GIBRALTAR PACKAGING GROUP INC
Form 10-Q
May 15, 2003

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

FORM 10-Q

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

For the quarterly period ended: March 31, 2003

Commission File Number: 00-19800

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

DELAWARE	47-0496290
(State of incorporation)	(I.R.S. Employer Identification Number)
2000 SUMMIT AVENUE HASTINGS, NEBRASKA	68901
(Address of principal executive offices)	(Zip Code)
(402) 463-1366	www.gibraltarpackaginggroup.com
(Registrant's telephone number, including area code)	(Registrant's website)

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. |X| Yes |_| No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). |_|Yes |X| No

As of March 31, 2003, there were 5,041,544 shares of the Company's common stock, par value $0.01 per share, issued and outstanding.

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets As of March 31, 2003 (Unaudited) and June 29, 2002	1
Consolidated Statements of Operations (Unaudited) for the Three and Nine Months Ended March 31, 2003 and 2002	2

	Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended March 31, 2003 and 2002	3
	Notes to Consolidated Financial Statements (Unaudited)	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	16
Item 4.	Controls and Procedures	16
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	18
Item 4.	Submission of Matters to a Vote of Security Holders	18
Item 6.	Exhibits and Reports on Form 8-K	18
	Signature	19
	Certifications Pursuant to 17 CFR Section 240.13a-14	20

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE DATA)

	March 31, 2003	June 29, 2002
ASSETS	(Unaudited)	
CURRENT ASSETS:		
Cash	$ 126	$ 45
Accounts receivable (NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $308 AND $521, RESPECTIVELY)	5,126	5,432
Inventories	7,571	7,317
Deferred income taxes	703	703
Prepaid and other current assets	706	423
Total current assets	14,232	13,920
PROPERTY, PLANT AND EQUIPMENT - NET	15,370	15,687
GOODWILL	4,112	4,112
OTHER ASSETS (NET OF ACCUMULATED AMORTIZATION OF $180 AND $83, RESPECTIVELY)	839	825
TOTAL	$ 34,553	$ 34,544
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Checks not yet presented	$ 293	$ 718
Current portion of long-term debt	2,069	3,349
Accounts payable	3,144	4,036
Accrued expenses	2,945	3,254
Total current liabilities	8,451	11,357

LONG-TERM DEBT - Net of current portion	14,595	14,917
DEFERRED INCOME TAXES	2,134	932
OTHER LONG-TERM LIABILITIES	429	430
Total liabilities	25,609	27,636
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	50
Additional paid-in capital	28,162	28,162
Accumulated deficit	(19,268)	(21,304)
Total stockholders' equity	8,944	6,908
TOTAL	$ 34,553	$ 34,544

See notes to unaudited consolidated financial statements.

1

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	Three Months Ended March 31,		Nine Months March 3
	2003	2002	2003
NET SALES	$ 16,694	$ 16,139	$ 51,398
COST OF GOODS SOLD	13,481	13,044	41,290
GROSS PROFIT	3,213	3,095	10,108
OPERATING EXPENSES:			
Selling, general and administrative	1,969	1,937	5,898
Amortization of goodwill	--	35	--
Total operating expenses	1,969	1,972	5,898
INCOME FROM OPERATIONS	1,244	1,123	4,210
OTHER EXPENSE:			
Interest expense	234	280	757
Other expense - net	25	21	59
Total other expense	259	301	816
INCOME BEFORE INCOME TAXES	985	822	3,394
INCOME TAX PROVISION	394	343	1,358

NET INCOME	$ 591	$ 479	$ 2,036
BASIC AND DILUTED PER COMMON SHARE AMOUNTS:			
Net Income	$ 0.12	$ 0.10	$ 0.40
WEIGHTED AVERAGE SHARES OUTSTANDING:			
(basic and diluted)	5,041,544	5,041,544	5,041,544

See notes to unaudited consolidated financial statements.

2

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(IN THOUSANDS)

	Nine Months Ended March 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,036	$ 1,079
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	1,467	1,575
Provision for losses on accounts receivable	10	169
Loss on sale of property, plant and equipment	88	2
Write-off of refinancing costs	--	156
Deferred income taxes	1,202	761
Changes in operating assets and liabilities:		
Accounts receivable	296	559
Inventories	(254)	(33)
Prepaid expenses and other assets	(297)	436
Accounts payable	(1,317)	(1,681)
Accrued expenses and other liabilities	(310)	198
Net Cash Flows from Operating Activities	2,921	3,221
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	33	11
Purchases of property, plant and equipment	(1,271)	(564)
Net Cash Flows from Investing Activities	(1,238)	(553)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) under revolving credit facility	1,177	(2,643)
Principal repayments of long-term debt	(2,737)	(15,290)
Repayments under capital leases	(42)	(14)
Proceeds from refinancing	--	15,553
Refinancing costs	--	(325)

Net Cash Flows from Financing Activities	(1,602)	(2,719)
NET INCREASE (DECREASE) IN CASH	81	(51)
CASH AT BEGINNING OF PERIOD	45	144
CASH AT END OF PERIOD	$ 126	$ 93

See notes to unaudited consolidated financial statements.

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

A. GENERAL

The accompanying unaudited consolidated financial statements of Gibraltar Packaging Group, Inc. ("Gibraltar" or the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, in the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of March 31, 2003, and the results of its operations and cash flows for the periods presented herein. Results of operations for the three and nine months ended March 31, 2003 are not necessarily indicative of the results to be expected for the full fiscal year. The financial statements should be read in conjunction with the audited financial statements for the year ended June 29, 2002 and the notes thereto contained in the Company's Annual Report on Form 10-K.

B. INVENTORIES

Inventories consisted of the following (IN THOUSANDS):

	March 31, 2003	June 29, 2002
Finished goods	$ 5,172	$ 4,665
Work in process	1,200	935
Raw materials	865	1,414
Manufacturing supplies	334	303
	$ 7,571	$ 7,317

C. STOCK-BASED COMPENSATION

The Company accounts for its employees stock-based compensation plans under the recognition and measurement principles of APB Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations. 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, ACCOUNTING FOR STOCK-BASED COMPENSATION, to stock-based employee compensation.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Reported net income per APB 25	$ 591	$ 479	$ 2,036	$ 1,079
Add back: Stock-based employee compensation expense included in reported net income, net of tax	32	--	41	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(32)	--	(41)	--
Pro forma net income per FASB 123	$ 591	$ 479	$ 2,036	$ 1,079
Earnings per share:				
As reported	$ 0.12	$ 0.10	$ 0.40	$ 0.21
Pro forma	$ 0.12	$ 0.10	$ 0.40	$ 0.21

Pre-tax stock-based employee compensation expense related to the 1998 Stock Appreciation Rights Plan of $53,000 and $68,000 for the third quarter and nine months ended March 31, 2003, respectively, is reflected in net income for fiscal 2003. The expense reported in net income under APB Opinion No. 25 is the same as under FASB Statement No. 123. In accordance with APB Opinion No. 25, there is no stock-based employee compensation cost associated with any option 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.

D. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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 net income as originally reported for the three and nine month periods ended March

31, 2003 and 2002, to adjusted net income (IN THOUSANDS):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Reported net income	$ 591	$ 479	$2,036	$1,079
Goodwill amortization	--	35	--	102
Adjusted net income	$ 591	$ 514	$2,036	$1,181

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

In accordance with SFAS No. 142, the Company has completed its transitional goodwill impairment test using a discounted cash flow methodology as of June 30, 2002. No impairment charges resulted from the transitional impairment test.

During the first quarter of fiscal 2003, the Company adopted SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. This standard addresses financial accounting and reporting for obligations related to the retirement of tangible long-lived assets and the related asset retirement costs. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

During the first quarter of fiscal 2003, the Company adopted SFAS No. 144, ACCOUNTING FOR IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. The standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

During the first quarter of fiscal 2003, the Company adopted SFAS No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. This standard concludes that debt extinguishments used as part of a company's risk management strategy should not be classified as an extraordinary item. SFAS No. 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. As a result of adopting this standard, the Company reclassified $260,000 of unamortized finance costs related to a December 2001 refinancing from an extraordinary loss to interest expense to conform with fiscal 2003 presentation requirements.

In June 2002, the FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity is recognized at fair value when the liability is incurred and is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

In November 2002, the FASB issued Interpretation No. 45, GUARANTOR'S

ACCOUNTING AND DISCLOSURES REQUIREMENTS FOR GUARANTEES, INCLUDING GUARANTEES OF INDEBTEDNESS OF OTHERS (FIN 45). FIN 45 is effective for guarantees issued or modified after December 31, 2002. The disclosure requirements of this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. FIN 45 expands the disclosures required by a guarantor about its obligations under the guarantee. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE. SFAS No. 148 provides alternative methods of transition for voluntary changes to the fair value based method of accounting for stock-based compensation, and amends the disclosure requirements including a requirement for interim disclosures. The Company currently

discloses the effects of stock-based employee compensation and does not intend to voluntarily change to the alternative accounting principle.

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.

E. LONG-TERM DEBT

The Company's credit facility provides for an excess cash flow payment to be applied against the Special Advance Loan after each fiscal year-end until it is repaid. The $1.1 million excess cash flow payment for fiscal 2002 was paid out of unused borrowing capacity in October 2002. At March 31, 2003, the Company had available to it unused borrowing capacity of $3.5 million.

F. RECLASSIFICATION

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

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RECENT EVENTS

Over the last couple of years, the packaging industry has experienced a downturn, and due to the resulting excess capacity within the industry, competition for customers has escalated. The Company has not been immune to the effects of this trend, and in recent months has lost two customers who are expected to account for approximately $8.5 million in business this year. One of these customers is expected to represent $5 million of the Company's increase in annual net sales over the previous year. 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.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2003 Compared to
Three Months Ended March 31, 2002

In the third quarter of fiscal 2003, the Company had net sales of $16.7 million compared with $16.1 million in the corresponding period of fiscal 2002, an increase of $0.6 million or 3.4%. This increase is 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 the third quarter of fiscal 2003 remained steady at 19.2% of net sales compared to the corresponding period of fiscal 2002.

Income from operations for the third quarter of fiscal 2003 was $1.2 million compared with $1.1 million in the corresponding period of fiscal 2002, an increase of $0.1 million or 10.8%. This increase was primarily a result of the increase in net sales, with selling, general, and administrative expenses remaining relatively flat. In addition, with the adoption of SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, the Company stopped amortizing goodwill in the first quarter of fiscal 2003.

Total interest expense decreased $0.1 million or 16.4% to $0.2 million in the third quarter of fiscal 2003 from $0.3 million in the corresponding period of fiscal 2002. The decrease is the result of $3.0 million in lower average borrowings and a reduction in average interest rates to 4.7% from 5.0%.

The income tax provision as a percentage of pre-tax income for the third quarter of fiscal 2003 was 40.0%, compared with an income tax provision of 41.7% for the corresponding period in 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 for the third quarter of fiscal 2003 was $0.6 million or $0.12 per share, compared to $0.5 million or $0.10 per share in the third quarter of fiscal 2002.

Nine Months Ended March 31, 2003 Compared to
Nine Months Ended March 31, 2002

In the first nine months of fiscal 2003, the Company had net sales of $51.4 million compared with $46.8 million in the corresponding period of fiscal 2002, an increase of $4.6 million or 9.8%. This increase is 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 the first nine months of fiscal 2003 increased to 19.7% of net sales from 19.3% in the corresponding period of fiscal 2002. The Company was able to leverage its existing cost structure by increasing volume while maintaining relatively stable costs. This overall improvement was partially offset by a change in the customer mix, resulting in lower margins from some customers.

Income from operations for the first nine months of fiscal 2003 was $4.2 million compared with $3.2 million in the corresponding period of fiscal 2002, an increase of $1.0 million or 30.1%. This increase was primarily a result of the increase in net sales, with selling, general, and administrative expenses remaining relatively stable. In addition, with the adoption of SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, the Company stopped amortizing goodwill in the first quarter of fiscal 2003.

Total interest expense decreased $0.6 million or 42.7% to $0.8 million in the first nine months of fiscal 2003 from $1.3 million in the corresponding period of 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 an extraordinary loss 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. However, with the adoption of SFAS No. 145, the $260,000 extraordinary loss has been reclassified as interest expense to conform with the fiscal 2003 presentation requirements. Excluding the effect of this change in presentation, the decrease of $0.3 million is the result of $2.1 million in lower average borrowings and a reduction in average interest rates to 7.1% from 8.9%.

The income tax provision as a percentage of pre-tax income for the first nine months of fiscal 2003 was 40.0%, compared with an income tax provision of 42.2% for the corresponding period in 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 for the first nine months of fiscal 2003 was $2.0 million or $0.40 per share, compared to $1.1 million or $0.21 per share in the corresponding period of fiscal 2002.

LIQUIDITY AND FINANCIAL CONDITION

Historically, the Company's liquidity requirements have been met by a combination of funds provided by operations and its revolving credit agreements. At March 31, 2003, the Company's current assets exceeded its current liabilities by $5.8 million, as compared to $2.6 million at June 29, 2002. This increase is primarily the result of renegotiated payable terms with specific vendors to achieve vendor discounts and a one-time excess cash flow recapture payment from the previous fiscal year. Funds provided by operations during the nine months ended March 31, 2003 were $2.9 million compared with funds provided of $3.2 million in the corresponding period of fiscal 2002. The Company also had available to it unused borrowing capacity of $3.5 million as of March 31, 2003.

During the nine months ended March 31, 2003, capital expenditures totaled $1.3 million compared with $0.6 million in the corresponding period of 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.

The Company's current 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 Term Loan and Special Advance Loan combined are to be repaid over seven years, but are callable after three years. The Special Advance Loan, which was repaid in April 2003, required monthly principal payments of $185,155 plus interest. Additionally, the credit facility provides for an excess cash flow payment to be applied against the Special Advance Loan after each fiscal year-end until it is repaid. The $1.1 million excess cash flow payment for fiscal 2002 was paid out of unused borrowing capacity in October 2002. 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 will be 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 initial proceeds of the new facility were used to repay the outstanding indebtedness under the Company's previous credit facility with First Source Financial LLP.

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 bears 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 March 31, 2003 were a combination of prime and LIBOR. LaSalle's prime and LIBOR rates for the Revolver and Special Advance Loan were 4.25% and 1.33%, respectively, at March 31, 2003. LaSalle's prime and LIBOR rates for the Term Loan were 4.25% and 1.68%, respectively, at March 31, 2003.

As of March 31, 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 March 31, 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 March 31, 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 March 31, 2003:

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

CONTRACTUAL CASH OBLIGATIONS (THOUSANDS OF DOLLARS)	TOTAL	PAYMENTS DUE BY PE 1 YEAR	2 YEARS	3 YEARS	4 YEAR
Term Loan	$ 11,553	$ 1,869	$ 9,684	$ -	$
Special Advance Loan	152	152	-	-	
Revolving Line-of-Credit(a)	4,759	-	4,759	-	
Purchase commitments(b)	929	929	-	-	
Capital lease obligations	200	49	46	50	
Operating leases	3,223	1,214	918	476	3
Total contractual cash obligations	$ 20,816	$ 4,213	$ 15,407	$ 526	$ 3

OTHER COMMERCIAL COMMITMENTS (THOUSANDS OF DOLLARS)	TOTAL AMOUNTS COMMITTED	AMOUNT OF COMMITMENT E PER PERIOD 1 YEAR	2 YEARS	3 YEARS	4 YEAR
Revolving Line-of-Credit(c)	$ 3,530	$ -	$ 3,530	$ -	$
Standby letters of credit	148	148	-	-	
Total commercial commitment	$ 3,678	$ 148	$ 3,530	$ -	$

(a) The revolving line-of-credit represents the actual outstanding balance, as of March 31, 2003.
(b) The Company anticipates that these purchase commitments will be financed through operating leases.
(c) The revolving line-of-credit represents the unused borrowing capacity available to the Company, as of March 31, 2003.

CRITICAL ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("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.

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 is lower than expected or if expected tax planning strategies are 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 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.

CONTINGENT LIABILITIES

From time to time, there are various claims and lawsuits pending against the Company. The Company has recorded a liability where the effect of litigation can be estimated and where 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.

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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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 net income as originally reported for the three and nine month periods ended March 31, 2003 and 2002, to adjusted net income (IN THOUSANDS):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Reported net income	$ 591	$ 479	$2,036	$1,079
Goodwill amortization	--	35	--	102
Adjusted net income	$ 591	$ 514	$2,036	$1,181

In accordance with SFAS No. 142, the Company has completed its transitional goodwill impairment test using a discounted cash flow methodology as of June 30, 2002. No impairment charges resulted from the transitional impairment test.

During the first quarter of fiscal 2003, the Company adopted SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. This standard addresses financial accounting and reporting for obligations related to the retirement of tangible long-lived assets and the related asset retirement costs. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

During the first quarter of fiscal 2003, the Company adopted SFAS No. 144, ACCOUNTING FOR IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. The standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

During the first quarter of fiscal 2003, the Company adopted SFAS No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. This standard concludes that debt extinguishments used as part of a company's risk management strategy should not be classified as an extraordinary item. SFAS No. 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. As a result of adopting this standard, the Company reclassified $260,000 of unamortized finance costs related to a December 2001 refinancing from an extraordinary loss to interest expense to conform with fiscal 2003 presentation requirements.

In June 2002, the FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity is recognized at fair value when the liability is incurred and is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

In November 2002, the FASB issued Interpretation No. 45, GUARANTOR'S ACCOUNTING AND DISCLOSURES REQUIREMENTS FOR GUARANTEES, INCLUDING GUARANTEES OF INDEBTEDNESS OF OTHERS (FIN 45). FIN 45 is effective for guarantees issued or modified after December 31, 2002. The disclosure requirements of this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. FIN 45 expands the disclosures required by a guarantor about its obligations under the guarantee. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE. SFAS No. 148 provides alternative methods of transition for voluntary changes to the fair value based method of accounting for stock-based compensation, and amends the disclosure requirements including a requirement for interim disclosures. The Company currently discloses the effects of stock-based employee compensation and does not intend to voluntarily change to the alternative accounting principle.

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.

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 execute its business plan; (3) 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; (4) 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; (5) the introduction of competing products by other firms; (6) pressure on pricing from competition or purchasers of the Company's products; (7) whether the Company will be able to pass on to its customers price increases for paper and paperboard products; (8) continued stability in other raw material prices, including oil-based resin and plastic film; (9) 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; and (10) 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. 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-Q and other documents that the Company files from time to time with the Securities and Exchange Commission, including its annual report on Form 10-K, 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk is fluctuation in interest rates. All of the Company's debt at March 31, 2003 was at variable interest rates.

A hypothetical 10% change in interest rates would have had a $23,000 impact on interest expense and cash flows for the three months ended March 31, 2003.

ITEM 4. CONTROLS AND PROCEDURES

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 within 90 days prior to the filing of this report. 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.

The Company recently 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 is still evaluating the financial statement implications of the embezzlement, but believes that any 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 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

No matters were submitted to a vote of the Company's stockholders in the quarter ended March 31, 2003.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

99.1 Certification Pursuant to 18. U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

None

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements 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: May 13, 2003

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

CERTIFICATIONS

CERTIFICATIONS PURSUANT TO 17 CFR SECTION 240.13a-14

I, Walter E. Rose, Chairman of the Board and Chief Executive Officer of Gibraltar Packaging Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gibraltar Packaging Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal

controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Walter E. Rose

WALTER E. ROSE
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
(Principal Executive Officer)

I, Brett E. Moller, Vice President Finance of Gibraltar Packaging Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gibraltar Packaging Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Brett E. Moller

BRETT E. MOLLER
VICE PRESIDENT FINANCE
(Principal Financial Officer)