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

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended **July 3, 2005**

OR

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

For the transition period from _________ to _________.

Commission file number: 1-3203

CHESAPEAKE CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	**54-0166880**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1021 East Cary Street Richmond, Virginia	**23219**
(Address of principal executive offices)	Zip Code

Registrant's telephone number, including area code: **804-697-1000**

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (check one): Large accelerated filer [ ] Accelerated filer [√] Non-accelerated filer [ ]

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

Number of shares of $1.00 par value common stock outstanding as of March 31, 2006:
19,820,245 shares.

Explanatory Note Regarding this Form 10-Q/A

On March 7, 2006, Chesapeake Corporation ("Chesapeake" or the "Company") filed a Form 8-K relating to the restatement of the Company's audited consolidated financial statements for fiscal year 2004 (the fiscal year ended January 2, 2005) and fiscal year 2003 (the fiscal year ended December 28, 2003) as well as the unaudited interim financial statements for the interim periods of fiscal year 2004 and the first three quarters of fiscal year 2005 (the fiscal year ended January 1, 2006). The determination to restate these consolidated financial statements and other financial information was made in order to correct errors in the Company's accounting for deferred income taxes.

The consolidated financial results for the quarters and six months ended July 3, 2005 and July 4, 2004, and the balance sheets as of July 3, 2005 and January 2, 2005, included herein are restated. Please refer to Note 1, "Restatement of Financial Statements," in this Form 10-Q/A for further information on the restatement.

This Form 10-Q/A only amends and restates Items 1, 2 and 4 of Part I of the Form 10-Q, as filed with the Securities Exchange Commission ("SEC") on August 18, 2005, and no other items of such Form 10-Q are amended hereby. The foregoing items have not been updated to reflect other events occurring after the original Form 10-Q or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, Item 6 of Part II of the original Form 10-Q has been amended to contain currently-dated certifications from our Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

CHESAPEAKE CORPORATION
FORM 10-Q/A
FOR THE QUARTERLY PERIOD ENDED JULY 3, 2005
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PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

CHESAPEAKE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share data; unaudited)

	Quarters Ended		Six Months Ended	
	Jul. 3, 2005 (Restated)	Jul. 4, 2004 (Restated)	Jul. 3, 2005 (Restated)	Jul. 4, 2004 (Restated)
Net sales	$ 259.9	$ 239.3	$ 532.3	$ 502.9
Costs and expenses:				
Cost of products sold	215.1	196.6	440.2	416.5
Selling, general and administrative expenses	34.9	34.4	72.8	67.6
Loss on divestitures and plant closures	6.4	-	6.4	-
Other income, net	4.7	2.3	6.3	4.1
Earnings from continuing operations before interest and taxes	8.2	10.6	19.2	22.9
Interest expense, net	8.1	8.6	17.0	19.9
Loss on extinguishment of debt	-	8.4	-	8.4
Income (loss) from continuing operations before taxes	0.1	(6.4)	2.2	(5.4)
Income tax expense (benefit)	0.8	(6.1)	1.4	(5.8)
(Loss) income from continuing operations	$ (0.7)	$ (0.3)	$ 0.8	$ 0.4
Discontinued operations:				
Loss from discontinued operations, net of income tax expense benefit of $0.1	-	-	-	(0.2)
Gain on disposal of discontinued operations, net of income tax expense of $0.0 and $0.1 for six months ended July 3, 2005 and July 4, 2004, respectively	-	-	0.7	0.2
Net (loss) income	$ (0.7)	$ (0.3)	$ 1.5	$ 0.4
Basic earnings per share:				
(Loss) earnings from continuing operations	$ (0.04)	$ (0.02)	$ 0.04	$ 0.02
Discontinued operations	-	-	0.04	-
Net (loss) income	$ (0.04)	$ (0.02)	$ 0.08	$ 0.02
Diluted earnings per share:				
(Loss) earnings from continuing operations	$ (0.04)	$ (0.02)	$ 0.04	$ 0.02
Discontinued operations	-	-	0.04	-
Net (loss) income	$ (0.04)	$ (0.02)	$ 0.08	$ 0.02
Weighted average number of common shares outstanding:				
Basic	19.4	19.3	19.4	17.7
Diluted	19.4	19.3	19.4	17.7
Cash dividends declared per share of common stock	$ 0.22	$ 0.22	$ 0.44	$ 0.44

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CHESAPEAKE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except shares; unaudited)

	Jul. 3, 2005 (Restated)	Jan. 2, 2005 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16.6	$ 54.3
Accounts receivable (less allowance of $4.1 and $6.2)	150.9	148.8
Inventories:		
Finished goods	65.4	64.6
Work-in-process	20.4	21.3
Materials and supplies	28.2	28.4
Total inventories	114.0	114.3
Prepaid expenses and other current assets	25.8	21.6
Total current assets	307.3	339.0
Property, plant and equipment, net	366.1	427.2
Goodwill	642.1	694.6
Other assets	84.9	96.2
Total assets	$ 1,400.4	$ 1,557.0

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements

CHESAPEAKE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, continued
(in millions, except shares and par values; unaudited)

	Jul. 3, 2005 (Restated)	Jan. 2, 2005 (Restated)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 139.3	$ 141.7
Accrued expenses	77.7	81.4
Income taxes payable	24.9	26.2
Current maturities of long-term debt	14.0	64.1
Dividends payable	4.3	4.3
Total current liabilities	260.2	317.7
Long-term debt	359.7	364.8
Environmental liabilities	33.7	41.8
Pensions and postretirement benefits	64.1	77.1
Deferred income taxes	23.3	25.9
Other long-term liabilities	13.8	17.5
Total liabilities	754.8	844.8
Stockholders' equity:		
Preferred stock, $100 par value, issuable in series; authorized, 500,000 shares; issued, none	-	-
Common stock, $1 par value; authorized, 60 million shares; outstanding 19.7 million shares and 19.6 million shares	19.7	19.6
Additional paid-in capital	98.5	96.1
Unearned compensation	(5.3)	(3.7)
Accumulated other comprehensive income	14.5	74.9
Retained earnings	518.2	525.3
Total stockholders' equity	645.6	712.2
Total liabilities and stockholders' equity	$ 1,400.4	$ 1,557.0

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CHESAPEAKE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; unaudited)

	Six Months Ended Jul. 3, 2005 (Restated)	Six Months Ended Jul. 4, 2004 (Restated)
Operating activities:		
Net income	$ 1.5	$ 0.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	29.3	31.2
Deferred income taxes	(1.1)	(12.0)
Loss on extinguishment of debt	-	8.4
Loss on divestitures and plant closures	6.4	-
Gain on sales of property, plant and equipment	(1.2)	(0.7)
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable, net	(15.8)	0.4
Inventories	(12.2)	(5.6)
Other assets	1.6	5.3
Accounts payable	10.6	(0.7)
Accrued expenses	(1.3)	(7.1)
Income taxes payable and receivable, net	0.1	24.8
Termination of interest rate swaps	-	6.4
Premium paid for early extinguishment of debt	-	(6.9)
Contributions to defined benefit pension plans	(14.7)	(11.0)
Other	5.9	5.1
Net cash provided by operating activities	9.1	38.0
Investing activities:		
Purchases of property, plant and equipment	(15.9)	(23.4)
Proceeds from sales of property, plant and equipment	2.8	2.0
Other	-	0.7
Net cash used in investing activities	(13.1)	(20.7)
Financing activities:		
Net borrowings (payments) on lines of credit	41.6	(30.3)
Payments on long-term debt	(67.8)	(81.5)
Proceeds from long-term debt	2.5	6.0
Proceeds from issuance of common stock, net of issuance costs	-	92.2
Debt issue costs	-	(2.6)
Dividends paid	(8.5)	(7.6)
Net cash used in financing activities	(32.2)	(23.8)
Effect of exchange rate changes on cash and cash equivalents	(1.5)	1.5
Decrease in cash and cash equivalents	(37.7)	(5.0)
Cash and cash equivalents at beginning of period	54.3	11.9
Cash and cash equivalents at end of period	$ 16.6	$ 6.9

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated interim financial statements of Chesapeake Corporation and subsidiaries included herein are unaudited. The January 2, 2005, consolidated balance sheet was derived from audited financial statements. These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in accordance with those rules and regulations, we have condensed or omitted certain information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). We believe that the disclosures made are adequate for a fair presentation of results of our operations and financial position. In the opinion of management, the consolidated financial statements reflect all adjustments, all of a normal recurring nature, necessary to present fairly our consolidated financial position and results of operations for the interim periods presented herein. All significant intercompany accounts and transactions are eliminated. The preparation of consolidated financial statements in conformity with GAAP requires management to make extensive use of estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates. Certain prior year amounts have been reclassified to conform to current presentations.

Our 52-53 week fiscal year ends on the Sunday nearest to December 31. Fiscal year 2005 contains 52 weeks, and fiscal year 2004 contains 53 weeks. The additional week in 2004 is included in the first quarter.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our latest Annual Report on Form 10-K; additional details on our significant accounting policies are provided therein. The results of operations for the 2005 interim periods are not necessarily indicative of the results that may be expected for the full year.

In this report, unless the context requires otherwise, references to "we," "us," "our," "Chesapeake" or the "Company" are intended to mean Chesapeake Corporation and its consolidated subsidiaries.

Restatement of Financial Statements

As noted in our Annual Report on Form 10-K for the fiscal year ended January 1, 2006 ("2005 Form 10-K"), the consolidated financial statements as of and for the fiscal years ended January 2, 2005 ("fiscal 2004"), and December 28, 2003 ("fiscal 2003"), as well as the unaudited interim financial statements for the interim periods of fiscal 2004 and for the first three quarters of the fiscal year ended January 1, 2006 ("fiscal 2005") were restated to correct errors in the Company's accounting for deferred income taxes. As a result of the restatements, the interim financial statements included in the Company's Quarterly Reports on Form 10-Q for the interim periods of fiscal 2004 and fiscal 2005, as originally filed with the SEC (and as previously amended, if applicable), should no longer be relied upon.

The errors arose primarily in the Company's scheduling of the timing of future reversals of certain taxable temporary differences (deferred income tax liabilities) for purposes of assessing the need for a valuation allowance against deferred tax assets. Upon further consideration of the reversal patterns of these taxable temporary differences, the Company determined that historically it did not appropriately consider the potential future reversal of certain deferred income tax liabilities when determining the recoverability of its net deferred tax assets and, therefore, it had overstated its valuation allowance for deferred income tax assets, thereby overstating its net deferred income tax liabilities. In addition, the Company identified an error in the income tax basis for property, plant and equipment at one of its facilities that was used in the computation of deferred income tax liabilities as of the end of fiscal 2004. The accounting errors resulted in a misstatement of income tax benefit and deferred income taxes.

The following tables set forth the effects of the restatement on affected line items within our previously reported Consolidated Balance Sheets and Consolidated Statements of Earnings. The restatement had no effect on our net cash provided by or used in operating, investing or financing activities.

Consolidated Statement of Earnings
(in millions, except per share amounts)

	Quarter ended July 3, 2005		Six months ended July 3, 2005	
	As previously reported	As restated	As previously reported	As restated
Income tax expense	$ 2.1	$ 0.8	$ 2.9	$ 1.4
(Loss) income from continuing operations	(2.0)	(0.7)	(0.7)	0.8
Net (loss) income	(2.0)	(0.7)	-	1.5
Basic earnings per share:				
(Loss) earnings from continuing operations	$ (0.10)	$ (0.04)	$ (0.04)	$ 0.04
Net (loss) income	(0.10)	(0.04)	-	0.08
Diluted earnings per share:				
(Loss) earnings from continuing operations	$ (0.10)	$ (0.04)	$ (0.04)	$ 0.04
Net (loss) income	(0.10)	(0.04)	-	0.08

	Quarter ended July 4, 2004		Six months ended July 4, 2004	
	As previously reported	As restated	As previously reported	As restated
Income tax (benefit)	$ (6.0)	$ (6.1)	$ (5.6)	$ (5.8)
(Loss) income from continuing operations	(0.4)	(0.3)	0.2	0.4
Net (loss) income	(0.4)	(0.3)	0.2	0.4
Basic earnings per share:				
(Loss) earnings from continuing operations	$ (0.02)	$ (0.02)	$ 0.01	$ 0.02
Net (loss) income	(0.02)	(0.02)	0.01	0.02
Diluted earnings per share:				
(Loss) earnings from continuing operations	$ (0.02)	$ (0.02)	$ 0.01	$ 0.02
Net (loss) income	(0.02)	(0.02)	0.01	0.02

Consolidated Balance Sheets
(in millions)

	July 3, 2005		January 2, 2005	
	As previously reported	As restated	As previously reported	As restated
Prepaid expenses and other current assets	$ 23.7	$ 25.8	$ 19.5	$ 21.6
Total current assets	305.2	307.3	336.9	339.0
Other assets	83.9	84.9	96.2	96.2
Total assets	1,397.3	1,400.4	1,554.9	1,557.0
Deferred income taxes	22.9	23.3	25.0	25.9
Total liabilities	754.4	754.8	843.9	844.8
Total stockholders' equity	642.9	645.6	711.0	712.2
Total liabilities and stockholders' equity	1,397.3	1,400.4	1,554.9	1,557.0

Stock-Based Compensation

We use the intrinsic value method of accounting for our stock option plans. Under the intrinsic value method, compensation cost is not recognized for stock options unless the options are granted at an exercise price lower than the market price on the date of grant. See "New Accounting Pronouncements" for additional information regarding our method of accounting for stock options.

Had the compensation cost for our stock option plans been determined based on the fair value at the grant date, rather than the intrinsic value method, our pro forma amounts would be as follows:

(in millions, except per share data)	Quarters Ended		Six Months Ended	
	Jul. 3, 2005 Restated	Jul. 4, 2004 Restated	Jul. 3, 2005 Restated	Jul. 4, 2004 Restated
Stock-based compensation expense, net of tax, included in net income (loss) as reported	$ 0.3	$ 0.1	$ 0.4	$ 0.2
Net (loss) income as reported	$ (0.7)	$ (0.3)	$ 1.5	$ 0.4
Additional stock-based compensation expense, net of tax	0.2	0.2	0.4	0.4
Pro forma net (loss) income	$ (0.9)	$ (0.5)	$ 1.1	$ -
(Loss) earnings per share				
As reported:				
Basic	$ (0.04)	$ (0.02)	$ 0.08	$ 0.02
Diluted	(0.04)	(0.02)	0.08	0.02
Pro forma:				
Basic	$ (0.05)	$ (0.03)	$ 0.06	$ -
Diluted	(0.05)	(0.03)	0.06	-

Pro forma disclosures for stock option accounting may not be representative of the effects on reported net income in future periods.

The stock-based compensation expense included in net income (loss), as reported, principally represents the vesting of restricted stock under the Company's long-term incentive program. Approximately 0.1 million shares were granted under this program during the first half of both 2005 and 2004.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"). SFAS 123R is a revision of SFAS 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), and it supersedes Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123R requires compensation cost related to share-based payment transactions to be recognized in the financial statements. That cost will be measured based on the fair value of the award on the grant date and recognized as expense over the requisite service or vesting period. We currently use the intrinsic value method of accounting for our stock option plans as defined in APB Opinion No. 25. Based on this method, no compensation cost has been recognized for our stock options, as the stock options granted had an exercise price equal to the fair market value of the underlying stock on the date of grant. We currently provide pro forma disclosures regarding the impact on net income and earnings per share as if we had applied the fair value method of accounting for stock-based compensation expense, which is based upon a Black-Scholes option pricing model. Depending on the model used to calculate stock-based compensation expense in the future and other requirements of SFAS 123R, the pro forma disclosure may not be indicative of the stock-based compensation expense that will be recognized in our financial statements in the future. SFAS 123R is effective for the first annual period beginning after June 15, 2005. We expect to adopt the new standard as of the beginning of fiscal year 2006 using the modified prospective method of transition, under which compensation cost for all share-based awards granted after the effective date is recognized in accordance with SFAS 123R, and compensation cost related to the unvested awards granted prior to the effective date is based on the requirements of SFAS 123 similar to the pro forma calculations provided herein. We are currently evaluating the impact this standard will have on our financial statements.

On March 29, 2005, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 107, *Share-Based Payment*, which expresses the SEC staff's views on SFAS 123R. Among other things, SAB 107 describes the SEC staff's views on share-based payment transactions with nonemployees, valuation methods, the classification of compensation expense in the financial statements and first-time adoption of SFAS 123R in an interim period.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs - an amendment of ARB No. 43, Chapter 4* ("SFAS 151"). SFAS 151 amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, *Inventory Pricing*, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) are to be recognized as current-period charges. SFAS 151 is effective for fiscal years beginning after June 15, 2005. SFAS 151 is not expected to have a material impact on our financial statements.

NOTE 2. EARNINGS PER SHARE ("EPS")

Calculation

Basic EPS is calculated using the weighted-average number of outstanding common shares during each period. Diluted EPS is calculated using the weighted-average number of diluted outstanding common shares during each period. Diluted EPS reflects the potential dilution that could occur if securities are exercised or converted into common stock, or result in the issuance of common stock that would then share in earnings. The difference between the weighted-average shares used for the basic and diluted calculation is due to the number of shares for which "in-the-money" stock options are outstanding.

There was not a material amount of dilutive options outstanding as of July 3, 2005, or as of July 4, 2004, for purposes of calculating diluted EPS. As of July 3, 2005, and July 4, 2004, 1.5 million of potentially dilutive options were not included in the computation of diluted EPS, because the effect would be antidilutive.

Common Stock Public Offering

On March 15, 2004, Chesapeake completed the sale of 3.65 million shares of common stock at a public offering price of $24 per share. Our net proceeds from the sale of these shares, after deducting discounts, commissions, and expenses, were approximately $82.6 million. On April 8, 2004, the underwriters of the common stock offering partially exercised their over-allotment option and acquired an additional 0.4 million shares at a public offering price of $24 per share. Our net proceeds from the sale of these additional shares, after deducting discounts, commissions and expenses, were approximately $9.2 million. For information on the use of the proceeds, see Note 7.

NOTE 3. COMPREHENSIVE (LOSS) INCOME

Comprehensive (loss) income is as follows:

(in millions)	Quarters Ended		Six Months Ended	
	Jul. 3, 2005 Restated	Jul. 4, 2004 Restated	Jul. 3, 2005 Restated	Jul. 4, 2004 Restated
Net (loss) income	$ (0.7)	$ (0.3)	$ 1.5	$ 0.4
Foreign currency translation	(44.5)	4.5	(61.3)	8.3
Change in fair market value of derivatives, net of tax	(2.7)	(1.4)	(3.8)	0.4
Minimum pension liability, net of tax	3.4	-	4.7	(1.8)
Comprehensive (loss) income	$ (44.5)	$ 2.8	$ (58.9)	$ 7.3

NOTE 4. LOSS ON DIVESTITURES AND PLANT CLOSURES

Loss on Divestiture of Bourgeot:

On April 18, 2005, the Company completed the sale of the assets of its French wine and spirits label operation, Bourgeot Etiqso Lesbats ("Bourgeot"), to Autajon Group. The sale price was €1.16 million (approximately $1.5 million at the sale date). The Company incurred a pre-tax and after-tax, non-cash loss on the sale of $3.0 million in the second quarter of 2005, which is included in "loss on divestitures and plant closures" in the accompanying consolidated statement of earnings. The transaction was a sale of substantially all of the assets of the operation, including machinery, equipment and inventory, and an assignment by the Company of the rights, and an assumption by the buyer of the obligations, under certain contracts related to the Bourgeot operation, including a lease for the plant building and substantially all of the post-closing employee obligations and contracts. The Company retained the trade accounts receivable and trade accounts payable of Bourgeot, as well as employee obligations pertaining to the operations of Bourgeot prior to the sale date.

Loss on Write-Down of CPI Notes:

In connection with the 2001 divestiture of Consumer Promotions International, Inc. ("CPI"), a component of the Company's former Merchandising and Specialty Packaging segment, the Company provided seller financing for a portion of the proceeds through receipt of subordinated promissory notes. Included in the promissory notes were term notes of approximately $5.0 million and performance notes payable based on the post-sale performance of CPI of approximately $13.6 million. The performance notes have been fully reserved from the date of divestiture because payments due on the notes were contingent on future events which were not viewed as probable and determinable.

The $5.0 million term notes were recorded at fair value on the date of sale, and under the terms of the notes, have been adjusted to reflect accrued interest through December 31, 2003. Beginning in 2004, CPI began paying interest on the notes and has paid interest currently through the first quarter of 2005.

In July 2005 CPI informed the Company of its inability to continue interest payments under the term notes. Also, CPI provided the Company with updated financial information that indicated a significant deterioration in the operating results of CPI. These factors resulted in a change in our estimate as to the recovery of these notes. Due to the subordinated nature of our position as a creditor and the risks associated with pursuing recovery, we have written down the value of these notes to zero in the second quarter of 2005 and will recognize recoveries, if any, on a cash basis in future periods. This loss of $3.4

million has been classified as "loss on divestitures and plant closures" in the accompanying consolidated statement of earnings.

NOTE 5. DISCONTINUED OPERATIONS

Our former Land Development segment owned real estate that we retained when we sold the timberland associated with our former pulp and paper operations because we believed this land was more valuable when sold for development or other uses. The real estate was marketed to third parties for residential and commercial development, real estate investment and land conservation. As of the end of the first quarter of 2004, the Land Development segment was liquidated and, as a result, this segment is now accounted for as a discontinued operation.

Discontinued operations in 2005 primarily represent the reduction of the liability for contractual obligations related to our former Merchandising and Specialty Packaging segment that was divested in 2001.

NOTE 6. INCOME TAXES (Restated)

The effective tax rate for the second quarter and first half of 2005 reflects the inability to fully recognize benefits for losses in the U.S. and France. The income tax benefit recorded in the second quarter and first half of 2004 included $2.6 million related to favorable settlements with tax authorities and $0.8 million related to a reduction in deferred tax liabilities as a result of a reduction in the Belgian statutory income tax rate. See Note 9 for information regarding a United States Internal Revenue Service ("IRS") proposed adjustment.

NOTE 7. DEBT

In the first quarter of 2005 we paid $38.8 million principal amount of loan note maturities and we redeemed, at par, the remaining $18.2 million principal amount of the 7.2 percent notes which also matured during the first quarter.

In the first quarter of 2004 we terminated interest rate swaps and received a net cash settlement of $6.4 million from the counterparties. This amount will be recognized as an interest rate yield adjustment over the remaining life of the underlying debt.

On April 19, 2004, $82.6 million of the net proceeds from our common stock offering (see Note 2 for more details on the common stock offering) was used to redeem 40.0 million pounds Sterling principal amount of our 10.375 percent senior subordinated notes due 2011 at a redemption price equal to 110.375 percent of the principal amount plus accrued and unpaid interest. The cost of extinguishing this debt early, which primarily consisted of the redemption premium of 10.375 percent and a write-off of deferred financing fees, was approximately $8.4 million. The remaining net proceeds from the public stock offering of approximately $9.0 million were used to repay outstanding borrowings under our senior credit facility.

NOTE 8. EMPLOYEE RETIREMENT AND POSTRETIREMENT BENEFITS

The components of the net periodic benefit cost recognized during the quarters and the six month periods ended July 3, 2005, and July 4, 2004, were as follows:

(in millions)	Pension Benefits				Postretirement Benefits Other Than Pensions	
	U.S. Plans		Non-U.S. Plans			
Quarter Ended:	Jul. 3, 2005	Jul. 4, 2004	Jul. 3, 2005	Jul 4, 2004	Jul. 3, 2005	Jul. 4, 2004
Service cost	$ 0.2	$ 0.1	$ 1.5	$ 1.1	$ -	$ -
Interest cost	0.9	1.0	5.0	4.1	0.2	0.3
Expected return on plan assets	(1.2)	(1.3)	(5.0)	(4.6)	-	-
Recognized actuarial loss	0.6	0.3	1.4	0.9	0.1	0.1
Net pension expense	$ 0.5	$ 0.1	$ 2.9	$ 1.5	$ 0.3	$ 0.4

(in millions)	Pension Benefits				Postretirement Benefits Other Than Pensions	
	U.S. Plans		Non-U.S. Plans			
Six Months Ended:	Jul. 3, 2005	Jul. 4, 2004	Jul. 3, 2005	Jul. 4, 2004	Jul. 3, 2005	Jul. 4, 2004
Service cost	$ 0.3	$ 0.2	$ 3.0	$ 2.3	$ -	$ -
Interest cost	1.9	2.0	10.1	8.3	0.4	0.5
Expected return on plan assets	(2.4)	(2.6)	(10.0)	(9.3)	-	-
Recognized actuarial loss	1.1	0.7	2.8	1.8	0.2	0.2
Net pension expense	$ 0.9	$ 0.3	$ 5.9	$ 3.1	$ 0.6	$ 0.7

NOTE 9. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The costs of compliance with existing environmental regulations are not expected to have a material adverse effect on our financial position or results of operations.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state "Superfund" laws impose liability, without regard to fault or to the legality of the original action, on certain classes of persons (referred to as potentially responsible parties or "PRPs") associated with a release or threat of a release of hazardous substances into the environment. Financial responsibility for the remediation and restoration of contaminated property and for natural resource damages can extend to previously owned or used properties, waterways and properties owned by third parties, as well as to properties currently owned and used by a company even if contamination is attributable entirely to prior owners. As discussed below, the U.S. Environmental Protection Agency ("EPA") has given notice of its intent to list the Lower Fox River in Wisconsin on the National Priorities List under CERCLA and identified our subsidiary, Wisconsin Tissue Mills Inc., now WTM I Company ("WT"), as a PRP for the Lower Fox River site.

Except for the Fox River matter, we have not been identified as a PRP at any other CERCLA-related sites. However, there can be no assurance that we will not be named as a PRP at any other sites in the future or that the costs associated with additional sites would not be material to our financial position or results of operations.

In June 1994 the U.S. Department of Interior, Fish and Wildlife Service ("FWS"), a federal natural resources trustee, notified WT that it had identified WT as a PRP for natural resources damage liability under CERCLA arising from alleged releases of polychlorinatedbiphenyls ("PCBs") in the Fox River and Green Bay System in Wisconsin from WT's former recycled tissue mill in Menasha, Wisconsin. In addition to WT, six other companies (Appleton Papers, Inc., Fort Howard Corporation, P.H. Glatfelter Company ("Glatfelter"), NCR Corporation, Riverside Paper Corporation and U.S. Paper Mills Corporation) have been identified as PRPs for the Fox River site. The FWS and other governmental and tribal entities, including the State of Wisconsin ("Wisconsin"), allege that natural resources, including federal lands, state lands, endangered species, fish, birds, tribal lands or lands held by the U.S. in trust for various Indian tribes, have been exposed to PCBs that were released from facilities located along the Lower Fox River. On January 31, 1997, the FWS notified WT of its intent to file suit, subject to final approval by the U.S. Department of Justice ("DOJ"), against WT to recover alleged natural resource damages, but the FWS has not yet instituted such litigation. On June 18, 1997, the EPA announced that it was initiating the process of listing the Lower Fox River on the CERCLA National Priorities List of hazardous waste sites. On September 30, 2003, EPA and the Wisconsin Department of Natural Resources ("DNR"), in connection with the issuance of General Notice Letters under CERCLA to the PRPs requesting a good faith offer to conduct the remedial design for downstream portions of the Lower Fox River site, also notified Menasha Corporation and Sonoco Products Company that those companies were also considered potentially liable for the cost of response activities at the Lower Fox River site.

In January 2003 DNR and EPA released a Record of Decision (the "OU1-2 ROD") for Operable Units 1 and 2 ("OU1" and "OU2") of the Fox River site. OU1 is the reach of the river that is the farthest upstream and is immediately adjacent to the former WT mill. The OU1-2 ROD selects a remedy, consisting primarily of dredging, to remove substantially all sediment in OU1 with concentrations of PCBs of more than 1 part per million in order to achieve a surface weighted-average PCB concentration level ("SWAC") of not more than 0.25 parts per million. The OU1-2 ROD estimates the present-worth cost of the proposed remedy for OU1 is $66.2 million. Present-worth cost as stated in the OU1-2 ROD means capital costs in undiscounted 2001 dollars and long-term operation, maintenance and monitoring costs discounted at 6 percent. This estimate is an engineering cost estimate and the OU1-2 ROD states that the actual project cost is expected to be within +50 percent to -30 percent of the estimate. The OU1-2 ROD estimates that the proposed dredging remedy for OU1 will be accomplished over a six-year period after commencement of dredging. For OU2, the reach of the river covering approximately 20 miles downstream from OU1, the OU1-2 ROD proposes a remedy of monitored natural recovery over a 40-year period. The OU1-2 ROD states that the present-worth cost of the proposed remedy for OU2 is an engineering cost estimate of $9.9 million, based on estimated costs discounted at 6 percent.

On July 1, 2003, DNR and EPA announced that they had signed an agreement with WT under which WT will complete the design work for the sediment clean-up in OU1. The design work to be done by WT is estimated to cost approximately $3.7 million. On October 1, 2003, EPA and DNR announced that WT and Glatfelter had entered into a proposed Consent Decree (the "Consent Decree") regarding the remediation of OU1. The Consent Decree was entered by the court on April 12, 2004. Under the terms of the Consent Decree, WT and Glatfelter agreed to perform appropriate remedial action in accordance with the OU1-2 ROD. The remedial action will be performed under oversight by EPA and DNR. To fund the remedial action, WT and Glatfelter have each paid $25 million to an escrow account, and EPA and Wisconsin will use their best efforts to obtain an additional $10 million from another source to supplement the funding. Contributions and cooperation may also be obtained from local municipalities, and additional assistance may be sought from other potentially liable parties. As provided in the Consent Decree, WT has been reimbursed from the escrow account for $2 million of OU1 design costs expended under the July 1, 2003, design agreement.

Upon completion of the remedial action for OU1 to the satisfaction of EPA and Wisconsin, WT and Glatfelter will receive covenants not to sue from EPA and Wisconsin for OU1, subject to conditions typical of settlements under CERCLA. We believe the required remedial action for OU1 can be completed with the expected funding provided under the Consent Decree. If the funding provided through the Consent Decree is not adequate to pay for the required remedial action, WT and Glatfelter have the option, but not the obligation, to contribute additional funds to complete the remedial action. WT remains potentially liable for the additional costs necessary to achieve the performance standards for OU1 specified in the OU1-2 ROD.

Under the terms of the Consent Decree, WT also paid EPA and the State of Wisconsin $375,000 for past response costs, and paid $1.5 million for natural resource damages ("NRD") for the Fox River site and $150,000 for past NRD assessment costs. These payments have been credited toward WT's potential liability for response costs and NRD associated with the Fox River site as a whole. As discussed later in this section, we believe that WT is entitled to substantial indemnification from a prior owner of WT with respect to these costs, and the prior owner has reimbursed WT for the payments made as required in the Consent Decree.

In July 2003 EPA and DNR announced a Record of Decision (the "OU3-5 ROD") for Operable Units 3, 4 and 5 ("OU3," "OU4" and "OU5," respectively), the remaining operable units for this site. The OU3-5 ROD requires primarily dredging and disposal of PCB contaminated sediments from OU3 and OU4 (the downstream portion of the river) and monitored natural recovery in OU5 (Green Bay). The OU3-5 ROD remedy for OU3 and OU4 provides for removal of substantially all sediment with concentrations of PCBs of more than 1 part per million in order to achieve a SWAC of not more than 0.25 parts per million. The OU3-5 ROD estimates the present-worth cost of the proposed remedy for OU3-5 is $324 million. Present-worth cost as stated in the ROD means capital costs in undiscounted 2001 dollars and long-term operation, maintenance and monitoring costs discounted at 6 percent. This estimate is an engineering cost estimate, and the OU3-5 ROD states that the actual project cost is expected to be within +50 percent to -30 percent of the estimate.

Based on information available to us at this time, we believe that the range of reasonable estimates of the total cost of remediation and restoration for the Fox River site is $280 million to $1.59 billion. The low end of this range assumes costs estimated in the OU1-2 ROD and the OU3-5 ROD and takes into account the -30 percent engineering estimating factor. The upper end of the range assumes costs estimated by consultants for the PRPs and includes a +50 percent engineering estimating factor. The OU1-2 ROD and the OU3-5 ROD indicate that most of the active remediation and restoration at the site is expected to take place in the next 10 years.

Based on current information and advice from our environmental consultants, we believe that the 1 part per million remedial action level, and the resulting aggressive effort to remove substantial amounts of PCB-contaminated sediments (most of which are buried under cleaner material or are otherwise unlikely to move) and dispose of the sediment off-site, as contemplated by the OU1-2 ROD and the OU3-5 ROD are excessive and would be environmentally detrimental and therefore inappropriate. The OU1-2 ROD includes provisions that a contingent remedy for OU1 consisting of a combination of dredging and capping may be implemented if certain conditions in the OU1-2 ROD are met and such remedy would provide the same level of protection to human health and the environment as the selected remedy. We believe that alternative remedies that are less intrusive than those selected in the OU1-2 ROD and the OU3-5 ROD are more environmentally appropriate, cost effective and responsible methods of managing the risks attributable to the sediment contamination. Any enforcement of a definitive remedial action plan may be subject to judicial review.

On October 25, 2000, the federal and tribal natural resources trustees released a Restoration and Compensation Determination Plan ("RCDP") presenting the federal and tribal trustees' planned approach for restoring injured federal and tribal natural resources and compensating the public for losses caused by the release of PCBs at the Fox River site. The RCDP states that the final natural resource damage claim (which is separate from, and in addition to, the remediation and restoration costs that will be associated with remedial action plans) will depend on the extent of PCB clean-up undertaken by EPA and DNR, but estimates past interim damages to be $65 million, and, for illustrative purposes only, estimates additional costs of restoration to address present and future PCB damages in a range of $111 million to $268 million. To date Wisconsin has not issued any estimate of natural resource damages. We believe, based on the information currently available to us, that the estimate of natural resource damages in the RCDP represents the reasonably likely upper limit of the total natural resource damages. We believe that the alleged damages to natural resources are overstated in the RCDP and joined in the PRP group comments on the RCDP to that effect. No final assessment of natural resource damages has been issued.

Under CERCLA, each PRP generally will be jointly and severally liable for the full amount of the remediation and restoration costs and natural resource damages, subject to a right of contribution from other PRPs. In practice PRPs generally negotiate among themselves to determine their respective contributions to any multi-party activities based upon factors including their respective contributions to the alleged contamination, equitable considerations and their ability to pay. In draft analyses by DNR and federal government consultants, the volume of WT's PCB discharges into the Fox River has been estimated to range from 2.72 percent to 10 percent of the total discharges of PCBs. This range may not be indicative of the share of the cost of the remediation and restoration costs and natural resource damages that ultimately will be allocated to WT because of: inaccuracies or incompleteness of information about mill operations and discharges; inadequate consideration of the nature and location of various discharges of PCBs to the river, including discharges by persons other than the named PRPs and the relationship of those discharges to identified contamination; uncertainty of the geographic location of the remediation and restoration eventually performed; uncertainty about the ability of other PRPs to participate in paying the costs and damages; and uncertainty about the extent of responsibility of the manufacturers of the carbonless paper recycled by WT which contained the PCBs. We have evaluated the ability of other PRPs to participate in paying the remediation and restoration costs and natural resource damages based on our estimate of their reasonably possible shares of the liability and on public financial information indicating their ability to pay such shares. While we are unable to determine at this time what shares of the liability for the Fox River costs will be paid by the other identified PRPs (or other entities who are subsequently determined to have liability), based on information currently available to us and the analysis described above, we believe that most of the other PRPs have the ability to pay their reasonably possible shares of the liability.

The ultimate cost to WT of remediation and restoration costs and natural resource damages related to the Fox River site and the time periods over which the costs and damages may be incurred cannot be predicted with certainty at this time due to uncertainties with respect to: what remediation and restoration will be implemented; the actual cost of that remediation and restoration; WT's share of any multi-party remediation and restoration costs and natural resource damages; the outcome of the federal and state natural resource damage assessments; the timing of any remediation and restoration; the evolving nature of remediation and restoration technologies and governmental regulations; controlling legal precedent; the extent to which contributions will be available from other parties; and the scope of potential recoveries from insurance carriers and prior owners of WT. While such costs and damages cannot be predicted with certainty at this time, we believe that WT's reasonably likely share of the ultimate remediation and restoration costs and natural resource damages associated with the Fox River site, including disbursement on behalf of WT of the remaining amount deposited by WT under the terms of the Consent Decree, may fall within the range of $32 million to $130 million, payable over a period of up to 40 years. In our estimate of the lower end of the range, we have assumed remediation and restoration costs as estimated in the OU1-2 ROD and the OU3-5 ROD, and the low end of the governments' estimates of natural resource damages and WT's share of the aggregate liability. In our estimate of the upper end of the range, we have assumed large-scale dredging at a higher cost than estimated in the OU1-2 ROD and the OU3-5 ROD, and that our share of the ultimate aggregate liability for all PRPs will be higher than we believe it will ultimately be determined to be. We have accrued an amount for the Fox River liability based on our estimate of the reasonably probable costs within the range as described above.

We believe that, pursuant to the terms of a stock purchase agreement between Chesapeake and Philip Morris Incorporated (now known as Philip Morris USA Inc., or "PM USA," a wholly owned subsidiary of Altria Group, Inc.), a former owner of WT, we are entitled to substantial indemnification from PM USA with respect to the liabilities related to this matter. Based on the terms of that indemnity, we believe that the costs and damages within our estimated range of liability should be indemnified by PM USA. We understand, however, that PM USA is subject to certain risks (including litigation risk in cases relating to health concerns regarding the use of tobacco products). Accordingly, there can be no assurance that PM USA will be able to satisfy its indemnification obligations in the future. However, PM USA is currently meeting its indemnification obligations under the stock purchase agreement and, based on our review of currently available financial information, we believe that PM USA has the financial ability to continue to meet its indemnification obligations.

Pursuant to the Joint Venture Agreement with Georgia-Pacific Corporation for Georgia-Pacific Tissue, LLC, WT has retained liability for, and the third party indemnity rights associated with, the discharge of PCBs and other hazardous materials in the Fox River and Green Bay System. Based on currently available information, we believe that if remediation and restoration are done in an environmentally appropriate, cost effective and responsible manner, and if natural resource damages are determined in a reasonable manner, the matter is unlikely to have a material adverse effect on our financial position or results of operations. However, because of the uncertainties described above, there can be no assurance that the ultimate liability with respect to the Lower Fox River site will not have a material adverse effect on our financial position or results of operations.

Our accrued environmental liabilities totaled approximately \$45.7 million as of July 3, 2005, of which \$12 million was considered short-term, and \$46.9 million as of January 2, 2005, of which \$5.1 million was considered short-term.

Legal and Other Commitments

Chesapeake is a party to various other legal actions and tax audits, which are ordinary and incidental to our business. While the outcome of environmental, tax and legal actions cannot be predicted with certainty, we believe the outcome of any of these proceedings, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

On March 26, 2001, the SEC issued a formal order that a private investigation be conducted concerning matters related to our financial reporting. The investigation was based on SEC inquiries arising out of our restatements of earnings in 2000 related to the U.S. Display business which was included in our former Merchandising and Specialty Packaging segment. The U.S. Display business was sold in 2001. On October 21, 2004, the staff of the SEC notified the Company and four of our former employees that the staff of the SEC had preliminarily decided to recommend that the SEC file civil enforcement actions against the Company and those former employees based on alleged violations of U.S. securities laws related to issues surrounding the earnings restatements in 2000. In May 2005 we reached an agreement with the SEC on a final settlement resolving its investigation into this matter. As part of the settlement, the Company agreed, without admitting or denying any wrongdoing, to an injunction against future violations of certain antifraud, financial reporting and internal controls provisions of the federal securities laws. No financial penalty was imposed on the Company.

The IRS has proposed certain adjustments relating to our tax treatment of our disposition of assets of WT in 1999. We have estimated our maximum potential exposure with respect to the matter to be approximately $26 million; however, we are disputing the proposed adjustment as we continue to believe that our tax treatment of the transaction was correct and our tax advisor has confirmed its view that we should prevail in any dispute with the IRS related to this matter. Accordingly, no amount has been accrued for this proposed IRS adjustment. We expect to defend the matter vigorously through the IRS appeal process and, if necessary, through litigation. We do not expect that the ultimate resolution of this matter will have a material adverse effect on our financial condition or results of operations.

Guarantees and Indemnifications

We have entered into agreements for the sale of assets or businesses that contain provisions in which we agree to indemnify the buyers or third parties involved in the sale for certain liabilities or risks related to the sale. In these sale agreements, we typically agree to indemnify the buyers or other involved third parties against a broadly-defined range of potential "losses" (typically including, but not limited to, claims, costs, damages, judgments, liabilities, fines or penalties, and attorneys' fees) arising from: (i) a breach of our representations or warranties in the sale agreement or ancillary documents; (ii) our failure to perform any of the covenants or obligations of the sale agreement or ancillary documents; and (iii) other liabilities expressly retained or assumed by us related to the sale. Most of our indemnity obligations under these sale agreements are: (i) limited to a maximum dollar value significantly less than the final purchase price; (ii) limited by time within which indemnification claims must be asserted (often between one and three years); and (iii) subject to a deductible or "basket." Many of the potential indemnification liabilities under these sale agreements are unknown, remote or highly contingent, and most are unlikely to ever require an indemnity payment. Furthermore, even in the event that an indemnification claim is asserted, liability for indemnification is subject to determination under the terms of the applicable sale agreement, and any payments may be limited or barred by a monetary cap, a time limitation or a deductible or basket. For these reasons, we are unable to estimate the maximum potential amount of the potential future liability under the indemnity provisions of the sale agreements. However, we accrue for any potentially indemnifiable liability or risk under these sale agreements for which we believe a future payment is probable and a range of loss can be reasonably estimated. Other than the Fox River matter discussed in Environmental Matters above, as of July 3, 2005, we believe our liability under such indemnification obligations was immaterial.

In the ordinary course of our business, we may enter into agreements for the supply of goods or services to customers that provide warranties to their customers on one or more of the following: (i) the quality of the goods and services supplied by us; (ii) the performance of the goods supplied by us; and (iii) our compliance with certain specifications and applicable laws and regulations in supplying the goods and services. Liability under such warranties often is limited to a maximum amount, by the nature of the claim or by the time period within which a claim must be asserted. As of July 3, 2005, we believe our warranty obligations under such supply agreements were immaterial.

In the ordinary course of our business, we may enter into service agreements with service providers in which we agree to indemnify the service provider against certain losses and liabilities arising from the service provider's performance of the agreement. Generally, such indemnification obligations do not apply in situations in which the service provider is grossly negligent, engages in willful misconduct or acts in bad faith. As of July 3, 2005, we believe our liability under such service agreements was immaterial.

NOTE 10. SEGMENT DISCLOSURE

We currently conduct our business in two segments: the Paperboard Packaging segment and the Plastic Packaging segment. Our Paperboard Packaging segment designs and manufactures folding cartons, leaflets, labels and other value-added paperboard packaging products. The primary end-use markets for this segment are pharmaceutical and healthcare; international and branded products (such as alcoholic drinks, confectioneries, cosmetics and fragrances); tobacco; and food and household. Our Plastic Packaging segment designs and manufactures plastic containers, bottles, preforms and closures. The primary end-use markets for this segment are agrochemicals and other specialty chemicals, and food and beverages. General corporate expenses are shown as Corporate. Earnings from continuing operations before interest and taxes is abbreviated hereafter as EBIT. EBIT by segment excludes any gains or losses related to business divestitures and plant closures. As discussed in Note 4, during the second quarter we sold our French wine and spirits label operation, Bourgeot, for a loss of $3.0 million and recorded a charge of $3.4 million for the write down of a promissory note received as consideration on the 2001 sale of CPI, a component of the Company's former Merchandising and Specialty Packaging segment. Bourgeot was formerly an operation of the Company's Paperboard Packaging segment. The following tables summarize the net sales from continuing operations; EBIT; depreciation; and identifiable assets for each of our segments:

(in millions)	Second Quarter		Year to Date	
	2005	**2004**	**2005**	**2004**
Net sales:				
Paperboard Packaging	$ 213.4	$ 197.8	$ 435.1	$ 416.9
Plastic Packaging	46.5	41.5	97.2	86.0
	$ 259.9	$ 239.3	$ 532.3	$ 502.9
Earnings from continuing operations before interest and taxes:				
Paperboard Packaging	$ 15.0	$ 11.1	$ 25.6	$ 22.2
Plastic Packaging	3.9	3.5	8.9	8.5
Corporate	(4.3)	(4.0)	(8.9)	(7.8)
Loss on Divestitures and Plant Closures	(6.4)	-	(6.4)	-
	$ 8.2	$ 10.6	$ 19.2	$ 22.9
Depreciation expense:				
Paperboard Packaging	$ 12.0	$ 12.3	$ 24.3	$ 25.7
Plastic Packaging	2.5	2.6	4.9	5.3
Corporate	-	0.1	0.1	0.2
	$ 14.5	$ 15.0	$ 29.3	$ 31.2

(in millions)	**Jul. 3, 2005**	**Jan. 2, 2005**
Identifiable assets (A):		
Paperboard Packaging	$ 1,132.1	$ 1,273.2
Plastic Packaging	173.4	183.2
Corporate	94.9	100.6
	$ 1,400.4	$ 1,557.0

(A) Certain amounts have been restated to reflect the correction of accounting errors discussed under "Restatement of Financial Statements" in Note 1, as follows:

	July 3, 2005		January 2, 2005	
	As previously reported	As restated	As previously reported	As restated
Identifiable assets				
Corporate	$ 91.8	$ 94.9	$ 98.5	$ 100.6

NOTE 11. SUBSEQUENT EVENT

On August 2, 2005, the company entered into a definitive agreement (the "Stock Purchase Agreement") with Impaxx Pharmaceutical Packaging Group, Inc. ("Arlington Press") to acquire all of the issued and outstanding stock of Arlington Press for $65 million, subject to a post-closing working capital purchase price adjustment.

The acquisition of Arlington Press is subject to antitrust review and other customary closing conditions. The Stock Purchase Agreement contains customary representations, warranties, covenants and indemnities made by the parties to each other.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

This Management's Discussion and Analysis reflects the restatement of our consolidated financial statements as discussed in Note 1 to the consolidated financial statements.

Earnings from continuing operations before interest and taxes is abbreviated hereafter as EBIT. Consistent with our segment reporting in Note 10 to the Consolidated Financial Statements, EBIT by segment excludes any gains or losses related to business divestitures and plant closures. Excluding these amounts from our calculation of segment EBIT is consistent with how our management reviews segment performance and, we believe, affords the reader consistent measures of our operating performance.

The following table sets forth second quarter and year-to-date net sales from continuing operations and EBIT by business segment and on a consolidated basis:

Sales and EBIT by Segment and Consolidated
(in millions)

	Quarter Ended Jul. 3, 2005		Quarter Ended Jul. 4, 2004		Six Months Ended Jul. 3, 2005		Six Months Ended Jul. 4, 2004	
	Net Sales	EBIT	Net Sales	EBIT	Net Sales	EBIT	Net Sales	EBIT
Paperboard Packaging	$ 213.4	$ 15.0	$ 197.8	$ 11.1	$ 435.1	$ 25.6	$ 416.9	$ 22.2
Plastic Packaging	46.5	3.9	41.5	3.5	97.2	8.9	86.0	8.5
Corporate	-	(4.3)	-	(4.0)	-	(8.9)	-	(7.8)
Loss on Divestitures and Plant Closures	-	(6.4)	-	-	-	(6.4)	-	-
Total	$ 259.9	$ 8.2	$ 239.3	$ 10.6	$ 532.3	$ 19.2	$ 502.9	$ 22.9

Net sales from continuing operations for the second quarter of 2005 were $259.9 million, an increase of $20.6 million over the comparable period in 2004. Excluding changes in foreign currency exchange rates, which increased net sales by $8.0 million, sales were up 5 percent for the quarter. The increase in net sales resulted primarily from improved sales volumes in the international and branded, tobacco and pharmaceutical and healthcare packaging markets in the Paperboard Packaging segment and increased volumes in the specialty chemical and food and beverage packaging sectors in the Plastic Packaging segment, as well as increased net selling prices in the Plastic Packaging segment as a result of the partial pass through of resin price increases.

Net sales from continuing operations for the first half of 2005 were $532.3 million, an increase of $29.4 million over the comparable period in 2004. Excluding changes in foreign currency exchange rates, which increased net sales by $18.6 million, sales were up 2 percent for the first half of the year. The increase in net sales for the first half of 2005 was driven by strong sales volumes within the tobacco and international and branded packaging sectors in the Paperboard Packaging segment. Pharmaceutical and healthcare packaging volume in the first half of 2005 was essentially even with a strong first half in 2004. Sales in the first half of 2005 were also benefited by the partial pass through of resin price increases in our Plastic Packaging segment.

Gross margin, which is defined as net sales less cost of products sold, for the second quarter of 2005 was $44.8 million compared to $42.7 million for the second quarter of 2004. As a percentage of sales, gross margin was 17 percent during the second quarter of 2005 compared to 18 percent during the second quarter of 2004. This decrease is due in part to an increase in pension costs. Gross margin was $92.1 million for the first half of 2005 compared to gross margin of $86.4 for the same period in 2004. As a percentage of sales, gross margin remained flat at 17 percent for both the first half of 2005 and 2004.

Selling, general and administrative ("SG&A") expenses as a percentage of net sales remained flat at approximately 14 percent for the second quarter and first half of 2005 compared to the same periods in 2004.

Loss on divestitures and plant closures includes the pre and after tax loss on the sale of our French wine and spirits label business, Bourgeot, in the amount of $3.0 million. Also included in loss on divestitures and plant closures is the pre and after tax loss related to the write-down of the CPI promissory notes in the amount of $3.4 million.

EBIT for the second quarter of 2005 was $8.2 million compared to EBIT of $10.6 million for the second quarter of 2004. Losses on divestitures and plant closures reduced EBIT by $6.4 million in the second quarter of 2005. In addition, changes in foreign currency exchange rates increased EBIT for the second quarter of 2005 by approximately $0.5 million. EBIT for the first half of 2005 was $19.2 million compared to EBIT of $22.9 million for the first half of 2004. Losses on divestitures and plant closures reduced EBIT by $6.4 million in the first half of 2005. Changes in foreign currency exchange rates increased EBIT by approximately $1.1 million for the first half of 2005.

Net interest expense was $8.1 million for the second quarter of 2005 and $17.0 million for the first half of 2005, down $0.5 million and $2.9 million compared to the second quarter and first half of 2004, respectively. The decreases in net interest expense for both the second quarter and first half of 2005 were primarily due to the redemption of higher-rate debt in the second quarter of 2004 with a portion of the proceeds from the March 2004 common stock offering.

The effective tax rate for the second quarter and first half of 2005 reflects the inability to fully recognize benefits for losses in the U.S. and for the loss incurred on the sale of Bourgeot. The income tax benefit recorded in the second quarter and first half of 2004 included $2.6 million related to favorable settlements with tax authorities and $0.8 million related to a reduction in deferred tax liabilities as a result of a reduction in the Belgian statutory income tax rate. See Note 9 to the consolidated financial statements for information regarding an IRS proposed adjustment.

Net loss for the second quarter of 2005 was $0.7 million, or $0.04 per diluted share, compared to a net loss of $0.3 million, or $0.02 per diluted share, for the second quarter of 2004. Net income for the first half of 2005 was $1.5 million or $0.08 per diluted share compared to net income of $0.4 million, or $0.02 per diluted share, in the first half of 2004.

Discontinued Operations

Our former Land Development segment owned real estate that we retained when we sold the timberland associated with our former pulp and paper operations. The real estate was marketed to third parties for residential and commercial development, real estate investment and land conservation. As of the end of the first quarter of 2004, the Land Development segment was liquidated and, as a result, this segment is now accounted for as a discontinued operation.

Discontinued operations in 2005 primarily represent the reduction of the liability for contractual obligations related to our former Merchandising and Specialty Packaging segment that was divested in 2001.

Subsequent Event

On August 5, 2005, the company announced an agreement to acquire Impaxx Pharmaceutical Packaging Group, Inc. ("Arlington Press") for $65 million, subject to a working capital adjustment. Arlington Press is the leading supplier of leaflets to the pharmaceutical market in North America. The acquisition is expected to be accretive to earnings in 2005.

Segment Information

Paperboard Packaging

(dollars in millions)			Increase	
	July 3, 2005	July 4, 2004	$	%
Six months ended:				
Net sales	$435.1	$416.9	18.2	4
EBIT	25.6	22.2	3.4	15
Operating margin	5.9%	5.3%		
Second quarter ended:				
Net sales	$213.4	$197.8	15.6	8
EBIT	15.0	11.1	3.9	35
Operating margin	7.0%	5.6%		

Net sales for the Paperboard Packaging segment were $213.4 million for the second quarter of 2005, an increase of $15.6 million, or 8 percent, over the comparable period in 2004. Excluding changes in foreign currency exchange rates, which increased net sales by $6.7 million, sales were up 5 percent for the quarter. The increase in net sales resulted primarily from improved sales volume in alcoholic drinks packaging in the international and branded market, and increased volume in the tobacco and pharmaceutical and healthcare packaging markets.

Net sales for the Paperboard Packaging segment for the first half of 2005 were $435.1 million, an increase of $18.2 million, or 4 percent, over the first half of 2004. Excluding changes in foreign currency exchange rates, which increased net sales by $14.8 million, net sales were up 1 percent for the first half of 2005. The increase in net sales for the first half of 2005 was primarily due to strong sales volume within the tobacco and international and branded packaging market. Pharmaceutical and healthcare packaging volume in the first half of 2005 was essentially even with a strong first half in 2004.

Earnings before interest and income taxes (EBIT) for the Paperboard Packaging segment was $15.0 million for the second quarter of 2005, an increase of $3.9 million, or 35 percent, compared to the second quarter of 2004. Excluding changes in foreign currency exchange rates, which increased EBIT by $0.3 million, EBIT was up 32 percent for the quarter. EBIT for the first half of 2005 was $25.6 million, an increase of $3.4 million, or 15 percent, over the first half of 2004. Excluding changes in foreign currency exchange rates, which increased EBIT by $0.6 million, EBIT was up 13 percent for the first half of 2005. The increase in EBIT for both the second quarter and first half of 2005 was principally attributable to the increased sales volumes discussed above, as well as the continued improved performance of two new German factories that began operations in early 2004. EBIT for the second quarter and first half of 2005 also included a gain of $1.3 million on the favorable settlement of a press installation claim against one of the company's vendors. Increases in EBIT for the 2005 periods were partially offset by increased pension costs.

Plastic Packaging

(dollars in millions)			Increase/(Decrease)	
	July 3, 2005	July 4, 2004	$	%
Six months ended:				
Net sales	$97.2	$86.0	11.2	13
EBIT	8.9	8.5	0.4	5
Operating margin	9.2%	9.9%		
Second quarter ended:				
Net sales	$46.5	$41.5	5.0	12
EBIT	3.9	3.5	0.4	11
Operating margin	8.4%	8.4%		

Net sales for the Plastic Packaging segment were $46.5 million for the second quarter of 2005, an increase of $5.0 million, or 12 percent, over the comparable period in 2004. Excluding changes in foreign currency exchange rates, which increased net sales by $1.3 million, net sales were up 9 percent for the quarter. The increase in net sales for the quarter was primarily due to strong volume in both the specialty chemical and food and beverage packaging markets, as well as increased net selling prices as a result of the partial pass through of resin price increases.

Net sales for the Plastic Packaging segment were $97.2 million for the first half of 2005, an increase of $11.2 million, or 13 percent, over the comparable period in 2004. Excluding changes in foreign currency exchange rates, which increased net sales by $3.8 million, net sales were up 9 percent for the first half of 2005. The increase in net sales for the period was similarly attributable to increased volumes and the partial pass through of resin price increases relative to the comparable 2004 period.

EBIT for the Plastic Packaging segment was $3.9 million for the second quarter of 2005, an increase of $0.4 million, or 11 percent, versus the second quarter of 2004. Excluding changes in foreign currency exchange rates, which increased EBIT by $0.2 million, EBIT was up 6 percent for the quarter. EBIT for the first half of 2005 was $8.9 million, an increase of $0.4 million, or 5 percent, compared to the first half of 2004. Excluding changes in foreign currency exchange rates, which increased EBIT by $0.5 million, EBIT was essentially flat compared to the first half of 2004. EBIT for both the second quarter and first half of 2005 was adversely affected by product mix, as well as by increases in resin prices that were not fully recovered through sales price increases.

Liquidity and Financial Position

Net cash provided by operating activities was $9.1 million for the first half of 2005, a decrease of $28.9 million from the first half of 2004. The decrease primarily reflects receipt of a $21.5 million income tax refund and $6.4 million from the termination of interest rate swaps in the first half of 2004 as well as an additional $3.7 million in pension funding in the first half of 2005.

Net cash used in investing activities in the first half of 2005 was $13.1 million compared to net cash used in investing activities of $20.7 million in the first half of 2004. The cash used in investing activities in 2005 and 2004 was primarily used for capital expenditures.

Net cash used in financing activities in the first half of 2005 was $32.2 million, compared to $23.8 million in the first half of 2004. During the first half of 2005 we made debt repayments of $67.8 million, offset in part by an increase in borrowings on our credit line of $41.6 million. During the first half of 2004 we completed the sale of 4.05 million shares of our common stock at a public offering price of $24 per share. Our net proceeds from the sale of these shares, after deducting discounts, commissions and estimated expenses, were approximately $91.8 million. Cash provided by the common stock offering was more than offset by payments on lines of credit and long-term debt. We paid cash dividends of $8.5 million, or $0.44 per share, in the first half of 2005, and $7.6 million, or $0.44 per share, in the first half of 2004.

Our debt at July 3, 2005, was $373.7 million, down $55.2 million compared to January 2, 2005. Our debt-to-capital ratio was 37 percent as of July 3, 2005, compared to 38 percent at January 2, 2005. (Capital consists of debt and stockholders' equity.) The change in the ratio from year-end 2004 to second quarter-end 2005 is primarily due to the redemption of debt which matured during the first quarter of 2005.

We were in compliance with all of our debt covenants as of the end of the second quarter of 2005. We believe we will have adequate financial resources to support anticipated short-term and long-term capital needs and commitments.

Critical Accounting Policies

Our consolidated financial statements have been prepared by management in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. We believe that the estimates, assumptions and judgments described in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" of our most recent Annual Report on Form 10-K/A have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. These policies include our accounting for: (a) goodwill and other long-lived asset valuations; (b) environmental and other contingencies; (c) pension and other postretirement employee benefits; and (d) deferred tax assets. Because of the uncertainty inherent in these matters, reported results could have been materially different using a different set of assumptions and estimates for these critical accounting policies. We believe that the consistent application of these policies enables us to provide readers of our financial statements with useful and reliable information about our operating results and financial condition. There has been no significant change in these policies, or the estimates used in the application of the policies, since our 2004 fiscal year end.

Environmental

See Note 9 to the Consolidated Financial Statements for additional information on environmental matters.

New Accounting Pronouncements

See Note 1 to the Consolidated Financial Statements.

Seasonality

Our Paperboard Packaging segment competes in several end-use markets, such as alcoholic drinks, confectioneries, cosmetics and fragrances, that are seasonal in nature. As a result, our Paperboard Packaging segment earnings stream is seasonal, with peak operational activity during the third and fourth quarters of the year. Our Plastic Packaging segment's markets include beverage and agrochemical markets in the southern hemisphere that are seasonal in nature. As a result, our Plastic Packaging segment earnings stream is also seasonal, with peak operational activity during the first and fourth quarters of the year.

Forward-Looking Statements

Forward-looking statements in the foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations include statements that are identified by the use of words or phrases including, but not limited to, the following: "will likely result," "expected to," "will continue," "is anticipated," "estimated," "project," "believe," "expect," and words or phrases of similar import. Changes in the following important factors, among others, could cause our actual results to differ materially from those expressed in any such forward-looking statements: competitive products and pricing; production costs, particularly for raw materials such as folding carton and plastics materials; fluctuations in demand; possible recessionary trends in United States and global economies; governmental policies and regulations; interest rates; fluctuations in currency translation rates; our ability to remain in compliance with our debt covenants; and other risks that are detailed from time to time in reports we file with the SEC.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There are no material changes to the disclosure on this matter made in our Annual Report on Form 10-K/A for the year ended January 2, 2005.

Item 4. Controls and Procedures

Restatements

As discussed in Note 1 to the Consolidated Financial Statements, management of the Company has restated the Company's consolidated financial statements for fiscal year 2004 (the fiscal year ended January 2, 2005) and fiscal year 2003 (the fiscal year ended December 28, 2003) as well as the quarterly consolidated financial statements for each of the interim periods of fiscal year 2005 (the fiscal year ended January 1, 2006) and fiscal year 2004 (the "Deferred Income Tax Restatement"). The determination to restate these consolidated financial statements and other financial information was made in order to correct errors in the Company's accounting for deferred income taxes.

In addition, management previously reported in its amended Form 10-K for the fiscal year ended January 2, 2005, a restatement of the Company's consolidated financial statements and related financial information for fiscal 2004 and for each of the quarters within the year as well as the quarterly consolidated financial statements as of and for the quarter ended April 3, 2005, and restated

Management's Report on Internal Control over Financial Reporting as of January 2, 2005 (the "Crewe Restatement"). The determination to restate those consolidated financial statements and other financial information was made as a result of management's identification of accounting errors at the Company's Plastic Packaging manufacturing facility in Crewe, England ("Crewe"), and related to the accounting for certain long-term incentive compensation.

Identification of Material Weaknesses

As a result of the errors related to the Company's accounting for deferred income taxes, the Company concluded that it did not maintain effective controls over the completeness and accuracy of its accounting for deferred income tax assets including the related deferred income tax valuation allowance and the income tax (benefit) expense accounts. Specifically, the Company did not maintain effective controls over the completeness and accuracy of its recovery analysis related to the valuation of its deferred income tax assets. This control deficiency resulted in the Deferred Income Tax Restatement discussed above, and could result in a misstatement of deferred income tax assets and the related deferred income tax valuation allowance and income tax (benefit) expense that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

As a result of the errors at Crewe, the Company concluded that it did not maintain effective controls over the preparation and approval of manual journal entries at Crewe. Specifically, the Company did not maintain effective independent review to ensure that manual journal entries were complete, valid and accurate. Furthermore, the Company did not maintain effective controls over the preparation and independent review of reconciliations for certain general ledger accounts at Crewe. These control deficiencies resulted in the misstatement through improper journal entries of the Crewe financial statement information by the Crewe finance director resulting in the misstatement of cost of products sold, income tax benefit and certain balance sheet accounts, including accounts payable, accrued expenses, and income taxes payable. These control deficiencies resulted in the Crewe Restatement discussed above, and could result in a misstatement of net sales, cost of products sold, income tax benefit or expense and certain balance sheet accounts, including accounts receivable, accounts payable, accrued expenses and income taxes payable or receivable that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

Accordingly, management has determined that the control deficiencies referred to above constitute material weaknesses. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has concluded that the accounting errors related to the accounting for certain long-term incentive compensation were not the result of a material weakness.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management timely.

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of July 3, 2005. Based upon that evaluation, and as a result of the material weaknesses discussed above, our management, including our Chief Executive Officer and our Chief Financial Officer, has concluded that our disclosure controls and procedures were not effective as of July 3, 2005.

Remediation of Material Weaknesses

With respect to the material weakness related to the accounting for deferred income taxes, management has researched and reviewed the detailed technical requirements related to the accounting for deferred tax asset valuation allowances, and has revised its policy regarding the presumed reversal pattern of taxable temporary differences. Management has documented its conclusions so that it can continue to be applied consistently and appropriately in future periods. Management believes that implementation of this action will effectively remediate the material weakness described above.

Also, during 2005, management took several actions to remediate the material weaknesses discussed above related to Crewe. These actions included:

- All significant accounts impacted by the control deficiencies have been properly reconciled.
- The interface between the general ledger and financial reporting systems has been automated, reducing the frequency of and need for manual intervention.
- Manual journal entries initiated by the plant finance manager are reviewed by the divisional finance director.
- Management has conducted comprehensive walkthroughs of the business processes and internal controls at this site. As a result of this process, training programs were developed and roles and responsibilities were reassigned, as appropriate.
- A finance manager has been engaged at the Crewe facility. In addition, since July 2005, the monthly financial close process has been supervised by a divisional finance director with secondary review by a manager from the corporate consolidation group.

During the fourth quarter of 2005, management completed its remediation of the internal controls at Crewe and has concluded that the material weaknesses have been effectively remediated as of January 1, 2006.

Changes in Internal Control over Financial Reporting

The changes in the Company's internal controls over financial reporting described above were implemented subsequent to the quarter ended July 3, 2005. There was no change in the Company's internal control over financial reporting that occurred during the second quarter of fiscal 2005 that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Note 9 of the Notes to Consolidated Financial Statements included herein.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders on April 27, 2005, the following business was transacted:

(1) Election of Directors -
All the nominees for election to the Board of Directors were elected:

	Number of Shares For	Number of Shares Authority Withheld
Sir David Fell	17,847,343	217,284
Keith Gilchrist	17,738,904	325,723
John W. Rosenblum	17,359,813	704,814
Beverly L. Thelander	17,842,717	221,910

	Number of Shares For	Number of Shares Authority Withheld	Number of Shares Abstaining
(2) Approval of the 2005 Stock Incentive Plan	12,055,058	2,626,330	566,605

Item 5. Other Information

On August 12, 2005, the Company amended its existing employment agreements with the following officers: Thomas H. Johnson, Chairman of the Board of Directors & Chief Executive Officer; Andrew J. Kohut, President; J.P Causey Jr., Executive Vice President, Secretary & General Counsel; Joel K. Mostrom, Senior Vice President & Chief Financial Officer; Peter Lee, Vice President - Special Assistant to the Chairman of China Affairs; Michael D. Beverly, Associate General Counsel & Assistant Secretary; Candace C. Formacek, Treasurer; and Thomas G. Hayes, Controller.

The employment agreements for the above individuals were amended, as appropriate, to revise the date upon which the Company is required to provide notice of the non-renewal of such Executive's employment agreement from September 1 to November 1 to accommodate changes to the regular meeting dates for committees of the Board of Directors.

The amendments were included as Exhibits 10.1 through 10.8 of the Company's original filing of the Form 10-Q, filed with the SEC on August 18, 2005.

Item 6. Exhibits

(a) Exhibits:
- 31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

CHESAPEAKE CORPORATION
(Registrant)

Date: April 10, 2006

BY: /s/ Thomas G. Hayes
Thomas G. Hayes
Controller
(Principal Accounting Officer)