by a combination of funds provided by operations and its revolving credit agreements. At June 28, 2003, the Company's current assets exceeded its current liabilities by \$5.4 million, as compared to \$2.6 million at June 29, 2002. This increase is primarily the result of faster payment of accounts payables with specific vendors to achieve vendor discounts and a required payment on the Company's Special Advance Loan accrued at the prior year-end. Funds provided by operations totaled \$4.8 million in fiscal 2003 compared to \$4.4 million in fiscal 2002. The Company also had available to it unused borrowing capacity of \$4.1 million as of June 28, 2003.

During fiscal 2003, capital expenditures totaled \$1.7 million compared with \$1.1 million in fiscal 2002. The Company makes capital improvements to increase efficiency and product quality, and periodically upgrades its equipment by purchasing or leasing new or previously used equipment.

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The Company's on-going strategy is to continue to focus its efforts on its core business of folding cartons, as well as the supporting product lines of flexible, litho-laminated, and corrugated products. The Company intends to expand these product lines by utilizing the maximum capacity at each facility, while continually identifying, researching, and, when applicable, implementing new technologies and equipment that will enable the Company to continue to improve performance, productivity, and profitability. As part of this process, the Company has added, and has made commitments on, new equipment that adds capacity and lowers production costs, as well as enables the Company to enter into new markets.

Under the current strategy, management believes that future funds generated by operations and borrowings available under its credit facility with LaSalle will be sufficient to meet working capital and capital expenditure requirements in the near term.

On December 20, 2001, the Company entered into a three-year renewable credit facility with LaSalle. This facility provides for an \$11.6 million Term Loan, a \$4.0 million Special Advance Loan, and a \$12.0 million working capital revolving line-of-credit ("Revolver"). The

14

Term Loan and Special Advance Loan are to be repaid over seven years, but are callable after three years. The Special Advance Loan was repaid in April 2003. Until the Special Advance Loan was repaid, only monthly interest payments were applied against the Term Loan. After repayment of the Special Advance Loan, monthly principal payments of \$169,897 plus interest are applied against the Term Loan. The credit facility is secured by a first priority perfected security interest in and lien on all assets (real and personal, tangible and intangible) of the Company, excluding its Burlington, North Carolina property.

The Revolver provides for a revolving line of credit under a borrowing base commitment subject to certain loan availability requirements. Loan availability under the Revolver may not exceed the lesser of: (1) \$12.0 million; or (2) the sum of (a) 85% of the Company's eligible accounts receivable plus (b) a percentage of the Company's eligible inventory which ranges from 35% to 70%. At no time may the sum of aggregated loan advances outstanding under the Revolver plus the aggregate amount of extended letter of credit guarantees exceed loan availability.

The Revolver bears interest at LaSalle's prime rate plus 0.50% or the London Interbank Offered Rate ("LIBOR") plus 2.75%. The Term Loan bears interest at LaSalle's prime rate plus 0.75% or LIBOR plus 3.00%. The Special Advance Loan was subject to interest at LaSalle's prime rate plus 1.00% or LIBOR plus 3.25%. The Company also pays a commitment fee of 0.50% on the unused portion of the Revolver. The interest rates at June 28, 2003 were a combination of prime and LIBOR. LaSalle's prime and LIBOR rates for the Revolver were 4.00% and 1.10%, respectively, at June 28, 2003. LaSalle's prime and LIBOR rates for the Term Loan were 4.00% and 1.16%, respectively, at June 28, 2003.

As of June 28, 2003, all outstanding letters of credit were guaranteed by LaSalle. The Company pays an annual letter of credit fee of 2.00% on the outstanding balance to guarantee availability under the Revolver. Outstanding letters of credit at June 28, 2003 amounted to \$147,500 and related to workman's compensation insurance policies.

The LaSalle credit facility contains certain restrictive covenants including financial covenants related to net worth, debt service coverage,

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interest coverage and capital expenditures. As of June 28, 2003, the Company was in compliance with all financial covenants. In addition, the Company's credit facility restricts the ability of the Company to pay dividends.

### CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The Company has contractual obligations and commercial commitments that may affect its financial condition. Based on management's assessment of the underlying provisions and circumstances of the material contractual obligations and commercial commitments of the Company, including material off-balance sheet and structured finance arrangements, there is no known trend, demand, commitment, event or uncertainty that is reasonably likely to occur which would have a material effect on the Company's financial condition or results of operations. The following tables identify material obligations and commitments as of June 28, 2003:

15

CONTRACTUAL CASH OBLIGATIONS (THOUSANDS OF DOLLARS)	TOTAL	PAYMENTS DUE BY PERIOD			
		1 YEAR	2 YEARS	3 YEARS	4 YEARS
Term Loan	\$ 11,213	\$ 2,039	\$ 9,174	\$ --	\$ --
Revolving Line-of-Credit (a)	3,956	--	3,956	--	--
Purchase commitments (b)	2,159	2,159	--	--	--
Capital lease obligations	289	80	83	83	43
Operating leases	4,297	1,327	891	673	595
<b>Total contractual cash obligations</b>	<b>\$ 21,914</b>	<b>\$ 5,605</b>	<b>\$14,104</b>	<b>\$ 756</b>	<b>\$ 638</b>

OTHER COMMERCIAL COMMITMENTS (THOUSANDS OF DOLLARS)	TOTAL AMOUNTS COMMITTED	AMOUNT OF COMMITMENT EXPIRING PER PERIOD			
		1 YEAR	2 YEARS	3 YEARS	4 YEARS
Revolving Line-of-Credit (c)	\$ 4,119	\$ --	\$ 4,119	\$ --	\$ --
Standby letters of credit	148	148	--	--	--
<b>Total commercial commitment</b>	<b>\$ 4,267</b>	<b>\$ 148</b>	<b>\$ 4,119</b>	<b>\$ --</b>	<b>\$ --</b>

(a) The revolving line-of-credit represents the actual outstanding balance, as of June 28, 2003.

(b) The Company anticipates that this purchase commitment will be financed

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- through an operating lease.
- (c) The revolving line-of-credit represents the unused borrowing capacity available to the Company, as of June 28, 2003.

### CRITICAL ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires the Company to select and apply accounting policies that best provide the framework to report the Company's results of operations and financial position. The selection and application of those policies require management to make difficult subjective or complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. The judgments and uncertainties inherent in this process affect the application of those policies. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions. Management has identified the following accounting policies that it deems critical to the portrayal of the Company's financial condition and results of operations and that involve significant subjectivity. Management believes that its selection and application of these policies best represent the operating results and financial position of the Company. The following discussion provides information on the processes utilized by management in making judgments and assumptions as they apply to its critical accounting policies.

#### ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a customer's credit worthiness or actual defaults are higher than historical experience, estimates of the recoverability of amounts due the Company could be adversely affected.

16

#### INCOME TAXES

The Company records deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates changed, the Company would adjust the deferred tax assets and liabilities, through the provision for income taxes in the period of change, to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. The Company records a valuation allowance on deferred tax assets to reflect the expected future tax benefits to be realized. In determining the appropriate valuation allowance, the Company takes into account the level of expected future taxable income and available tax planning strategies. If future taxable income was lower than expected or if expected tax planning strategies were not available as anticipated, the Company may record additional valuation allowance through income tax expense in the period such determination was made.

#### IMPAIRMENT OF LONG-LIVED ASSETS

The Company's long-lived assets consist primarily of property, plant and equipment. Management believes the useful lives assigned to these assets, which range from 2 to 40 years, are reasonable. Management evaluates the long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. If management's assumptions about these assets change as a

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result of events or circumstances, and management believes the assets may have declined in value, then the Company may record impairment charges, resulting in lower profits.

### GOODWILL AND INTANGIBLE ASSETS

The Company is required to make certain assumptions and estimates regarding the fair value of intangible assets, namely goodwill, when assessing such assets for impairment. Changes in the fact patterns underlying such assumptions and estimates could ultimately result in the recognition of impairment losses on intangible assets.

### PENSION ASSETS AND LIABILITIES

In order to measure pension expense as well as the related assets and liabilities, management must make a variety of estimates including discount rates used to measure the present value of certain liabilities, assumed rates of return on assets set aside to fund the expenses, employee turnover rates, and anticipated mortality rates. The estimates used by management are based on the Company's historical experience as well as current facts and circumstances. The Company uses third-party specialists to assist management in appropriately measuring the expense associated with the plan. Different estimates used by management could result in the Company recognizing different amounts of expense over different periods of time.

### CONTINGENT LIABILITIES

From time to time, there are various claims and lawsuits pending against the Company. The Company records a liability when the effect of litigation can be estimated and when an outcome is considered probable. Management's estimates are based on its knowledge of the relevant facts at the time of the issuance of the Company's Consolidated Financial Statements. Subsequent developments could materially alter management's assessment of a matter's probable outcome and the estimate of the Company's liability.

17

### ENVIRONMENTAL ISSUES

The Company records its environmental liabilities when site assessments or remedial actions are probable and a range of reasonably likely cleanup costs can be estimated. The Company reviews its sites and assesses the liability quarterly, by assessing a range of reasonably likely costs for each identified site using currently available information, including existing technology, current laws and regulations and the probable level of involvement and financial condition of other potentially responsible parties. These estimates include costs for site investigations, remediation, operations and maintenance, monitoring and site closure.

### INFLATION

Inflation has not had a significant impact on the Company's cost structure.

### IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES (FIN 46). FIN 46 requires a variable interest

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entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY. SFAS No. 150 establishes standards for classification and measurement in the balance sheets for certain financial instruments which possess characteristics of both a liability and equity. Generally, it requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

### FORWARD-LOOKING STATEMENTS

Statements that are not historical facts, including statements about our confidence in the Company's prospects and strategies and our expectations about the Company's sales expansion, are forward-looking statements that involve risks and uncertainties. These risks and uncertainties include, but are not limited to: (1) softened demand for the Company's products due to overall economic conditions; (2) the Company's ability to obtain new business to replace lost business; (3) the Company's ability to execute its business plan; (4) market acceptance risks, including whether or not the Company will be able to successfully gain market share against competitors, many of which have greater financial and other resources than the Company, and the continuing trend of customers to increase their buying power by consolidating the number of vendors they maintain; (5) manufacturing capacity constraints, including whether or not, as the Company increases its sales, it will be able to successfully integrate its new customers into its existing manufacturing and distribution system; (6) the introduction of competing products by other firms; (7) pressure on pricing from competition or purchasers of the Company's products; (8) whether the Company will be able to pass on to its customers price increases for paper and

18

paperboard products; (9) continued stability in other raw material prices, including oil-based resin and plastic film; (10) the impact of government regulation on the Company's manufacturing processes, including whether or not additional capital expenditures will be needed to comply with applicable environmental laws and regulations as the Company's production increases; (11) the Company's ability to continue to comply with the restrictive covenants in its credit facility or to obtain waivers if it is not in compliance in the future; and (12) the Company's ability to recover from any potential terrorist attack. Investors and potential investors are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's analysis only as of the date of this report. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this report. These risks and others that are detailed in this Form 10-K and other documents that the Company files from time to time with the Securities and Exchange Commission, including

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quarterly reports on Form 10-Q and any current reports on Form 8-K, must be considered by any investor or potential investor in the Company.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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The Company's primary market risk is fluctuation in interest rates. All of the Company's debt at June 28, 2003 is at variable interest rates. A hypothetical 10% change in interest rates would have had a \$0.1 million impact on interest expense for the fiscal year ended June 28, 2003.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Reference is made to the financial statements, the report thereon, the notes thereto, and supplementary data commencing at page F-1 of this Annual Report on Form 10-K which financial statements, report, notes, and data are incorporated herein by reference.

### ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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None.

### ITEM 9A. CONTROLS AND PROCEDURES

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The Company's Chief Executive Officer, Walter E. Rose, and Vice President Finance, Brett E. Moller, have reviewed the Company's disclosure controls and procedures as of June 28, 2003. Based upon this review, these officers believe that the Company's disclosure controls and procedures are effective in ensuring that material information related to the Company is made known to them by others responsible for reporting such material information within the Company.

In April 2003, the Company identified a significant deficiency in the design and operation of its internal controls in its accounts payable function at one of its divisions, and instituted changes to the design and operation of the internal controls in this area. The Company determined that this deficiency existed when it discovered that a division employee had been embezzling funds. The Company determined that approximately \$500,000 was embezzled over a period of seven years, but believes that these embezzled funds will be recovered through insurance. There were no other significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date that the Company carried out its evaluation.

19

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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The information relating to the identification, business experience and directorships of each director and nominee for director of Gibraltar and the

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information relating to the identification and business experience of Gibraltar's executive officers, required by Items 401 and 405 of Regulation S-K, will be presented in the sections entitled "Election of Directors - Nominees for Director" and "Executive Compensation and Other Information - Executive Officers" of Gibraltar's definitive proxy statement for the Annual Meeting of Stockholders for fiscal 2003, and is hereby incorporated by reference. If the definitive proxy statement for the 2003 annual meeting is not filed with the Securities and Exchange Commission within 120 days of the end of Gibraltar's 2003 fiscal year, Gibraltar will amend this Annual Report and include such information in the amendment.

### ITEM 11. EXECUTIVE COMPENSATION

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The information relating to the compensation of directors and officers required by Item 402 of Regulation S-K will be presented in the sections entitled "Election of Directors - Director Compensation" and "Executive Compensation and Other Information" of Gibraltar's definitive proxy statement for the Annual Meeting of Stockholders for fiscal 2003 and is hereby incorporated by reference. If the definitive proxy statement for the 2003 annual meeting is not filed with the Securities and Exchange Commission within 120 days of the end of Gibraltar's 2003 fiscal year, Gibraltar will amend this Annual Report and include such information in the amendment.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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#### AND RELATED STOCKHOLDER MATTERS

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The information relating to security ownership required by Items 201(d) and 403 of Regulation S-K will be presented in the section entitled "Voting Securities and Principal Stockholders" of Gibraltar's definitive proxy statement for the Annual Meeting of Stockholders for fiscal 2003 and is hereby incorporated by reference. If the definitive proxy statement for the 2003 annual meeting is not filed with the Securities and Exchange Commission within 120 days of the end of Gibraltar's 2003 fiscal year, Gibraltar will amend this Annual Report and include such information in the amendment.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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The information relating to certain relationships and transactions required by Item 404 of Regulation S-K will be presented in the section "Executive Compensation and Other Information - Certain Transactions" of Gibraltar's definitive proxy statement for the Annual Meeting of Stockholders for fiscal 2003 and is hereby incorporated by reference. If the definitive proxy statement for the 2003 annual meeting is not filed with the Securities and Exchange Commission within 120 days of the end of Gibraltar's 2003 fiscal year, Gibraltar will amend this Annual Report and include such information in the amendment.

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## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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	Page
(a) (1) Financial Statements Page	
Independent Auditors' Report	F-1
Consolidated Balance Sheets, June 28, 2003 and June 29, 2002	F-2
Consolidated Statements of Operations, Years Ended June 28, 2003, June 29, 2002, and June 30, 2001	F-3
Consolidated Statements of Stockholders' Equity, Years Ended June 28, 2003, June 29, 2002, and June 30, 2001	F-4
Consolidated Statements of Cash Flows, Years Ended June 28, 2003, June 29, 2002, and June 30, 2001	F-5
Notes to Consolidated Financial Statements	F-6

(2) All schedules of the Registrant for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable, or have been disclosed in the Notes to Consolidated Financial Statements and, therefore, have been omitted.

#### (3) Exhibits

#### EXHIBITS

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- 3.1 Certificate of Incorporation, as amended, of Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 3.1 to Gibraltar's Registration Statement on Form S-1 (File No. 33-44965), as amended, filed January 9, 1992).
- 3.2 By-Laws of Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 3.2 to Gibraltar's Registration Statement on Form S-1 (File No. 33-44965), as amended, filed January 9, 1992).
- 4.1 Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Gibraltar's Registration Statement on Form S-1 (File No. 33-44965), as amended, filed January 9, 1992).
- 10.1 Agreement and Plan of Reorganization, dated as of January 7, 1992, among Gibraltar Packaging Group, Inc., RidgePak Acquisition Corporation, RidgePak Corporation, and the Shareholders of RidgePak Corporation (incorporated by reference to Exhibit 10.1 to Gibraltar's Registration Statement on Form S-1 (File No. 33-44965), as amended, filed January 9, 1992).

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- 10.2 Registration Rights Agreement, dated March 4, 1992, by and among Gibraltar Packaging Group, Inc. and certain stockholders of Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 4.2 to Gibraltar's Annual Report on Form 10-K for the year ended June 30, 1992 (File No. 00-19800)).
- \*\*10.3 Gibraltar Packaging Group, Inc. 1992 Incentive Stock Option Plan, dated March 5, 1992 and amended as of April 28, 1994 (incorporated by reference to Exhibit 10.5 to Gibraltar's Annual Report on Form 10-K for the year ended July 2, 1994 (File No. 00-19800)).
- \*\*10.4 Gibraltar Packaging Group, Inc. Director Stock Option Plan dated July 13, 1992 and amended as of April 28, 1994 (incorporated by reference to Exhibit 10.6 to Gibraltar's Annual Report on Form 10-K for the year ended July 2, 1994 (File No. 00-19800)).
- 10.5 Stock Purchase Agreement, dated January 28, 1993, by and among Gibraltar Packaging Group, Inc., Standard Packaging and Printing Corp. and each of the shareholders of Standard Packaging and Printing Corp. (incorporated by reference to Exhibit 2.1 to Gibraltar's Current Report on Form 8-K dated January 28, 1993 (File No. 00-19800)).
- 10.6 Registration Rights Agreement, dated as of January 28, 1993, between Gibraltar Packaging Group, Inc. and Brady W. Dickson and Joan H. Dickson (incorporated by reference to Exhibit 28.1 to Gibraltar's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1993 (File No. 00-19800)).
- 10.7 Agreement and Plan of Reorganization, dated April 28, 1993, by and among Gibraltar Packaging Group, Inc., Niemand Acquisition Corporation, Niemand Holdings, Inc., Niemand Industries, Inc., and each of the stockholders of Niemand Holdings, Inc. (incorporated by reference to Exhibit 2.1 to Gibraltar's Current Report on Form 8-K dated April 28, 1993 (File No. 00-19800)).
- 10.8 Registration Rights Agreement, dated April 28, 1993, by and among Gibraltar Packaging Group, Inc. and the former stockholders of Niemand Holdings, Inc. listed on Schedule I thereto (incorporated by reference to Exhibit 28.1 to Gibraltar's Current Report on Form 8-K dated April 28, 1993 (File No. 00-19800)).
- \*\*10.9 Gibraltar Packaging Group, Inc. 1998 Stock Appreciation Rights Plan, dated November 30, 1998 (incorporated by reference to Exhibit 10.33 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).
- \*\*10.10 Employment Agreement, dated January 15, 1999, between Gibraltar Packaging Group, Inc. and Richard D. Hinrichs (incorporated by reference to Exhibit 10.35 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).
- \*\*10.11 Stock Appreciation Rights Agreement, dated January 15, 1999,

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between Gibraltar Packaging Group, Inc. and John W. Lloyd (incorporated by reference to Exhibit 10.36 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).

22

- \*\*10.12 Stock Appreciation Rights Agreement, dated January 15, 1999, between Gibraltar Packaging Group, Inc. and Richard D. Hinrichs (incorporated by reference to Exhibit 10.37 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).
- \*\*10.13 Letter of Resignation, dated September 1, 2000, between Gibraltar Packaging Group, Inc. and John W. Lloyd (incorporated by reference to Exhibit 10.55 to Gibraltar's Annual Report on Form 10-K for the period ended July 1, 2000 (File No. 00-19800)).
- 10.14 Loan and Security Agreement, dated as of December 20, 2001, between LaSalle Business Credit, Inc. and Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc (incorporated by reference to Exhibit 10.58 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).
- 10.15 Supplement to Loan and Security Agreement, dated as of December 20, 2001, between LaSalle Business Credit, Inc. and Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc (incorporated by reference to Exhibit 10.59 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)) .
- 10.16 Revolving Note, dated as of December 20, 2001, in favor of LaSalle Business Credit, Inc., executed by Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc. in the principal amount of \$12,000,000 (incorporated by reference to Exhibit 10.60 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).
- 10.17 Term Note, dated as of December 20, 2001, in favor of LaSalle Business Credit, Inc., executed by Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc. in the principal amount of \$11,553,000 (incorporated by reference to Exhibit 10.61 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).
- 10.18 Special Advance Note, dated as of December 20, 2001, in favor of LaSalle Business Credit, Inc., executed by Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc. in the principal amount of \$4,000,000 (incorporated by reference to Exhibit 10.62 to Gibraltar's

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Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).

- 10.19 First Amendment to Loan and Security Agreement, dated January 1, 2003, between LaSalle Business Credit, Inc. and Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc (incorporated by reference to Exhibit 10.63 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 2002 (File No. 00-19800)).
- \*\*10.20 Gibraltar Packaging Group, Inc. Non-Qualified Deferred Incentive Compensation Plan, dated January 22, 2003 (incorporated by reference to Exhibit 10.64 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 2002 (File No. 00-19800)).

23

- 21.1 Subsidiaries of Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 21.1 to Gibraltar's Annual Report on Form 10-K for the period ended June 29, 2002 (File No. 00-19800)).
- \*23.1 Consent of Deloitte & Touche LLP.
- \*31 Certification Pursuant to 17 CFR Section 240.13a-14
- \*32 Certification Pursuant to 18. U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\*Filed herewith.

\*\*Indicates management contract or compensatory plan.

(b) Reports on Form 8-K.

Form 8-K, dated May 14, 2003, the Company's press release for quarterly earnings and the financial information release relating to certain financial information for the quarter ended March 31, 2003.

SIGNATURES

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

GIBRALTAR PACKAGING GROUP, INC.

By: /s/ Brett E. Moller

-----  
Brett E. Moller  
Vice President Finance  
(Principal Financial and  
Accounting Officer)

Date: September 23, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Walter E. Rose

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Walter E. Rose  
Chief Executive Officer and  
Chairman of the Board  
(Principal Executive Officer)  
September 23, 2003

/s/ Richard D. Hinrichs

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Richard D. Hinrichs  
Chief Operating Officer and Director  
September 23, 2003

/s/ Robert G. Shaw

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Robert G. Shaw  
Director  
September 23, 2003

/s/ John D. Strautnieks

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John D. Strautnieks  
Director  
September 23, 2003

/s/ John W. Lloyd

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John W. Lloyd  
Director  
September 23, 2003

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Gibraltar Packaging Group, Inc.  
Hastings, Nebraska

We have audited the accompanying consolidated balance sheets of Gibraltar Packaging Group, Inc. and its subsidiaries as of June 28, 2003 and June 29, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 28, 2003. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Gibraltar Packaging Group, Inc. and subsidiaries at June 28, 2003 and June 29, 2002, and the results of their operations and their cash flows for each of the three years in the period ended June 28, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Omaha, Nebraska  
August 15, 2003

F-1

## GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (IN THOUSANDS EXCEPT SHARE DATA)

JUNE 28, 2003	JUNE 29, 2002
-----	-----

ASSETS

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CURRENT ASSETS:		
Cash	\$ 453	\$
Accounts receivable (NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$492 AND \$521, RESPECTIVELY)	4,988	5,4
Inventories	7,144	7,3
Deferred income taxes	730	7
Prepaid and other current assets	795	4
	-----	-----
Total current assets	14,110	13,9
PROPERTY, PLANT AND EQUIPMENT - Net	15,294	15,6
GOODWILL	4,112	4,1
OTHER ASSETS (NET OF ACCUMULATED AMORTIZATION OF \$213 AND \$83, RESPECTIVELY)	744	8
	-----	-----
TOTAL	\$ 34,260	\$ 34,5
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Checks not yet presented	\$ 931	\$ 7
Current portion of long-term debt	2,119	3,3
Accounts payable	2,688	4,0
Accrued expenses	2,983	3,2
	-----	-----
Total current liabilities	8,721	11,3
LONG-TERM DEBT - Net of current portion	13,339	14,9
DEFERRED INCOME TAXES	1,994	9
OTHER LONG-TERM LIABILITIES	770	4
	-----	-----
Total liabilities	24,824	27,6
	-----	-----
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; none issued	--	
Common stock, \$.01 par value; 10,000,000 shares authorized; 5,041,544 issued and outstanding	50	
Additional paid-in capital	28,162	28,1
Accumulated other comprehensive loss (Note 7)	(217)	
Accumulated deficit	(18,559)	(21,3
	-----	-----
Total stockholders' equity	9,436	6,9
	-----	-----
TOTAL	\$ 34,260	\$ 34,5
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED JUNE 28, 2003, JUNE 29, 2002, AND JUNE 30, 2001  
(IN THOUSANDS EXCEPT SHARE DATA)

	2003	2002	2001
NET SALES	\$ 67,378	\$ 63,803	\$ 64,084
COST OF GOODS SOLD	54,229	51,396	50,908
	-----	-----	-----
GROSS PROFIT	13,149	12,407	13,176
	-----	-----	-----
OPERATING EXPENSES:			
Selling, general, and administrative	7,773	7,729	7,826
Amortization of goodwill	--	135	135
	-----	-----	-----
Total operating expenses	7,773	7,864	7,961
	-----	-----	-----
INCOME FROM OPERATIONS	5,376	4,543	5,215
	-----	-----	-----
OTHER EXPENSE:			
Interest expense	970	1,597	2,499
Other expense - net	60	62	--
	-----	-----	-----
Total other expense	1,030	1,659	2,499
	-----	-----	-----
INCOME BEFORE INCOME TAXES	4,346	2,884	2,716
INCOME TAX PROVISION (BENEFIT)	1,601	1,131	(923)
	-----	-----	-----
NET INCOME	\$ 2,745	\$ 1,753	\$ 3,639
	=====	=====	=====
BASIC AND DILUTED PER COMMON SHARE AMOUNTS:			
Net Income	\$ 0.54	\$ 0.35	\$ 0.72
	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING (basic and diluted)	5,041,544	5,041,544	5,041,544
	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-3

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
 YEARS ENDED JUNE 28, 2003, JUNE 29, 2002, AND JUNE 30, 2001  
 (IN THOUSANDS EXCEPT SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE LOSS	ACCUMULATED DEFICIT
	NUMBER OF SHARES	AMOUNT			
Balance at July 1, 2000	5,041,544	\$ 50	\$ 28,162	\$ --	\$ (26,696)
Net income	--	--	--	--	3,639
Balance at June 30, 2001	5,041,544	50	28,162	--	(23,057)
Net income	--	--	--	--	1,753
Balance at June 29, 2002	5,041,544	50	28,162	--	(21,304)
Net income	--	--	--	--	2,745
Minimum pension liability, net of taxes of \$133	--	--	--	(217)	--
Balance at June 28, 2003	5,041,544	\$ 50	\$ 28,162	\$ (217)	\$ (18,559)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-4

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 YEARS ENDED JUNE 28, 2003, JUNE 29, 2002, AND JUNE 30, 2001  
 (IN THOUSANDS)

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	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,745	\$ 1,753
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	2,079	2,240
Provision for losses on accounts receivable	194	216
(Gain)/loss on sale of property, plant and equipment	75	2
Write-off of refinancing costs	--	260
Deferred income taxes	1,168	1,059
Changes in operating assets and liabilities:		
Accounts receivable - net	250	637
Inventories	173	(624)
Prepaid expenses and other assets	(420)	263
Accounts payable	(1,135)	(1,286)
Accrued expenses and other liabilities	(281)	(148)
	-----	-----
Net Cash Flows from Operating Activities	4,848	4,372
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	48	13
Purchases of property, plant and equipment	(1,573)	(842)
	-----	-----
Net Cash Flows from Investing Activities	(1,525)	(829)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) under revolving credit facility	374	(2,993)
Principal repayments of long-term debt	(3,229)	(15,845)
Net repayments under capital leases	(60)	(30)
Proceeds from refinancing	--	15,553
Refinancing costs	--	(327)
	-----	-----
Net Cash Flows from Financing Activities	(2,915)	(3,642)
	-----	-----
NET INCREASE (DECREASE) IN CASH	408	(99)
CASH AT BEGINNING OF YEAR	45	144
	-----	-----
CASH AT END OF YEAR	\$ 453	\$ 45
	=====	=====
SUPPLEMENTAL DISCLOSURE:		
Income taxes paid	\$ 187	\$ 113
	=====	=====
Interest paid	\$ 866	\$ 1,186
	=====	=====
SCHEDULE OF NON-CASH INVESTING		

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AND FINANCING ACTIVITIES:

Capital lease obligations	\$ 107	\$ 234
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-5

### GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
THREE YEARS ENDED JUNE 28, 2003, JUNE 29, 2002, AND JUNE 30, 2001

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**PRINCIPLES OF CONSOLIDATION** - The accompanying consolidated financial statements include the accounts of Gibraltar Packaging Group, Inc. (the "Company") and its wholly owned subsidiaries; RidgePak Corporation (dba "Flashfold Carton") and Standard Packaging & Printing Corporation ("Standard Packaging"). All significant intercompany accounts and transactions have been eliminated.

**DESCRIPTION OF BUSINESS** - The Company designs and manufactures high quality specialty packaging products in facilities located in Nebraska, Indiana, and North Carolina, and markets these products primarily to customers throughout the United States. The Company's products include folding cartons, specialty laminated containers, and flexible packaging for a wide range of businesses. Based on the nature of the product, the production processes, types of customers, and methods used to distribute products, the Company operates in one reportable segment.

**FISCAL YEAR** - The Company ends its fiscal year on the Saturday closest to June 30.

**CASH AND CASH EQUIVALENTS** - The Company considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. The Company utilizes a cash management system that includes zero balance accounts. Negative cash balances for such accounts, resulting from outstanding checks, are reclassified to checks not yet presented in the consolidated financial statements.

**ACCOUNTS RECEIVABLE** - The changes in the allowance for doubtful accounts receivable consist of the following (in thousands):

	YEARS ENDED		
	JUNE 28, 2003	JUNE 29, 2002	JUNE 30, 2001
Allowance, Beginning of Year	\$ 521	\$ 508	\$ 185
Provision for Uncollectible Accounts	194	216	342
Write-off of Uncollectible Accounts	(223)	(203)	(19)
	-----	-----	-----
Allowance, End of Year	\$ 492	\$ 521	\$ 508
	=====	=====	=====

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INVENTORIES - Inventories are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY, PLANT AND EQUIPMENT - Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	3-40 years
Machinery and equipment	2-20 years
Vehicles	2-8 years
Furniture and fixtures	2-10 years

F-6

GOODWILL - Goodwill is not amortized, but rather tested at least annually for impairment. The test for impairment of goodwill is a two-step process that identifies potential impairment and then measures the amount of such impairment to be recorded in the financial statements. There were no impairment losses recognized during fiscal 2003.

IMPAIRMENT OF LONG-LIVED ASSETS - Recoverability of long-lived assets not held for sale are evaluated by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. The evaluation of the recoverability of long-lived assets that are held for sale are based on comparing the assets' carrying amount with its fair value less cost to sell. Based on these evaluations, there were no adjustments to the carrying value of long-lived assets in fiscal years 2003, 2002 and 2001.

OTHER ASSETS - Costs associated with obtaining financing arrangements are included in other assets. In December 2001, the Company capitalized approximately \$0.4 million, representing the cost of refinancing its debt under a new credit facility, as described in Note 5. This amount is being amortized over thirty-six months. As part of the refinancing, the Company recorded a charge of \$260,000 or \$0.06 per share (\$156,000 after tax loss or \$0.03 per share) in fiscal 2002 reflecting the write-off of unamortized finance costs relating to the previous credit facility.

REVENUE RECOGNITION - Revenue is recognized when title to finished product passes to the customer.

SHIPPING AND HANDLING COSTS - Shipping and handling costs are included in cost of goods sold in the consolidated statements of operations.

STOCK BASED COMPENSATION - The Company accounts for its employees' stock-based compensation plans under the recognition and measurement principles of APB Opinion 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations. The expense reported in net income under APB Opinion No. 25 is the same as under FASB Statement No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION. In accordance with APB Opinion No. 25, there is no stock-based employee compensation cost associated with any plan, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of the grant. Additionally, all outstanding options became fully vested prior to the periods presented. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123 to stock-based employee compensation.

JUNE 28,      JUNE 29,      JUNE 30,

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	2003	2002	2001
Reported net income per APB 25	\$ 2,745	\$ 1,753	\$ 3,639
Add back: Stock-based employee compensation expense included in reported net income, net of tax	34	--	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(34)	--	--
	-----	-----	-----
Pro forma net income per FASB 123	\$ 2,745	\$ 1,753	\$ 3,639
	=====	=====	=====
Net income per basic and diluted common share			
As reported	\$ 0.54	\$ 0.35	\$ 0.72
Pro forma	\$ 0.54	\$ 0.35	\$ 0.72

F-7

At June 28, 2003, the stock option exercise prices for all options outstanding under the 1992 Plan and Directors Plan exceeded the market value of the Company's common stock and therefore the options are considered anti-dilutive and are excluded from the Company's earnings per share calculation.

EARNINGS PER SHARE - Basic earnings per share data are based on the weighted average outstanding common shares during the period. Diluted earnings per share data are based on the weighted average outstanding common shares and the effect of all dilutive potential common shares, including stock options.

NEW ACCOUNTING PRONOUNCEMENTS - In January 2003, the FASB issued Interpretation No. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES (FIN 46). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations, as the Company has no variable interest entities.

In May 2003, the FASB issued SFAS No. 150, ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY. SFAS No. 150 establishes standards for classification and measurement in the balance sheets for certain financial instruments which possess characteristics of both a liability and equity. Generally, it requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003. The Company's adoption of this standard did not have a material impact on the Company's financial position or results of operations.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

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amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATION - Certain amounts in the fiscal 2002 financial statements have been reclassified to conform with the fiscal 2003 presentation.

### 2. INVENTORIES

Inventories consisted of the following (in thousands):

	JUNE 28, 2003	JUNE 29, 2002
Finished goods	\$ 5,078	\$ 4,665
Work in process	877	935
Raw materials	880	1,414
Manufacturing supplies	309	303
	-----	-----
	\$ 7,144	\$ 7,317
	=====	=====

F-8

### 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (at cost) consisted of the following (in thousands):

	JUNE 28, 2003	JUNE 29, 2002
Land	\$ 632	\$ 632
Buildings and improvements	12,021	12,016
Machinery, equipment and vehicles	22,627	21,439
Furniture and fixtures	1,596	1,598
Construction-in-progress	91	9
	-----	-----
	36,967	35,694
Less accumulated depreciation	21,673	20,007
	-----	-----
	\$ 15,294	\$ 15,687
	=====	=====

### 4. GOODWILL

On June 30, 2002, the Company adopted SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, which establishes the accounting for acquired goodwill and other intangible assets, and provides that goodwill and indefinite-lived intangible assets will not be amortized, but will be tested for impairment on an annual basis. The Company's related amortization consists solely of goodwill amortization, which has no income tax effect. Following is a reconciliation of the historical impact of the change in accounting principle for net income and net income per share for fiscal years 2003, 2002, and 2001 (IN THOUSANDS):

JUNE 28, 2003	JUNE 29, 2002	JUNE 30, 2001
------------------	------------------	------------------

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Reported Net Income	\$ 2,745	\$ 1,753	\$ 3,639
Goodwill amortization	-	135	135
	-----	-----	-----
Adjusted net income	\$ 2,745	\$ 1,888	\$ 3,774
	=====	=====	=====
Reported basic and diluted income per share	\$ 0.54	\$ 0.35	\$ 0.72
Goodwill amortization	-	0.03	0.03
	-----	-----	-----
Adjusted basic and diluted income per share	\$ 0.54	\$ 0.38	\$ 0.75
	=====	=====	=====

Goodwill is allocated to the Company's reporting units for purposes of testing goodwill for impairment. The goodwill recorded at June 28, 2003 is assigned to the reporting unit Standard Packaging. No impairment losses were recognized during fiscal 2003.

### 5. FINANCING AGREEMENTS

Long-term debt consisted of (columnar amounts in thousands):

	JUNE 28, 2003	JUNE 29, 2002
Term Loan	\$ 11,213	\$ 11,553
Special Advance Loan	--	2,889
Revolving credit facility	3,956	3,582
Capital lease obligations (Note 9)	289	242
	-----	-----
Total	15,458	18,266
Less current portion	2,119	3,349
	-----	-----
Long-term debt	\$ 13,339	\$ 14,917
	=====	=====

F-9

On December 20, 2001, the Company entered into a three-year renewable credit facility with LaSalle. This facility provides for an \$11.6 million Term Loan, a \$4.0 million Special Advance Loan, and a \$12.0 million working capital revolving line-of-credit ("Revolver"). The Term Loan and Special Advance Loan combined are to be repaid over seven years, but are callable after three years. The Special Advance Loan was repaid in April 2003. Until the Special Advance Loan was repaid, only monthly interest payments were applied against the Term Loan. After repayment of the Special Advance Loan, monthly principal payments of \$169,897 plus interest are applied against the Term Loan. The credit facility is secured by a first priority perfected security interest in and lien on all assets (real and personal, tangible and intangible) of the Company, excluding its Burlington, North Carolina property.

The Revolver provides for a revolving line of credit under a borrowing base commitment subject to certain loan availability requirements. Loan availability under the Revolver may not exceed the lesser of: (1) \$12.0 million; or (2) the sum of (a) 85% of the Company's eligible accounts receivable plus (b) a percentage of the Company's eligible inventory which ranges from 35% to 70%. At no time may the sum of aggregated loan advances outstanding under the Revolver plus the aggregate amount of extended letter of credit guarantees exceed loan

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availability. The Company had available to it unused borrowing capacity of \$4.1 million as of June 28, 2003.

The Revolver bears interest at LaSalle's prime rate plus 0.50% or the London Interbank Offered Rate ("LIBOR") plus 2.75%. The Term Loan bears interest at LaSalle's prime rate plus 0.75% or LIBOR plus 3.00%. The Special Advance Loan was subject to interest at LaSalle's prime rate plus 1.00% or LIBOR plus 3.25%. The Company also pays a commitment fee of 0.50% on the unused portion of the Revolver. The interest rates at June 28, 2003 were a combination of prime and LIBOR. LaSalle's prime and LIBOR rates for the Revolver were 4.00% and 1.10%, respectively, at June 28, 2003. LaSalle's prime and LIBOR rates for the Term Loan were 4.00% and 1.16%, respectively, at June 28, 2003.

As of June 28, 2003, all outstanding letters of credit were guaranteed by LaSalle. The Company pays an annual letter of credit fee of 2.00% on the outstanding balance to guarantee availability under the Revolver. Outstanding letters of credit at June 28, 2003 amounted to \$147,500 and related to workman's compensation insurance policies.

The LaSalle credit facility contains certain restrictive covenants including financial covenants related to net worth, debt service coverage, interest coverage and capital expenditures. As of June 28, 2003, the Company was in compliance with all financial covenants. In addition, the Company's credit facility restricts the ability of the Company to pay dividends.

Anticipated maturities of long-term debt subsequent to June 28, 2003, pursuant to the credit facility and future minimum payments under finance leases, are as follows (in thousands):

	AMOUNTS
2004	\$ 2,119
2005	13,213
2006	83
2007	43
	-----
Total	\$ 15,458
	=====

F-10

### 6. INCOME TAXES

The provision (benefit) for income taxes, after extraordinary item, consists of the following (in thousands):

	JUNE 28, 2003	JUNE 29, 2002	JUNE 30, 2001
Current:			
Federal	\$ 276	\$ --	\$ 62
State	157	72	157
Deferred	1,168	1,059	(1,142)
	-----	-----	-----
	\$ 1,601	\$ 1,131	\$ (923)
	=====	=====	=====

The following represents a reconciliation between the actual income tax expense and income taxes computed by applying the statutory federal income tax rate to income before income taxes:

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	JUNE 28, 2003	JUNE 29, 2002	JUNE 30, 2001
Statutory rate	\$ 1,478	\$ 981	\$ 923
State income tax effect	121	81	95
Change in valuation allowance	(41)	(7)	(1,969)
Amortization of goodwill	--	46	46
Other - net	43	30	(18)
	-----	-----	-----
Total	\$ 1,601	\$ 1,131	\$ (923)
	-----	-----	-----

Deferred income tax assets and liabilities result from reporting income and expenses in different periods for tax and financial reporting purposes. The deferred tax assets and liabilities are comprised of the following (in thousands):

	JUNE 28, 2003	JUNE 29, 2002
Deferred income tax assets:		
Difference in basis of amortizable assets	\$ 195	\$ 195
Non-deductible accrued liabilities	761	996
State net operating loss carryforwards	1,393	1,427
State tax credits carryforward	136	369
Federal net operating loss carryforward	--	925
AMT credit carryforward	--	411
Differences in the basis of inventory for tax purposes	174	153
Additional minimum pension liability	133	-
Other - net	--	11
	-----	-----
Total	2,792	4,487
Deferred tax asset valuation allowance	(1,535)	(1,804)
	-----	-----
Net	1,257	2,683
	-----	-----
Deferred tax liabilities:		
Difference in basis of property, plant and equipment	(2,355)	(2,725)
Other	(166)	(187)
	-----	-----
Total	(2,521)	(2,912)
	-----	-----
Net deferred income tax liability	\$ (1,264)	\$ (229)
	=====	=====

At June 28, 2003, the Company had a state investment tax credit carryforward of approximately \$0.1 million which expires if unutilized by the year 2005. These credits are available to offset both Nebraska state income tax and Nebraska sales tax on qualifying purchases.

F-11

7. EMPLOYEE BENEFIT PLANS

The Company maintains a noncontributory defined benefit pension plan (the "benefit plan") covering substantially all of the RidgePak Corporation hourly union employees fulfilling participation requirements. Benefits are based on the

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employee's years of credited service. The Company's funding policy is to contribute annually the minimum amount required under ERISA. Plan assets are held by an independent trustee and consist of U.S. Government securities, time deposits, common stocks, corporate bonds and collective investment funds.

The change in benefit obligation and plan assets and the reconciliation of funded status for the years presented included the following components (in thousands):

	JUNE 28, 2003	JUNE 29, 2002
Change in benefit obligations:		
Benefit obligation at beginning of year	\$ 573	\$ 598
Service cost	48	48
Interest cost	36	40
Actuarial loss	115	6
Benefits paid	(31)	(119)
	-----	-----
Benefit obligation at end of year	741	573
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year	577	666
Actual loss on plan assets	(23)	(10)
Employer contribution	40	40
Benefits paid	(31)	(119)
	-----	-----
Fair value of plan assets at end of year	563	577
	-----	-----
Reconciliation of funded status:		
Funded (unfunded) status	(178)	4
Unrecognized loss	350	179
Contributions made after the measurement date	--	40
	-----	-----
Prepaid pension cost recognized on balance sheet	\$ 172	\$ 223
	=====	=====
Amounts recognized in Consolidated Balance Sheets:		
Prepaid benefit cost	\$ 172	\$ 223
Accrued benefit liability	(350)	--
Accumulated other comprehensive loss	350	--
	-----	-----
Net amount recognized	\$ 172	\$ 223
	=====	=====
Discount rate used to calculate the above liability	6.25%	7.25%

The components of net periodic benefit costs are as follows (dollars in thousands):

	JUNE 28, 2003	JUNE 29, 2002	JUNE 30, 2001
Service cost-benefits earned during the period	\$ 48	\$ 48	\$ 43
Interest cost on projected benefit obligation	37	40	43
Expected return on plan assets	(44)	(52)	(58)
Amortization of loss	11	4	-
	-----	-----	-----
Net periodic pension cost	\$ 52	\$ 40	\$ 28
	=====	=====	=====

F-12

The weighted-average actuarial assumptions for the years presented were as follows:

Discount rate used to calculate expense	7.25%	7.25%	8.00%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%

As a result of lower asset returns and a lower discount rate, the Company was required to recognize an additional minimum pension liability in fiscal 2003. The liability was recorded as a \$350,000 (\$217,000 net of tax) reduction to common shareholders' equity as part of accumulated other comprehensive loss.

The Company also sponsors a defined contribution 401(k) plan (the "Gibraltar Plan"). Employees are eligible to participate in the Gibraltar Plan upon completion of six months of credited service. An employee may contribute any amount of his or her earnings on a pre-tax basis subject to IRS limitations. The Company matches 25% of an employee's contribution up to a maximum of 4% of eligible compensation. Participants fully vest in Company contributions after five years with partial vesting after one year.

The Company's contributions to the Gibraltar Plan for the years ended June 28, 2003, June 29, 2002, and June 30, 2001 were approximately \$83,000, \$88,000 and \$83,000 respectively.

The Company established a non-qualified deferred compensation plan during fiscal 2003, whereby participants will share in 5% of the net growth of the Fair Market Value of the Company, as defined by the Plan, over the base year. Compensation expense related to this plan of \$149,000 was recorded in fiscal 2003.

#### 8. STOCK BASED COMPENSATION

The 1992 Incentive Stock Option Plan (the "1992 Plan") provides for grants to key employees of the Company of options to purchase in the aggregate up to 300,000 shares of the Company's common stock with exercise prices equal to or greater than the market price at the date of grant. Options granted under the 1992 Plan are exercisable no earlier than six months and no later than ten years from the grant date.

The Director Stock Option Plan (the "Directors Plan") provides for each independent director to receive a grant of an option to purchase 3,000 shares of the Company's common stock at an exercise price equal to the market price at the date such person is elected to the board. Options granted under the Directors Plan are exercisable no earlier than six months and no later than ten years from the grant date.

The 1998 Stock Appreciation Rights Plan (the "Stock Appreciation Rights Plan") provides for the discretionary granting of stock appreciation rights ("SAR") to key employees of the Company, and is administered by the Compensation Committee of the Company's Board of Directors. SARs held by grantees under the Stock Appreciation Rights Plan entitle the holder to cash payments only. Effective January 15, 1999, 150,000 SARs valued at \$2.25 each and 150,000 SARs valued at \$3.00 each were granted to certain officers of the Company. The SARs vested at 20% per year through the maturity date of June 30, 2003. Compensation expense related to the Stock Appreciation Rights Plan of \$57,000 was recorded in fiscal 2003, and will be paid out in three equal installments beginning in fiscal 2004.

A summary of stock option transactions under the Company's employee option plans

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and the Director's stock plan for each of the three years in the period ended June 28, 2003 is as follows:

F-13

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at July 1, 2000	51,334	\$ 7.55
Granted	--	--
Exercised	--	--
Canceled or Lapsed	--	--
Outstanding at June 30, 2001	51,334	7.55
Granted	--	--
Exercised	--	--
Canceled or Lapsed	--	--
Outstanding at June 29, 2002	51,334	\$ 7.55
Granted	--	--
Exercised	--	--
Canceled or Lapsed	(22,334)	6.02
Outstanding at June 28, 2003	29,000	\$ 8.73
Shares exercisable at June 30, 2001	51,334	\$ 7.55
Shares exercisable at June 29, 2002	51,334	\$ 7.55
Shares exercisable at June 28, 2003	29,000	\$ 8.73

The following table summarizes information about stock options outstanding at June 28, 2003:

Range of Exercise Prices	Number Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercisable
\$8.00 - \$9.00	29,000	0.7 years	\$ 8.73	29,000	\$ 8.73

### 9. LEASES

The Company leases certain manufacturing equipment under non-cancelable capital leases. As a result, the present value of the remaining future minimum lease payments is recorded as a capitalized lease asset and related capitalized lease obligation. Assets under these capital leases are included as part of Property, Plant and Equipment in the Consolidated Balance Sheets and are identified as follows (dollars in thousands):

	JUNE 30, 2003	JUNE 29, 2002
Machinery, equipment		

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and vehicles	\$ 338	\$ 270
Furniture and fixtures	40	37
	-----	-----
	378	307
Less accumulated amortization	65	47
	-----	-----
	\$ 313	\$ 260
	=====	=====

The Company leases office and manufacturing space, manufacturing equipment, computer equipment, vehicles and warehouse space under non-cancelable operating leases. Rent expense for the fiscal years ended June 28, 2003, June 29, 2002, and June 30, 2001 under operating lease agreements was approximately \$1.4 million, \$1.5 million, and \$1.4 million, respectively.

F-14

As of June 28, 2003, approximate minimum future lease commitments under capital and operating leases were as follows (in thousands):

	CAPITAL	OPERATING
2004	\$ 98	\$ 1,327
2005	95	891
2006	89	673
2007	43	595
2008	--	501
Thereafter	--	310
	-----	-----
Total minimum lease payments	325	\$ 4,297
		=====
Amount representing interest	36	
	-----	
Present value of minimum lease payments	289	
Less current portion	80	
	-----	
Long-term lease obligation	\$ 209	
	=====	

OPERATING LEASES (AS LESSOR) - The Company leases its Niemand facility to the company that acquired the operating assets of Niemand's container packaging and filling business. The non-cancelable lease term is for five years and contains a five-year renewal option. The lessee also has the option to purchase the facility during this period for \$1.1 million. The carrying value of the facility at June 28, 2003 is \$1.5 million. As of June 28, 2003, approximate future minimum lease payments were as follows (in thousands):

	AMOUNTS
2004	\$ 160
2005	93
	-----
Total	\$ 253
	=====

### 10. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS - From time to time, the Company is a party to certain lawsuits and administrative proceedings that arise in the conduct of its

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business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty, management believes that, if adversely determined, the lawsuits and proceedings, either singularly or in the aggregate, would not have a material adverse effect on the financial condition, results of operations, or net cash flows of the Company.

ENVIRONMENTAL MATTERS - In May 1995, the Company discovered groundwater contamination at its Burlington, North Carolina facility. Based on work performed by its environmental consultants, the Company established a reserve of \$750,000 for such remediation costs in fiscal 1995. The Company's accrual for such remediation costs included in other long-term liabilities on the Consolidated Balance Sheet approximates \$420,000 and \$430,000 as of June 28, 2003 and June 29, 2002, respectively. Cumulative incurred expenses as of June 28, 2003 related to remediation totaled \$330,000. In June 1998, the Company completed a follow-up assessment of the facility, which was then filed with the Division of Water Quality ("DWQ"). The Company is awaiting a reply from the DWQ. Management believes that the ultimate resolution of this and other environmental matters will not materially affect the financial position or results of future operations and cash flows of the Company.

OTHER - At June 28, 2003, the Company was obligated to purchase equipment totaling \$2,159,000. The Company anticipates that this purchase commitment will be financed through an operating lease.

F-15

### 11. RELATED PARTY TRANSACTIONS

The Company's CEO holds an equity interest in Rostra Technologies, Inc. ("Rostra"). During fiscal 2002, the Company paid \$100,000 to Rostra in management fees for services provided by the Company's CEO in fiscal years 2000 and 2001. The Company incurred an additional \$50,000 of expenses to Rostra in fiscal 2002 for services provided by the Company's CEO, which were paid in fiscal 2003. The Company incurred no expenses to Rostra in fiscal 2003.

### 12. MAJOR CUSTOMERS

Sales to the Company's top three customers accounted for approximately 34%, 39%, and 36% of net sales for fiscal years 2003, 2002, and 2001, respectively. Sales to one customer represented approximately 15%, 17%, and 17% of net sales for fiscal years 2003, 2002, and 2001, respectively. Sales to another customer represented approximately 11% of net sales for fiscal year 2001.

### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, accounts receivable and accounts payable approximates fair value because of the short-term maturity of these instruments.

The carrying value of the Company's borrowings under its long-term revolving credit agreement and other long-term borrowings approximates fair value based on quoted market prices for the same or similar instruments.

The fair value of the Company's letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate or settle the obligations. As of June 28, 2003, the fair value of the letters of credit was \$147,500.

F-16

14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended June 28, 2003 and June 29, 2002 (in thousands, except per share data):

2003	QUARTER ENDED				YE
	SEPTEMBER 30 (1)	DECEMBER 31 (1)	MARCH 31 (1)	JUNE 28 (1)	
Net Sales	\$ 17,288	\$ 17,416	\$ 16,694	\$ 15,980	\$ 67
Gross Profit	3,425	3,470	3,213	3,041	13
Net Income	691	754	591	709	2
Per Common Share Amounts: (basic and diluted)					
Net Income	\$ 0.14	\$ 0.15	\$ 0.12	\$ 0.14	\$

2002	QUARTER ENDED				YEA
	SEPTEMBER 30	DECEMBER 31 (2)	MARCH 31	JUNE 29	
Net Sales	\$ 15,356	\$ 15,325	\$ 16,139	\$ 16,983	\$ 63
Gross Profit	2,999	2,963	3,095	3,350	12
Net Income	359	241	479	674	1
Per Common Share Amounts: (basic and diluted)					
Net Income	\$ 0.07	\$ 0.05	\$ 0.10	\$ 0.13	\$ 0

(1) With the adoption of SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, the Company discontinued amortizing goodwill in the first quarter of fiscal 2003 and is now testing for impairment on a periodic basis.

(2) In the second quarter of fiscal 2002, the Company refinanced its credit facility with LaSalle. As part of the refinancing, the Company recorded a charge of \$260,000 or \$0.06 per share (\$156,000 after tax loss or \$0.03 per share) reflecting the write-off of unamortized finance costs relating to the previous credit facility.

F-17