

OWENS ILLINOIS INC /DE/
Form 10-Q
July 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark one)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarter Ended June 30, 2010

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Owens-Illinois, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation or
organization)

1-9576
(Commission
File No.)

22-2781933
(IRS Employer
Identification No.)

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One Michael Owens Way, Perrysburg, Ohio
(Address of principal executive offices)

43551-2999
(Zip Code)

567-336-5000

(Registrant's telephone number, including area code)

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Owens-Illinois, Inc. \$.01 par value common stock 163,550,740 shares at June 30, 2010.

Part I FINANCIAL INFORMATION

Item 1. Financial Statements.

The Condensed Consolidated Financial Statements of Owens-Illinois, Inc. (the Company) presented herein are unaudited but, in the opinion of management, reflect all adjustments necessary to present fairly such information for the periods and at the dates indicated. All adjustments are of a normal recurring nature. Because the following unaudited condensed consolidated financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Three months ended June 30,	
	2010	2009
Net sales	\$ 1,710.9	\$ 1,807.0
Manufacturing, shipping, and delivery expense	(1,314.0)	(1,399.6)
Gross profit	396.9	407.4
Selling and administrative expense	(125.6)	(122.4)
Research, development, and engineering expense	(15.2)	(14.1)
Interest expense	(60.0)	(57.9)
Interest income	3.8	6.5
Equity earnings	13.6	14.1
Royalties and net technical assistance	4.2	3.5
Other income	1.5	0.9
Other expense	(9.6)	(26.0)
Earnings from continuing operations before income taxes	209.6	212.0
Provision for income taxes	(54.7)	(49.5)
Net earnings	154.9	162.5
Net earnings attributable to noncontrolling interests	(13.8)	(13.2)
Net earnings attributable to the Company	\$ 141.1	\$ 149.3
Basic earnings per share	\$ 0.86	\$ 0.89
Weighted average shares outstanding (thousands)	163,501	167,764
Diluted earnings per share	\$ 0.85	\$ 0.88
Weighted diluted average shares (thousands)	166,459	170,493
Comprehensive income (loss):		
Net earnings	\$ 154.9	\$ 162.5
Foreign currency translation adjustments	(156.2)	304.2
Pension and other postretirement benefit adjustments, net of tax	25.7	(25.7)
Change in fair value of derivative instruments, net of tax	4.8	14.8
Total comprehensive income	29.2	455.8
Comprehensive income attributable to noncontrolling interests	(11.7)	(30.5)
Comprehensive income attributable to the Company	\$ 17.5	\$ 425.3

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Six months ended June 30,	
	2010	2009
Net sales	\$ 3,293.4	\$ 3,326.0
Manufacturing, shipping, and delivery expense	(2,585.7)	(2,621.8)
Gross profit	707.7	704.2
Selling and administrative expense	(246.6)	(240.9)
Research, development, and engineering expense	(29.1)	(28.0)
Interest expense	(115.6)	(106.0)
Interest income	8.2	15.0
Equity earnings	26.1	27.7
Royalties and net technical assistance	8.0	6.3
Other income	2.6	2.5
Other expense	(23.1)	(78.8)
Earnings from continuing operations before income taxes	338.2	302.0
Provision for income taxes	(88.9)	(80.7)
Net earnings	249.3	221.3
Net earnings attributable to noncontrolling interests	(22.9)	(26.9)
Net earnings attributable to the Company	\$ 226.4	\$ 194.4
Basic earnings per share	\$ 1.36	\$ 1.16
Weighted average shares outstanding (thousands)	165,431	167,424
Diluted earnings per share	\$ 1.34	\$ 1.15
Weighted diluted average shares (thousands)	168,555	169,481
Comprehensive income (loss):		
Net earnings	\$ 249.3	\$ 221.3
Foreign currency translation adjustments	(192.0)	210.6
Pension and other postretirement benefit adjustments, net of tax	57.4	(15.2)
Change in fair value of derivative instruments, net of tax	(1.1)	8.8
Total comprehensive income	113.6	425.5
Comprehensive income attributable to noncontrolling interests	(21.0)	(34.9)
Comprehensive income attributable to the Company	\$ 92.6	\$ 390.6

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)

	June 30, 2010	December 31, 2009	June 30, 2009
Assets			
Current assets:			
Cash and cash equivalents	\$ 682.3	\$ 811.7	\$ 677.2
Short-term investments, at cost which approximates market	0.7	0.9	4.8
Receivables, less allowances for losses and discounts (\$32.2 at June 30, 2010, \$36.5 at December 31, 2009, and \$37.0 at June 30, 2009)	1,099.2	1,004.2	1,126.4
Inventories	874.0	900.3	1,039.0
Prepaid expenses	71.8	79.6	70.0
Total current assets	2,728.0	2,796.7	2,917.4
Investments and other assets:			
Equity investments	106.0	114.3	115.7
Repair parts inventories	138.3	125.1	139.9
Prepaid pension	41.1	46.3	
Deposits, receivables, and other assets	495.2	521.7	498.1
Goodwill	2,221.7	2,381.0	2,290.8
Total other assets	3,002.3	3,188.4	3,044.5
Property, plant, and equipment, at cost	6,297.3	6,618.9	6,206.3
Less accumulated depreciation	3,669.4	3,876.6	3,554.0
Net property, plant, and equipment	2,627.9	2,742.3	2,652.3
Total assets	\$ 8,358.2	\$ 8,727.4	\$ 8,614.2

CONDENSED CONSOLIDATED BALANCE SHEETS Continued

	June 30, 2010	December 31, 2009	June 30, 2009
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 272.7	\$ 352.0	\$ 357.8
Current portion of asbestos-related liabilities	175.0	175.0	175.0
Accounts payable	812.9	863.2	802.5
Other liabilities	658.4	644.1	622.6
Total current liabilities	1,919.0	2,034.3	1,957.9
Long-term debt	3,227.8	3,257.5	3,284.4
Deferred taxes	159.9	186.3	154.2
Pension benefits	533.6	577.6	712.4
Nonpension postretirement benefits	264.5	266.7	239.0
Other liabilities	276.7	358.5	349.7
Asbestos-related liabilities	233.0	310.1	236.1
Commitments and contingencies			
Share owners' equity:			
Share owners' equity of the Company:			
Common stock, par value \$.01 per share, 250,000,000 shares authorized, 180,746,135, 179,923,309, and 179,791,262 shares issued (including treasury shares), respectively	1.8	1.8	1.8
Capital in excess of par value	3,046.6	2,941.9	2,927.6
Treasury stock, at cost, 17,195,395, 11,322,544, and 11,409,253 shares, respectively	(414.3)	(217.1)	(218.8)
Retained earnings	355.8	129.4	162.0
Accumulated other comprehensive loss	(1,451.6)	(1,317.8)	(1,424.4)
Total share owners' equity of the Company	1,538.3	1,538.2	1,448.2
Noncontrolling interests	205.4	198.2	232.3
Total share owners' equity	1,743.7	1,736.4	1,680.5
Total liabilities and share owners' equity	\$ 8,358.2	\$ 8,727.4	\$ 8,614.2

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED CASH FLOWS