

OWENS ILLINOIS INC /DE/  
Form 10-Q  
May 06, 2009

**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 March 31, 2009**

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.)

**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)

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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 168,286,341 shares at March 31, 2009.

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, 2008.

Effective January 1, 2009, the Company adopted the provisions of FAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51, which changed the presentation of noncontrolling interests in subsidiaries. The format of the Company s condensed consolidated results of operations and condensed consolidated cash flows for the three months ended March 31, 2008 and condensed consolidated balance sheets at March 31, 2008 and December 31, 2008 have been reclassified to conform to the new presentation under FAS No. 160 which is required to be applied retrospectively.

Effective January 1, 2009, the Company adopted the provisions of FSP No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities, which required the Company to allocate earnings to unvested restricted shares outstanding during the period. Earnings per share for the three months ended March 31, 2008 were restated in accordance with FSP No. EITF 03-6-1 which is required to be applied retrospectively.

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OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Net sales	\$ 1,519.0	\$ 1,960.5
Manufacturing, shipping, and delivery expense	(1,222.2)	(1,503.7)
Gross profit	296.8	456.8
Selling and administrative expense	(118.5)	(127.8)
Research, development, and engineering expense	(13.9)	(16.0)
Interest expense	(48.1)	(64.3)
Interest income	8.5	8.7
Equity earnings	13.6	11.1
Royalties and net technical assistance	2.8	4.8
Other income	1.6	1.8
Other expense	(52.8)	(20.0)
Earnings from continuing operations before income taxes	90.0	255.1
Provision for income taxes	(31.2)	(64.9)
Earnings from continuing operations	58.8	190.2
Gain on sale of discontinued operations		4.1
Net earnings	58.8	194.3
Net earnings attributable to noncontrolling interests	(13.7)	(16.2)
Net earnings attributable to the Company	\$ 45.1	\$ 178.1
Amounts attributable to the Company:		
Earnings from continuing operations	\$ 45.1	\$ 174.0
Gain on sale of discontinued operations		4.1
Net earnings	\$ 45.1	\$ 178.1
Basic earnings per share:		
Earnings from continuing operations	\$ 0.27	\$ 1.06
Gain on sale of discontinued operations		0.03
Net earnings	\$ 0.27	\$ 1.09
Weighted average shares outstanding (thousands)	167,080	156,324
Diluted earnings per share:		
Earnings from continuing operations	\$ 0.27	\$ 1.02
Gain on sale of discontinued operations		0.02
Net earnings	\$ 0.27	\$ 1.04
Weighted diluted average shares (thousands)	168,469	170,517

See accompanying notes.

## OWENS-ILLINOIS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)

	March 31, 2009	Dec. 31, 2008	March 31, 2008
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 362.3	\$ 379.5	\$ 483.0
Short-term investments, at cost which approximates market	15.9	25.0	51.7
Receivables, less allowances for losses and discounts (\$35.2 at March 31, 2009, \$39.7 at December 31, 2008, and \$35.5 at March 31, 2008)	945.5	988.8	1,320.6
Inventories	1,044.8	999.5	1,222.4
Prepaid expenses	48.4	51.9	37.1
<b>Total current assets</b>	<b>2,416.9</b>	<b>2,444.7</b>	<b>3,114.8</b>
<b>Investments and other assets:</b>			
Equity investments	105.3	101.7	87.4
Repair parts inventories	134.5	132.5	157.0
Prepaid pension			591.4
Deposits, receivables, and other assets	478.2	444.5	489.4
Goodwill	2,130.3	2,207.5	2,522.2
<b>Total other assets</b>	<b>2,848.3</b>	<b>2,886.2</b>	<b>3,847.4</b>
Property, plant, and equipment, at cost	5,711.0	5,983.1	6,707.0
Less accumulated depreciation	3,224.6	3,337.5	3,711.8
<b>Net property, plant, and equipment</b>	<b>2,486.4</b>	<b>2,645.6</b>	<b>2,995.2</b>
<b>Total assets</b>	<b>\$ 7,751.6</b>	<b>\$ 7,976.5</b>	<b>\$ 9,957.4</b>

## CONDENSED CONSOLIDATED BALANCE SHEETS Continued

	March 31, 2009	Dec. 31, 2008	March 31, 2008
<b>Liabilities and Share Owners' Equity</b>			
<b>Current liabilities:</b>			
Short-term loans and long-term debt due within one year	\$ 353.6	\$ 393.8	\$ 835.1
Current portion of asbestos-related liabilities	175.0	175.0	210.0
Accounts payable	754.4	838.2	978.5
Other liabilities	554.1	596.3	656.9
<b>Total current liabilities</b>	<b>1,837.1</b>	<b>2,003.3</b>	<b>2,680.5</b>
<b>Long-term debt</b>	<b>2,972.0</b>	<b>2,940.3</b>	<b>3,192.5</b>
Deferred taxes	138.6	77.6	128.8
Pension benefits	703.4	741.8	314.4
Nonpension postretirement benefits	234.4	239.7	279.6
Other liabilities	324.4	360.1	409.1
Asbestos-related liabilities	285.5	320.3	205.3
<b>Commitments and contingencies</b>			
<b>Share owners' equity:</b>			
<b>The Company's share owners' equity:</b>			
Common stock, par value \$.01 per share 250,000,000 shares authorized, 179,754,178, 178,705,817, and 178,413,409 shares issued and outstanding, respectively	1.8	1.8	1.8
Capital in excess of par value	2,921.8	2,913.3	2,887.7
Treasury stock, at cost 11,467,837, 11,556,341, and 11,684,080 shares, respectively	(219.9)	(221.5)	(224.0)
Retained earnings (deficit)	12.7	(32.4)	(112.6)
Accumulated other comprehensive loss	(1,700.4)	(1,620.6)	(54.1)
<b>Total share owners' equity of the Company</b>	<b>1,016.0</b>	<b>1,040.6</b>	<b>2,498.8</b>
Noncontrolling interests	240.2	252.8	248.4
<b>Total share owners' equity</b>	<b>1,256.2</b>	<b>1,293.4</b>	<b>2,747.2</b>
<b>Total liabilities and share owners' equity</b>	<b>\$ 7,751.6</b>	<b>\$ 7,976.5</b>	<b>\$ 9,957.4</b>

See accompanying notes.

## OWENS-ILLINOIS, INC.

## CONDENSED CONSOLIDATED CASH FLOWS

(Dollars in millions)

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 58.8	\$ 194.3
Net earnings attributable to noncontrolling interest	(13.7)	(16.2)
Gain on sale of discontinued operations		(4.1)
<b>Non-cash charges (credits):</b>		
Depreciation	88.4	113.6
Amortization of intangibles and other deferred items	4.3	7.6
Amortization of finance fees	2.4	1.9
Deferred tax provision (benefit)	10.5	(1.7)
Restructuring and asset impairment	50.4	12.9
Other	32.8	20.8
Asbestos-related payments	(34.8)	(40.2)
Cash paid for restructuring activities	(20.2)	(4.1)
Change in non-current operating assets	(2.4)	(0.8)
Change in non-current liabilities	(31.3)	(18.0)
Change in components of working capital	(173.7)	(215.1)
Cash provided by (utilized in) operating activities	(28.5)	50.9
<b>Cash flows from investing activities:</b>		
Additions to property, plant, and equipment	(46.6)	(45.4)
Advances to equity affiliate - net	1.6	(15.0)
Net cash proceeds (payments) related to divestitures and asset sales	0.1	(16.6)
Cash utilized in investing activities	(44.9)	(77.0)
<b>Cash flows from financing activities:</b>		
Additions to long-term debt	274.9	309.2
Repayments of long-term debt	(183.6)	(222.6)
Increase (decrease) in short-term loans	(17.6)	82.3
Net payments for hedging activity	4.4	(33.9)
Convertible preferred stock dividends		(5.4)
Dividends paid to noncontrolling interests	(17.0)	(30.2)