OWENS ILLINOIS INC /DE/
Form 10-Q
July 28, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

(Mark one)

FORM 10-Q

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

For Quarter Ended June 30, 2011

or

o **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	**1-9576**	**22-2781933**
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

One Michael Owens Way, Perrysburg, Ohio	**43551-2999**
(Address of principal executive offices)	(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 x No o

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 x No o

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 x	Accelerated filer o
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No x

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 164,200,656 shares at June 30, 2011.

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, 2010.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Three months ended June 30, 2011		2010	
Net sales	$	1,959	$	1,670
Manufacturing, shipping, and delivery expense		(1,604)		(1,287)
Gross profit		355		383
Selling and administrative expense		(146)		(123)
Research, development, and engineering expense		(18)		(15)
Interest expense		(100)		(60)
Interest income		3		4
Equity earnings		19		13
Royalties and net technical assistance		3		4
Other income		2		2
Other expense		(8)		(14)
Earnings from continuing operations before income taxes		110		194
Provision for income taxes		(32)		(51)
Earnings from continuing operations		78		143
Earnings from discontinued operations		2		12
Net earnings		80		155
Net earnings attributable to noncontrolling interests		(7)		(14)
Net earnings attributable to the Company	$	73	$	141
Amounts attributable to the Company:				
Earnings from continuing operations	$	71	$	132
Earnings from discontinued operations		2		9
Net earnings	$	73	$	141
Amounts attributable to noncontrolling interests:				
Earnings from continuing operations	$	7	$	11
Earnings from discontinued operations				3
Net earnings	$	7	$	14
Basic earnings per share:				
Earnings from continuing operations	$	0.43	$	0.80
Earnings from discontinued operations		0.01		0.06
Net earnings	$	0.44	$	0.86
Weighted average shares outstanding (thousands)		163,633		163,501
Diluted earnings per share:				
Earnings from continuing operations	$	0.42	$	0.79
Earnings from discontinued operations		0.01		0.06
Net earnings	$	0.43	$	0.85
Weighted diluted average shares (thousands)		166,271		166,459
Comprehensive income, net of tax:				

Net earnings	$	80	$	155
Foreign currency translation adjustments		122		(156)
Pension and other postretirement benefit adjustments		26		25
Change in fair value of derivative instruments				5
Total comprehensive income		228		29
Comprehensive income attributable to noncontrolling interests		(12)		(12)
Comprehensive income attributable to the Company	$	216	$	17

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Six months ended June 30, 2011		Six months ended June 30, 2010	
Net sales	$	3,678	$	3,216
Manufacturing, shipping, and delivery expense		(2,990)		(2,534)
Gross profit		688		682
Selling and administrative expense		(288)		(243)
Research, development, and engineering expense		(34)		(29)
Interest expense		(176)		(116)
Interest income		6		8
Equity earnings		33		26
Royalties and net technical assistance		8		8
Other income		4		3
Other expense		(26)		(22)
Earnings from continuing operations before income taxes		215		317
Provision for income taxes		(60)		(83)
Earnings from continuing operations		155		234
Earnings from discontinued operations		1		15
Net earnings		156		249
Net earnings attributable to noncontrolling interests		(11)		(23)
Net earnings attributable to the Company	$	145	$	226
Amounts attributable to the Company:				
Earnings from continuing operations	$	144	$	214
Earnings from discontinued operations		1		12
Net earnings	$	145	$	226
Amounts attributable to noncontrolling interests:				
Earnings from continuing operations	$	11	$	20
Earnings from discontinued operations				3
Net earnings	$	11	$	23
Basic earnings per share:				
Earnings from continuing operations	$	0.87	$	1.29
Earnings from discontinued operations		0.01		0.07
Net earnings	$	0.88	$	1.36
Weighted average shares outstanding (thousands)		163,494		165,431
Diluted earnings per share:				
Earnings from continuing operations	$	0.86	$	1.27
Earnings from discontinued operations		0.01		0.07
Net earnings	$	0.87	$	1.34
Weighted diluted average shares (thousands)		166,193		168,555
Comprehensive income, net of tax:				

Net earnings	$ 156	$ 249
Foreign currency translation adjustments	196	(192)
Pension and other postretirement benefit adjustments	46	57
Change in fair value of derivative instruments	1	(1)
Total comprehensive income	399	113
Comprehensive income attributable to noncontrolling interests	(20)	(21)
Comprehensive income attributable to the Company	$ 379	$ 92

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)

	June 30, 2011	December 31, 2010	June 30, 2010
Assets			
Current assets:			
Cash and cash equivalents	$ 260	$ 640	$ 648
Short-term investments, at cost which approximates market			1
Receivables, less allowances for losses and discounts ($41 at June 30, 2011, $40 at December 31, 2010, and $32 at June 30, 2010)	1,322	1,075	1,076
Inventories	1,065	946	856
Prepaid expenses	104	77	69
Assets of discontinued operations			78
Total current assets	2,751	2,738	2,728
Investments and other assets:			
Equity investments	330	299	106
Repair parts inventories	156	147	133
Prepaid pension	63	54	41
Other assets	711	588	494
Goodwill	2,957	2,821	2,222
Assets of discontinued operations			36
Total other assets	4,217	3,909	3,032
Property, plant, and equipment, at cost	7,416	7,016	6,231
Less accumulated depreciation	4,240	3,909	3,633
Net property, plant, and equipment	3,176	3,107	2,598
Total assets	$ 10,144	$ 9,754	$ 8,358

CONDENSED CONSOLIDATED BALANCE SHEETS Continued

	June 30, 2011	December 31, 2010	June 30, 2010
Liabilities and Share Owners Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	$ 371	$ 354	$ 272
Current portion of asbestos-related liabilities	170	170	175
Accounts payable	985	878	791
Other liabilities	666	677	656
Liabilities of discontinued operations			25
Total current liabilities	2,192	2,079	1,919
Long-term debt	3,969	3,924	3,228
Deferred taxes	234	203	160
Pension benefits	564	576	534
Nonpension postretirement benefits	259	259	264
Other liabilities	398	381	262
Asbestos-related liabilities	238	306	233
Liabilities of discontinued operations			15
Commitments and contingencies			
Share owners equity:			
Share owners equity of the Company:			
Common stock, par value $.01 per share, 250,000,000 shares authorized, 181,192,253, 180,808,992, and 180,746,135 shares issued (including treasury shares), respectively	2	2	2
Capital in excess of par value	2,986	3,040	3,047
Treasury stock, at cost, 16,991,597, 17,093,509, and 17,195,395 shares, respectively	(410)	(412)	(414)
Retained earnings	227	82	355
Accumulated other comprehensive loss	(672)	(897)	(1,452)
Total share owners equity of the Company	2,133	1,815	1,538
Noncontrolling interests	157	211	205
Total share owners equity	2,290	2,026	1,743
Total liabilities and share owners equity	$ 10,144	$ 9,754	$ 8,358

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED CASH FLOWS

(Dollars in millions)

	Six months ended June 30, 2011	Six months ended June 30, 2010
Cash flows from operating activities:		
Net earnings	$ 156	$ 249
Earnings from discontinued operations	(1)	(15)
Non-cash charges (credits):		
Depreciation	208	175
Amortization of intangibles and other deferred items	9	13
Amortization of finance fees and debt discount	16	9
Deferred tax benefit	(10)	(8)
Restructuring	12	8
Other	71	89
Asbestos-related payments	(68)	(77)
Cash paid for restructuring activities	(13)	(31)
Change in non-current operating assets	(42)	(25)
Change in non-current liabilities	(37)	(30)
Change in components of working capital	(209)	(208)
Cash provided by continuing operating activities	92	149
Cash provided by discontinued operating activities	2	25
Total cash provided by operating activities	94	174
Cash flows from investing activities:		
Additions to property, plant, and equipment - continuing	(153)	(235)
Additions to property, plant, and equipment - discontinued		(1)
Acquisitions, net of cash acquired	(147)	(26)
Cash utilized in investing activities	(300)	(262)
Cash flows from financing activities:		
Additions to long-term debt	1,451	690
Repayments of long-term debt	(1,644)	(490)
Increase (decrease) in short-term loans - continuing	61	(7)
Decrease in short-term loans - discontinued		(1)
Net receipts (payments) for hedging activity	(9)	22
Payment of finance fees	(18)	(18)
Dividends paid to noncontrolling interests	(31)	(22)
Treasury shares purchased		(199)
Issuance of common stock and other	2	3
Cash utilized in financing activities	(188)	(22)
Effect of exchange rate fluctuations on cash	14	(20)
Decrease in cash	(380)	(130)
Cash at beginning of period	640	812
Cash at end of period	260	682
Cash - discontinued operations		34
Cash - continuing operations	$ 260	$ 648

See accompanying notes.

OWENS-ILLINOIS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Tabular data dollars in millions,

except share and per share amounts

1. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended June 30, 2011		Three months ended June 30, 2010	
Numerator:				
Net earnings attributable to the Company	$	73	$	141
Denominator (in thousands):				
Denominator for basic earnings per share - weighted average shares outstanding		163,633		163,501
Effect of dilutive securities:				
Stock options and other		2,638		2,958
Denominator for diluted earnings per share - adjusted weighted average shares outstanding		166,271		166,459
Basic earnings per share:				
Earnings from continuing operations	$	0.43	$	0.80
Earnings from discontinued operations		0.01		0.06
Net earnings	$	0.44	$	0.86
Diluted earnings per share:				
Earnings from continuing operations	$	0.42	$	0.79
Earnings from discontinued operations		0.01		0.06
Net earnings	$	0.43	$	0.85

Options to purchase 603,341 and 687,254 weighted average shares of common stock which were outstanding during the three months ended June 30, 2011 and 2010, respectively, were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares.

	Six months ended June 30, 2011		2010
Numerator:			
Net earnings attributable to the Company	$	145	$	226
Net earnings attributable to participating securities				(1)
Numerator for basic earnings per share - income available to common share owners	$	145	$	225
Denominator (in thousands):				
Denominator for basic earnings per share - weighted average shares outstanding		163,494		165,431
Effect of dilutive securities:				
Stock options and other		2,699		3,124
Denominator for diluted earnings per share - adjusted weighted average shares outstanding		166,193		168,555
Basic earnings per share:				
Earnings from continuing operations	$	0.87	$	1.29
Earnings from discontinued operations		0.01		0.07
Net earnings	$	0.88	$	1.36
Diluted earnings per share:				
Earnings from continuing operations	$	0.86	$	1.27
Earnings from discontinud operations		0.01		0.07
Net earnings	$	0.87	$	1.34

Options to purchase 532,689 and 541,173 weighted average shares of common stock which were outstanding during the six months ended June 30, 2011 and 2010, respectively, were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares.

The 2015 Exchangeable Notes have a dilutive effect only in those periods in which the Company s average stock price exceeds the exchange price of $47.47 per share. For the three and six months ended June 30, 2011, the Company s average stock price did not exceed the exchange price. Therefore, the potentially issuable shares resulting from the settlement of the 2015 Exchangeable Notes were not included in the calculation of diluted earnings per share.

2. Debt

The following table summarizes the long-term debt of the Company:

	June 30, 2011	December 31, 2010	June 30, 2010
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$ 125	$	$
Term Loans:			
Term Loan A (170 million AUD at June 30, 2011)	183		
Term Loan B	600		
Term Loan C (116 million CAD at June 30, 2011)	120		
Term Loan D (141 million at June 30, 2011)	205		
Fourth Amended and Restated Secured Credit Agreement:			
Term Loans:			
Term Loan A		92	136
Term Loan B		190	190
Term Loan C		111	105
Term Loan D		253	231
Senior Notes:			
6.75%, due 2014		400	400
6.75%, due 2014 (225 million)		300	275
3.00%, Exchangeable, due 2015	615	607	599
7.375%, due 2016	586	585	584
6.875%, due 2017 (300 million)	435	401	366
6.75%, due 2020 (500 million)	725	668	
Senior Debentures:			
7.80%, due 2018	250	250	250
Other	161	164	108
Total long-term debt	4,005	4,021	3,244
Less amounts due within one year	36	97	16
Long-term debt	$ 3,969	$ 3,924	$ 3,228

On May 19, 2011, the Company s subsidiary borrowers entered into the Secured Credit Agreement (the Agreement). The proceeds from the Agreement were used to repay all outstanding amounts under the previous credit agreement and the U.S. dollar-denominated 6.75% senior notes due 2014. On June 7, 2011, the Company also redeemed the euro-denominated 6.75% senior notes due 2014. The Company recorded $25 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees.

At June 30, 2011, the Agreement included a $900 million revolving credit facility, a 170 million Australian dollar term loan, a $600 million term loan, a 116 million Canadian dollar term loan, and a 141 million term loan, each of which has a final maturity date of May 19, 2016. At June 30, 2011, the Company s subsidiary borrowers had unused credit of $631 million available under the Agreement.

The Agreement contains various covenants that restrict, among other things and subject to certain exceptions, the ability of the Company to incur certain liens, make certain investments, become liable under contingent obligations in certain defined instances only, make restricted junior payments, make certain asset sales within guidelines and limits, make capital expenditures beyond a certain threshold, engage in material transactions with shareholders and

affiliates, participate in sale and leaseback financing arrangements, alter its fundamental business, and amend certain outstanding debt obligations.

The Agreement also contains one financial maintenance covenant, a Leverage Ratio, that requires the Company not to exceed a ratio calculated by dividing consolidated total debt, less cash and cash equivalents, by Consolidated Adjusted EBITDA, as defined in the Agreement. The Leverage Ratio could restrict the ability of the Company to undertake additional financing or acquisitions to the extent that such financing or acquisitions would cause the Leverage Ratio to exceed the specified maximum.

Failure to comply with these covenants and restrictions could result in an event of default under the Agreement. In such an event, the Company could not request borrowings under the revolving facility, and all amounts outstanding under the Agreement, together with accrued interest, could then be declared immediately due and payable. If an event of default occurs under the Agreement and the lenders cause all of the outstanding debt obligations under the Agreement to become due and payable, this would result in a default under a number of other outstanding debt securities and could lead to an acceleration of obligations related to these debt securities. A default or event of default under the Agreement, indentures or agreements governing other indebtedness could also lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross-default provisions.

The Leverage Ratio also determines pricing under the Agreement. The interest rate on borrowings under the Agreement is, at the Company s option, the Base Rate or the Eurocurrency Rate, as defined in the Agreement. These rates include a margin linked to the Leverage Ratio. The margins range from 1.25% to 2.00% for Eurocurrency Rate loans and from 0.25% to 1.00% for Base Rate loans. In addition, a facility fee is payable on the revolving credit facility commitments ranging from 0.25% to 0.50% per annum linked to the Leverage Ratio. The weighted average interest rate on borrowings outstanding under the Agreement at June 30, 2011 was 2.89%. As of June 30, 2011, the Company was in compliance with all covenants and restrictions in the Agreement. In addition, the Company believes that it will remain in compliance and that its ability to borrow funds under the Agreement will not be adversely affected by the covenants and restrictions.

Borrowings under the Agreement are secured by substantially all of the assets, excluding real estate, of the Company s domestic subsidiaries and certain foreign subsidiaries. Borrowings are also secured by a pledge of intercompany debt and equity in most of the Company s domestic subsidiaries and stock of certain foreign subsidiaries. All borrowings under the agreement are guaranteed by substantially all domestic subsidiaries of the Company for the term of the Agreement.

During October 2006, the Company entered into a 250 million European accounts receivable securitization program. The program extends through October 2011, subject to annual renewal of backup credit lines.

Information related to the Company s accounts receivable securitization programs is as follows:

	June 30, 2011	December 31, 2010	June 30, 2010
Balance (included in short-term loans)	$ 312	$ 247	$ 234
Weighted average interest rate	2.69%	2.40%	2.26%

The carrying amounts reported for the accounts receivable securitization programs, and certain long-term debt obligations subject to frequently redetermined interest rates, approximate fair value. Fair values for the Company s significant fixed rate debt obligations are generally based on published market quotations.

Fair values at June 30, 2011 of the Company s significant fixed rate debt obligations are as follows:

	Principal Amount (millions of dollars)	Indicated Market Price	Fair Value (millions of dollars)
Senior Notes:			
3.00%, Exchangeable, due 2015	690	98.76	681
7.375%, due 2016	600	108.75	653
6.875%, due 2017 (300 million)	435	101.13	440
6.75%, due 2020 (500 million)	725	100.29	727
Senior Debentures:			
7.80%, due 2018	250	108.00	270

3. Supplemental Cash Flow Information

	Six months ended June 30, 2011	2010
Interest paid in cash	$ 132	$ 113
Income taxes paid in cash:		
U.S. - continuing	1	3
Non-U.S. - continuing	63	48
Non-U.S. - discontinued operations		3
Total income taxes paid in cash	$ 64	$ 54

Cash interest for 2011 includes note repurchase premiums of $16 million related to the second quarter 2011 redemption of the Company s 6.75% senior notes due 2014. Cash interest for 2010 includes note repurchase premiums of $6 million related to the second quarter 2010 redemption of the Company s 8.25% senior notes due 2013.

4. Share Owners Equity

The activity in share owners equity for the three months ended June 30, 2011 and 2010 is as follows:

	Share Owners Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners Equity
Balance on April 1, 2011	$ 2	$ 3,041	$ (411)	$ 154	$ (806)	$ 201	$ 2,181
Issuance of common stock (0.2 million shares)		1					1
Reissuance of common stock (0.05 million shares)		1	1				2
Stock compensation		(3)					(3)
Comprehensive income:							
Net earnings				73		7	80
Foreign currency translation adjustments					117	5	122
Pension and other postretirement benefit adjustments, net of tax					26		26
Acquisition of noncontrolling interest		(54)			(9)	(43)	(106)
Dividends paid to noncontrolling interests on subsidiary common stock						(13)	(13)
Balance on June 30, 2011	$ 2	$ 2,986	$ (410)	$ 227	$ (672)	$ 157	$ 2,290

	Share Owners Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners Equity
Balance on April 1, 2010	$ 2	$ 2,949	$ (360)	$ 214	$ (1,328)	$ 210	$ 1,687
Issuance of common stock (0.2 million shares)		2					2
Reissuance of common stock (0.1 million shares)		1	1				2
Treasury shares purchased (1.6 million shares)			(55)				(55)
Stock compensation		4					4
Issuance of exchangeable notes		91					91
Comprehensive income:							
Net earnings				141		14	155
Foreign currency translation adjustments					(154)	(2)	(156)
Pension and other postretirement benefit adjustments, net of tax					25		25

Change in fair value of derivative instruments, net of tax					5		5
Dividends paid to noncontrolling interests on subsidiary common stock						(17)	(17)
Balance on June 30, 2010	$ 2	$ 3,047	$ (414)	$ 355	$ (1,452)	$ 205	$ 1,743

The activity in share owners equity for the six months ended June 30, 2011 and 2010 is as follows:

	Share Owners Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners Equity
Balance on January 1, 2011	$ 2	$ 3,040	$ (412)	$ 82	$ (897)	$ 211	$ 2,026
Issuance of common stock (0.2 million shares)		3					3
Reissuance of common stock (0.1 million shares)		1	2				3
Stock compensation		(4)					(4)
Comprehensive income:							
Net earnings				145		11	156
Foreign currency translation adjustments					187	9	196
Pension and other postretirement benefit adjustments, net of tax					46		46
Change in fair value of derivative instruments, net of tax					1		1
Acquisition of noncontrolling interest		(54)			(9)	(43)	(106)
Dividends paid to noncontrolling interests on subsidiary common stock						(31)	(31)
Balance on June 30, 2011	$ 2	$ 2,986	$ (410)	$ 227	$ (672)	$ 157	$ 2,290

	Share Owners Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners Equity
Balance on January 1, 2010	$ 2	$ 2,942	$ (217)	$ 129	$ (1,318)	$ 198	$ 1,736
Issuance of common stock (0.8 million shares)		4					4
Reissuance of common stock (0.1 million shares)		1	2				3
Treasury shares purchased (6.0 million shares)			(199)				(199)
Stock compensation		9					9
Issuance of exchangeable notes		91					91
Comprehensive income:							
Net earnings				226		23	249
Foreign currency translation adjustments					(190)	(2)	(192)
Pension and other postretirement benefit adjustments, net of tax					57		57
Change in fair value of derivative instruments, net of tax					(1)		(1)
						8	8

Noncontrolling interests share of acquisition							
Dividends paid to noncontrolling interests on subsidiary common stock						(22)	(22)
Balance on June 30, 2010	$ 2	$ 3,047	$ (414)	$ 355	$ (1,452)	$ 205	$ 1,743

The acquisition of noncontrolling interests for the three and six months ended June 30, 2011 was related to the Company purchasing the noncontrolling interest in its southern Brazil operations.

5. Inventories

Major classes of inventory are as follows:

		June 30, 2011		December 31, 2010		June 30, 2010
Finished goods	$	890	$	786	$	713
Raw materials		121		106		94
Operating supplies		54		54		49
	$	1,065	$	946	$	856

6. Contingencies

The Company is a defendant in numerous lawsuits alleging bodily injury and death as a result of exposure to asbestos dust. From 1948 to 1958, one of the Company s former business units commercially produced and sold approximately $40 million of a high-temperature, calcium-silicate based pipe and block insulation material containing asbestos. The Company exited the pipe and block insulation business in April 1958. The typical asbestos personal injury lawsuit alleges various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and in some cases, punitive damages in various amounts (herein referred to as asbestos claims).

As of June 30, 2011, the Company has determined that it is a named defendant in asbestos lawsuits and claims involving approximately 5,700 plaintiffs and claimants. Based on an analysis of the lawsuits pending as of December 31, 2010, approximately 76% of plaintiffs either do not specify the monetary damages sought, or in the case of court filings, claim an amount sufficient to invoke the jurisdictional minimum of the trial court. Approximately 22% of plaintiffs specifically plead damages of $15 million or less, and 2% of plaintiffs specifically plead damages greater than $15 million but less than $100 million. Fewer than 1% of plaintiffs specifically plead damages $100 million or greater but less than $122 million.

As indicated by the foregoing summary, current pleading practice permits considerable variation in the assertion of monetary damages. The Company s experience resolving hundreds of thousands of asbestos claims and lawsuits over an extended period demonstrates that the monetary relief that may be alleged in a complaint bears little relevance to a claim s merits or disposition value. Rather, the amount potentially recoverable is determined by such factors as the severity of the plaintiff s asbestos disease, the product identification evidence against the Company and other defendants, the defenses available to the Company and other defendants, the specific jurisdiction in which the claim is made, and the plaintiff s medical history and exposure to other disease-causing agents.

In addition to the pending claims set forth above, the Company has claims-handling agreements in place with many plaintiffs counsel throughout the country. These agreements require evaluation and negotiation regarding whether particular claimants qualify under the criteria established by such agreements. The criteria for such claims include verification of a compensable illness and a reasonable probability of exposure to a product manufactured by the Company s former business unit during its manufacturing period ending in 1958. Some plaintiffs counsel have historically withheld claims under these agreements for later presentation while focusing their attention on active litigation in the tort system. The Company believes that as of June 30, 2011 there are approximately 500 claims against other defendants

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which are likely to be asserted some time in the future against the Company. These claims are not included in the pending lawsuits and claims totals set forth above.

The Company is also a defendant in other asbestos-related lawsuits or claims involving maritime workers, medical monitoring claimants, co-defendants and property damage claimants. Based upon its past experience, the Company believes that these categories of lawsuits and claims will not involve any material liability and they are not included in the above description of pending matters or in the following description of disposed matters.

Since receiving its first asbestos claim, the Company as of June 30, 2011, has disposed of the asbestos claims of approximately 384,000 plaintiffs and claimants at an average indemnity payment per claim of approximately $7,900. Certain of these dispositions have included deferred amounts payable over a number of years. Deferred amounts payable totaled approximately $21 million at June 30, 2011 ($26 million at December 31, 2010) and are included in the foregoing average indemnity payment per claim. The Company s asbestos indemnity payments have varied on a per claim basis, and are expected to continue to vary considerably over time. As discussed above, a part of the Company s objective is to achieve, where possible, resolution of asbestos claims pursuant to claims-handling agreements. Failure of claimants to meet certain medical and product exposure criteria in the Company s administrative claims handling agreements has generally reduced the number of marginal or suspect claims that would otherwise have been received. In addition, certain courts and legislatures have reduced or eliminated the number of marginal or suspect claims that the Company otherwise would have received. These developments generally have had the effect of increasing the Company s per-claim average indemnity payment.

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot reasonably be estimated. Beginning with the initial liability of $975 million established in 1993, the Company has accrued a total of approximately $3.82 billion through 2010, before insurance recoveries, for its asbestos-related liability. The Company s ability to reasonably estimate its liability has been significantly affected by, among other factors, the volatility of asbestos-related litigation in the United States, the significant number of co-defendants that have filed for bankruptcy, the magnitude and timing of co-defendant bankruptcy trust payments, the inherent uncertainty of future disease incidence and claiming patterns, the expanding list of non-traditional defendants that have been sued in this litigation, and the use of mass litigation screenings to generate large numbers of claims by parties who allege exposure to asbestos dust but have no present physical asbestos impairment.

The Company has continued to monitor trends that may affect its ultimate liability and has continued to analyze the developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company. The material components of the Company s accrued liability are based on amounts determined by the Company in connection with its annual comprehensive review and consist of the following estimates, to the extent it is probable that such liabilities have been incurred and can be reasonably estimated: (i) the liability for asbestos claims already asserted against the Company; (ii) the liability for preexisting but unasserted asbestos claims for prior periods arising under its administrative claims-handling agreements with various plaintiffs counsel; (iii) the liability for asbestos claims not yet asserted against the Company, but which the Company believes will be asserted in the next several years; and (iv) the legal defense costs likely to be incurred in connection with the foregoing types of claims.

The significant assumptions underlying the material components of the Company s accrual are:

a) the extent to which settlements are limited to claimants who were exposed to the Company s asbestos-containing insulation prior to its exit from that business in 1958;

b) the extent to which claims are resolved under the Company s administrative claims agreements or on terms comparable to those set forth in those agreements;

c) the extent of decrease or increase in the incidence of serious disease cases and claiming patterns for such cases;

d) the extent to which the Company is able to defend itself successfully at trial;

e) the extent to which courts and legislatures eliminate, reduce or permit the diversion of financial resources for unimpaired claimants;

f) the number and timing of additional co-defendant bankruptcies;

g) the extent to which bankruptcy trusts direct resources to resolve claims that are also presented to the Company and the timing of the payments made by the bankruptcy trusts; and

h) the extent to which co-defendants with substantial resources and assets continue to participate significantly in the resolution of future asbestos lawsuits and claims.

As noted above, the Company conducts a comprehensive review of its asbestos-related liabilities and costs annually in connection with finalizing and reporting its annual results of operations, unless significant changes in trends or new developments warrant an earlier review. If the results of an annual comprehensive review indicate that the existing amount of the accrued liability is insufficient to cover its estimated future asbestos-related costs, then the Company will record an appropriate charge to increase the accrued liability. The Company believes that a reasonable estimation of the probable amount of the liability for claims not yet asserted against the Company is not possible beyond a period of several years. Therefore, while the results of future annual comprehensive reviews cannot be determined, the Company expects the addition of one year to the estimation period will result in an annual charge.

On March 11, 2011, the Company received a verdict in an asbestos case in which conspiracy claims had been asserted against the Company. Of the total nearly $90 million awarded by the jury against the four defendants in the case, almost $10 million in compensatory damages were assessed against all four defendants, and $40 million in punitive damages were assessed against the Company.

The Company continues to deny the conspiracy allegations in this case and will vigorously challenge this verdict, if necessary, in the appellate courts, and, therefore, has made no change to its asbestos-related liability as of June 30, 2011. While the Company cannot predict the ultimate outcome of this lawsuit, the Company and other conspiracy defendants have successfully challenged jury verdicts in similar cases.

Other litigation is pending against the Company, in many cases involving ordinary and routine claims incidental to the business of the Company and in others presenting allegations that are non-routine and involve compensatory, punitive or treble damage claims as well as other types of relief. The Company records a liability for such matters when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. Recorded amounts are reviewed and adjusted to reflect changes in the factors upon which the estimates are based including additional information, negotiations, settlements, and other events.

The ultimate legal and financial liability of the Company with respect to the lawsuits and proceedings referred to above, in addition to other pending litigation, cannot reasonably be estimated. The Company s reported results of operations for 2010 were materially affected by the $170 million (pretax and after tax) fourth quarter charge for asbestos-related costs and asbestos-related payments continue to be substantial. Any future additional charge would likewise materially affect the Company s results of operations for the period in which it is recorded. Also, the continued use of significant amounts of cash for asbestos-related costs has affected and may continue to affect the Company s cost of borrowing and its ability to pursue global or domestic acquisitions. However, the Company believes that its operating cash flows and other sources of liquidity will be sufficient to pay its obligations for asbestos-related costs and to fund its working capital and capital expenditure requirements on a short-term and long-term basis.

7. Segment Information

The Company has four reportable segments based on its four geographic locations: (1) Europe; (2) North America; (3) South America; (4) Asia Pacific. These four segments are aligned with the Company s internal approach to managing, reporting, and evaluating performance of its global glass operations. Certain assets and activities not directly related to one of the regions or to glass manufacturing are reported with Retained Corporate Costs and Other. These include licensing, equipment manufacturing, global engineering, and non-glass equity investments. Retained Corporate Costs and Other also includes certain headquarters administrative and facilities costs and certain incentive compensation and other benefit plan costs that are global in nature and are not allocable to the reportable segments.

The Company s measure of profit for its reportable segments is Segment Operating Profit, which consists of consolidated earnings from continuing operations before interest income, interest expense, and provision for income taxes and excludes amounts related to certain items that management considers not representative of ongoing operations as well as certain retained corporate costs. The Company s management uses Segment Operating Profit, in combination with net sales and selected cash flow information, to evaluate performance and to allocate resources. Segment Operating Profit for reportable segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided.

Financial information for the three-month periods ended June 30, 2011 and 2010 regarding the Company s reportable segments is as follows:

	2011	2010
Net sales:		
Europe	$ 887	$ 716
North America	506	516
South America	302	207
Asia Pacific	246	223
Reportable segment totals	1,941	1,662
Other	18	8
Net sales	$ 1,959	$ 1,670

	2011	2010
Segment Operating Profit:		
Europe	$ 107	$ 104
North America	56	87
South America	53	49
Asia Pacific	9	31
Reportable segment totals	225	271
Items excluded from Segment Operating Profit:		
Retained corporate costs and other	(14)	(13)
Restructuring	(4)	(8)
Interest income	3	4
Interest expense	(100)	(60)
Earnings from continuing operations before income taxes	$ 110	$ 194

Financial information for the six-month periods ended June 30, 2011 and 2010 regarding the Company s reportable segments is as follows:

	2011	2010
Net sales:		
Europe	$ 1,585	$ 1,384
North America	969	960
South America	571	382
Asia Pacific	508	473
Reportable segment totals	3,633	3,199
Other	45	17
Net sales	$ 3,678	$ 3,216

		2011		2010
Segment Operating Profit:				
Europe	$	178	$	160
North America		115		150
South America		98		86
Asia Pacific		33		68
Reportable segment totals		424		464
Items excluded from Segment Operating Profit:				
Retained corporate costs and other		(27)		(31)
Restructuring		(12)		(8)
Interest income		6		8
Interest expense		(176)		(116)
Earnings from continuing operations before income taxes	$	215	$	317

Financial information regarding the Company s total assets is as follows:

		June 30, 2011		December 31, 2010		June 30, 2010
Total assets:						
Europe	$	3,954	$	3,618	$	3,402
North America		1,993		1,961		2,005
South America		1,802		1,680		789
Asia Pacific		2,109		2,047		1,610
Reportable segment totals		9,858		9,306		7,806
Other		286		448		552
Consolidated totals	$	10,144	$	9,754	$	8,358

8. Other Expense

Other expense for the three months and six months ended June 30, 2011, includes charges totaling $4 million and $12 million, respectively, for restructuring charges in the Company s Asia Pacific segment. See Note 9 for additional information.

During the three and six months ended June 30, 2010, the Company recorded charges totaling $8 million for restructuring and asset impairment related to the Company s strategic review of its global manufacturing footprint. See Note 9 for additional information.

9. Restructuring Accruals

Beginning in 2007, the Company commenced a strategic review of its global profitability and manufacturing footprint. The Company concluded its global review as of December 31, 2009, with the final actions implemented in the first half of 2010. Amounts recorded by the Company do not include any future gains that may be realized upon the ultimate sale or disposition of closed facilities.

The Company continually reviews its manufacturing footprint and may close various operations due to plant efficiencies, integration of acquisitions, and other market factors. These restructuring actions taken by the Company are not related to the strategic review of manufacturing operations discussed above. As part of this continuing review of its manufacturing footprint, the Company recorded restructuring charges of $8 million in the first quarter of 2011 for employee costs related to a plant closing and the related relocation of business to other facilities in its Asia Pacific segment. In addition, the Company recorded $4 million of restructuring charges in the second quarter of 2011 for employee costs related to the closure of a machine line in its Asia Pacific segment.

Selected information related to the restructuring accruals for the strategic footprint review and other restructuring actions for the first six months of 2011 and 2010 is as follows:

	Strategic Footprint Review			Other	
	Employee Costs	Other	Total	Other Restructuring Actions	Total Restructuring
Balance at January 1, 2011	$ 27	$ 25	$ 52	$ 27	$ 79
First quarter 2011 charges				8	8
Net cash paid, principally severance and related benefits	(2)	(2)	(4)		(4)
Other, principally foreign exchange translation	2		2		2
Balance at March 31, 2011	27	23	50	35	85
Second quarter 2011 charges				4	4
Net cash paid, principally severance and related benefits	(2)		(2)	(7)	(9)
Other, principally foreign exchange translation				(2)	(2)
Balance at June 30, 2011	$ 25	$ 23	$ 48	$ 30	$ 78
Balance at January 1, 2010	$ 93	$ 26	$ 119	$ 27	$ 146
Net cash paid, principally severance and related benefits	(18)	(1)	(19)		(19)
Other, principally foreign exchange translation	(1)		(1)		(1)
Balance at March 31, 2010	74	25	99	27	126
Second quarter 2010 charges	(2)	10	8		8
Write-down of assets to net realizable value		(1)	(1)		(1)
Net cash paid, principally severance and related benefits	(9)	(3)	(12)		(12)
Other, principally foreign exchange translation	(3)	(1)	(4)		(4)
Balance at June 30, 2010	$ 60	$ 30	$ 90	$ 27	$ 117

The Company s decisions to curtail selected production capacity have resulted in write downs of certain long-lived assets to the extent their carrying amounts exceeded fair value or fair value less cost to sell. The Company classified the significant assumptions used to determine the fair value of the impaired assets, which was not material, as Level 3 in the fair value hierarchy as set forth in the general accounting principles for fair value measurements.

The Company also recorded liabilities for certain employee separation costs to be paid under contractual arrangements and other exit costs.

10. Derivative Instruments

The Company has certain derivative assets and liabilities which consist of interest rate swaps, natural gas forwards, and foreign exchange option and forward contracts. The Company uses an income approach to valuing these contracts. Interest rate yield curves, natural gas forward rates, and foreign exchange rates are the significant inputs into the valuation models. These inputs are observable in active markets over the terms of the instruments the Company holds, and accordingly, the Company classifies its derivative assets and liabilities as Level 2 in the hierarchy. The Company also evaluates counterparty risk in determining fair values.

Interest Rate Swaps Designated as Fair Value Hedges

In the fourth quarter of 2003 and the first quarter of 2004, the Company entered into a series of interest rate swap agreements with a total notional amount of $700 million that were to mature in 2010 and 2013. The swaps were executed in order to: (i) convert a portion of the senior notes and senior debentures fixed-rate debt into floating-rate debt; (ii) maintain a capital structure containing appropriate amounts of fixed and floating-rate debt; and (iii) reduce net interest payments and expense in the near-term.

The Company s fixed-to-floating interest rate swaps were accounted for as fair value hedges. Because the relevant terms of the swap agreements matched the corresponding terms of the notes, there was no hedge ineffectiveness. Accordingly, the Company recorded the net of the fair market values of the swaps as a long-term asset (liability) along with a corresponding net increase (decrease) in the carrying value of the hedged debt.

For derivative instruments that are designated and qualify as fair value hedges, the change in the fair value of the derivative instrument related to the future cash flows (gain or loss on the derivative) as well as the offsetting change in the fair value of the hedged item attributable to the hedged risk are recognized in current earnings. The Company includes the gain or loss on the hedged items (i.e. long-term debt) in the same line item (interest expense) as the offsetting loss or gain on the related interest rate swaps.

During the second quarter of 2009, the Company completed a tender offer for its $250 million senior debentures due 2010. As a result of the tender offer, the Company extinguished $222 million of the senior debentures and terminated the related interest rate swap agreements for proceeds of $5 million. The Company recognized $4 million of the proceeds as a reduction to interest expense upon the termination of the interest rate swap agreements, while the remaining proceeds were recognized as a reduction to interest expense over the remaining life of the outstanding senior debentures, which matured in May 2010.

During the second quarter of 2009, the Company s interest rate swaps related to the $450 million senior notes due 2013 were terminated. The Company received proceeds of $12 million which were recorded as an adjustment to debt and were to be recognized as a reduction to interest expense over the remaining life of the senior notes due 2013. During the second quarter of 2010, a subsidiary of the Company redeemed the senior notes due 2013. Accordingly, the remaining unamortized proceeds from the terminated interest rate swaps were recognized in the second quarter as a reduction to interest expense.

The amortization of the proceeds from the terminated interest rate swaps reduced interest expense $10 million and $11 million for the three and six months ended June 30, 2010, respectively.

Commodity Futures Contracts Designated as Cash Flow Hedges

In North America, the Company enters into commodity futures contracts related to forecasted natural gas requirements, the objectives of which are to limit the effects of fluctuations in the future market price paid for natural gas and the related volatility in cash flows. The Company continually evaluates the natural gas market and related price risk and periodically enters into commodity futures contracts in order to hedge a portion of its usage requirements. The majority of the sales volume in North America is tied to customer contracts that contain provisions that pass the price of natural gas to the customer. In certain of these contracts, the customer has the option of fixing the natural gas price component for a specified period of time. At June 30, 2011 and 2010, the Company had entered into commodity futures contracts covering approximately 6,300,000 MM BTUs and 4,800,000 MM BTUs, respectively, primarily related to customer requests to lock the price of natural gas.

The Company accounts for the above futures contracts as cash flow hedges at June 30, 2011 and recognizes them on the balance sheet at fair value. The effective portion of changes in the fair value of a derivative that is designated as, and meets the required criteria for, a cash flow hedge is recorded in the Accumulated Other Comprehensive Income component of share owners equity (OCI) and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. At June 30, 2011 and 2010, an unrecognized loss of $2 million and $2 million, respectively, related to the commodity futures contracts was included in Accumulated OCI, and will be reclassified into earnings over the next twelve to twenty-four months. Any material portion of the change in the fair value of a derivative designated as a cash flow hedge that is deemed to be ineffective is recognized in current earnings. The ineffectiveness related to these natural gas hedges for the three and six months ended June 30, 2011 and 2010 was not material.

The effect of the commodity futures contracts on the results of operations for the three months ended June 30, 2011 and 2010 is as follows:

Amount of Gain (Loss) Recognized in OCI on Commodity Futures Contracts (Effective Portion)		**Amount of Loss Reclassified from Accumulated OCI into Income (reported in manufacturing, shipping, and delivery) (Effective Portion)**	
2011	**2010**	**2011**	**2010**
$ (1)	$ 1	$ (1)	$ (4)

The effect of the commodity futures contracts on the results of operations for the six months ended June 30, 2011 and 2010 is as follows:

Amount of Loss Recognized in OCI on Commodity Futures Contracts (Effective Portion)		**Amount of Loss Reclassified from Accumulated OCI into Income (reported in manufacturing, shipping, and delivery) (Effective Portion)**	
2011	**2010**	**2011**	**2010**
$ (2)	$ (6)	$ (3)	$ (5)

Senior Notes Designated as Net Investment Hedge

During December 2004, a U.S. subsidiary of the Company issued senior notes totaling 225 million. These notes were designated by the Company s subsidiary as a hedge of a portion of its net investment in a non-U.S. subsidiary with a Euro functional currency. Because the amount of the senior notes matched the hedged portion of the net investment, there was no hedge ineffectiveness. Accordingly, the Company recorded the impact of changes in the foreign currency exchange rate on the Euro-denominated notes in OCI. During the second quarter of 2011, the senior notes designated as the net investment hedge were redeemed by a subsidiary of the Company. The amount recorded in OCI related to this net investment hedge will be reclassified into earnings when the Company sells or liquidates its net investment in the non-U.S. subsidiary.

The effect of the net investment hedge on the results of operations for the three and six months ended June 30, 2011 and 2010 is as follows:

Amount of Gain (Loss) Recognized in OCI			
Three Months Ended June 30,		Six Months Ended June 30,	
2011	2010	2011	2010
$ (7)	$ 27	$ (25)	$ 51

Forward Exchange Contracts not Designated as Hedging Instruments

The Company s subsidiaries may enter into short-term forward exchange or option agreements to purchase foreign currencies at set rates in the future. These agreements are used to limit exposure to fluctuations in foreign currency exchange rates for significant planned purchases of fixed assets or commodities that are denominated in currencies other than the subsidiaries functional currency. Subsidiaries may also use forward exchange agreements to offset the foreign currency risk for receivables and payables, including intercompany receivables and payables, not denominated in, or indexed to, their functional currencies. The Company records these short-term forward exchange agreements on the balance sheet at fair value and changes in the fair value are recognized in current earnings.

At June 30, 2011 and 2010, various subsidiaries of the Company had outstanding forward exchange and option agreements denominated in various currencies covering the equivalent of approximately $890 million and $610 million, respectively, related primarily to intercompany transactions and loans.

The effect of the forward exchange contracts on the results of operations for the three months ended June 30, 2011 and 2010 is as follows:

Location of Gain (Loss) Recognized in Income on Forward Exchange Contracts	Amount of Gain (Loss) Recognized in Income on Forward Exchange Contracts	
	2011	2010
Other expense	$ (17)	$ 18

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The effect of the forward exchange contracts on the results of operations for the six months ended June 30, 2011 and 2010 is as follows:

Location of Gain (Loss) Recognized in Income on Forward Exchange Contracts	Amount of Gain (Loss) Recognized in Income on Forward Exchange Contracts 2011		2010	
Other expense	$	(24)	$	41

Balance Sheet Classification

The Company records the fair values of derivative financial instruments on the balance sheet as follows: (a) receivables if the instrument has a positive fair value and maturity within one year, (b) deposits, receivables, and other assets if the instrument has a positive fair value and maturity after one year, (c) other accrued liabilities or other liabilities (current) if the instrument has a negative fair value and maturity within one year, and (d) other liabilities if the instrument has a negative fair value and maturity after one year. The following table shows the amount and classification (as noted above) of the Company s derivatives:

	Balance Sheet Location		Fair Value June 30, 2011		December 31, 2010		June 30, 2010
Asset Derivatives:							
Derivatives not designated as hedging instruments:							
Foreign exchange contracts	a	$	4	$	5	$	24
Foreign exchange contracts	b				2		2
Foreign exchange contracts	c		1		1		
Total derivatives not designated as hedging instruments:			5		8		26
Total asset derivatives		$	5	$	8	$	26
Liability Derivatives:							
Derivatives designated as hedging instruments:							
Commodity futures contracts	c	$	2	$	3	$	3
Derivatives not designated as hedging instruments:							
Foreign exchange contracts	c		9		21		6
Total liability derivatives		$	11	$	24	$	9

11. Pensions Benefit Plans and Other Postretirement Benefits

The components of the net periodic pension cost for the three months ended June 30, 2011 and 2010 are as follows:

	U.S.		Non-U.S.	
	2011	**2010**	**2011**	**2010**
Service cost	$ 6	$ 7	$ 7	$ 5
Interest cost	31	33	21	18
Expected asset return	(47)	(48)	(23)	(19)
Amortization:				
Actuarial loss	21	17	6	5
Net amortization	21	17	6	5
Net periodic pension cost	$ 11	$ 9	$ 11	$ 9

The components of the net periodic pension cost for the six months ended June 30, 2011 and 2010 are as follows:

	U.S.		Non-U.S.	
	2011	**2010**	**2011**	**2010**
Service cost	$ 13	$ 13	$ 12	$ 10
Interest cost	62	66	42	38
Expected asset return	(94)	(96)	(44)	(39)
Amortization:				
Actuarial loss	42	35	12	10
Net amortization	42	35	12	10
Net periodic pension cost	$ 23	$ 18	$ 22	$ 19

The components of the net postretirement benefit cost for the three months ended June 30, 2011 and 2010 are as follows:

	U.S.		Non-U.S.	
	2011	2010	2011	2010
Service cost	$	$	$ 1	$
Interest cost	2	3	1	1
Amortization:				
Prior service credit	(1)	(1)		
Actuarial loss	2	2		
Net amortization	1	1		
Net postretirement benefit cost	$ 3	$ 4	$ 2	$ 1

The components of the net postretirement benefit cost for the six months ended June 30, 2011 and 2010 are as follows:

	U.S.		Non-U.S.	
	2011	2010	2011	2010
Service cost	$	$	$ 1	$ 1
Interest cost	5	6	2	2
Amortization:				
Prior service credit	(2)	(2)		
Actuarial loss	3	3		
Net amortization	1	1		
Net postretirement benefit cost	$ 6	$ 7	$ 3	$ 3

12. Discontinued Operations

On October 26, 2010, the Venezuelan government, through Presidential Decree No. 7.751, expropriated the assets of Owens-Illinois de Venezuela and Fabrica de Vidrios Los Andes, C.A., two of the Company s subsidiaries in that country, which in effect constituted a taking of the going concerns of those companies. Shortly after the issuance of the decree, the Venezuelan government installed temporary administrative boards to control the expropriated assets.

Since the issuance of the decree, the Company has cooperated with the Venezuelan government, as it is compelled to do under Venezuelan law, to provide for an orderly transition while ensuring the safety and well-being of the employees and the integrity of the production facilities. The Company has been engaged in negotiations with the Venezuelan government in relation to certain aspects of the expropriation, including the compensation payable by the government as a result of its expropriation. The Company reserves and will continue to reserve the right to seek and obtain just compensation, representing the market value of its investment in Venezuela, in exchange for the expropriated assets pursuant to, as appropriate, applicable domestic and/or international law. The Company is unable at this stage to predict the amount, or timing of receipt, of compensation it will ultimately receive.

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The Company considered the disposal of these assets to be complete as of December 31, 2010. As a result, and in accordance with generally accepted accounting principles, the Company has presented the results of operations for its Venezuelan subsidiaries in the Consolidated Results of Operations for the three and six months ended June 30, 2010, as discontinued operations. At June 30, 2010, the assets and liabilities of the Venezuelan operations are presented in the Consolidated Balance Sheets as the assets and liabilities of discontinued operations.

The following summarizes the revenues and expenses of the Venezuelan operations reported as discontinued operations in the Consolidated Results of Operations for the periods indicated:

	Three months ended June 30, 2010	Six months ended June 30, 2010
Net sales	$ 41	$ 77
Manufacturing, shipping, and delivery	(27)	(52)
Gross profit	14	25
Selling and administrative expense	(2)	(3)
Other expense	4	(1)
Earnings from discontinued operations before income taxes	16	21
Provision for income taxes	(4)	(6)
Net earnings from discontinued operations	12	15
Net earnings from discontinued operations attributable to noncontrolling interests	(3)	(3)
Net earnings from discontinued operations attributable to the Company	$ 9	$ 12

The net assets of the Company s Venezuelan operations were written-off as of December 31, 2010 as a result of the deconsolidation of the subsidiaries due to the loss of control. The type or amount of compensation the Company may receive from the Venezuelan government is uncertain and thus, will be recorded as a gain from discontinued operations when received. The cumulative currency translation losses relate to the devaluation of the Venezuelan bolivar in prior years and were written-off because the expropriation was a substantially complete liquidation of the Company s operations in Venezuela.

The condensed consolidated balance sheet at June 30, 2010 included the following assets and liabilities related to the discontinued operations of the Company s Venezuelan subsidiaries:

Assets:		
Cash	$	34
Accounts receivable		23
Inventories		18
Prepaid expenses		3
Total current assets		78
Other long-term assets		6
Net property, plant, and equipment		30
Total assets	$	114
Liabilities:		
Accounts payable and other current liabilities	$	25
Other long-term liabilities		15
Total liabilities	$	40

13. New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board issued guidance related to the financial statement presentation of other comprehensive income (OCI). The guidance requires that OCI be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This new guidance is effective for fiscal years, and interim periods, beginning after December 15, 2011. Adoption of this guidance only impacts presentation and disclosure of OCI, with no impact on the Company s results of operations, financial position or cash flows.

14. Financial Information for Subsidiary Guarantors and Non-Guarantors

The following presents condensed consolidating financial information for the Company, segregating: (1) Owens-Illinois, Inc., the issuer of two series of senior debentures (the Parent); (2) the two subsidiaries which have guaranteed the senior debentures on a subordinated basis (the Guarantor Subsidiaries); and (3) all other subsidiaries (the Non-Guarantor Subsidiaries). The Guarantor Subsidiaries are 100% owned direct and indirect subsidiaries of the Company and their guarantees are full, unconditional and joint and several. They have no operations and function only as intermediate holding companies.

100% owned subsidiaries are presented on the equity basis of accounting. Certain reclassifications have been made to conform all of the financial information to the financial presentation on a consolidated basis. The principal eliminations relate to investments in subsidiaries and intercompany balances and transactions.

Balance Sheet	Parent	Guarantor Subsidiaries	June 30, 2011 Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:					
Accounts receivable	$	$	$ 1,322	$	$ 1,322
Inventories			1,065		1,065
Other current assets			364		364
Total current assets			2,751		2,751
Investments in and advances to subsidiaries	2,791	2,541		(5,332)	
Goodwill			2,957		2,957
Other non-current assets			1,260		1,260
Total other assets	2,791	2,541	4,217	(5,332)	4,217
Property, plant and equipment, net			3,176		3,176
Total assets	$ 2,791	$ 2,541	$ 10,144	$ (5,332)	$ 10,144
Current liabilities :					
Accounts payable and accrued liabilities	$	$	$ 1,651	$	$ 1,651
Current portion of asbestos liability	170				170
Short-term loans and long-term debt due within one year			371		371
Total current liabilities	170		2,022		2,192
Long-term debt	250		3,969	(250)	3,969
Asbestos-related liabilities	238				238
Other non-current liabilities			1,455		1,455
Total share owners equity of the Company	2,133	2,541	2,541	(5,082)	2,133
Noncontrolling interests			157		157
Total liabilities and share owners equity	$ 2,791	$ 2,541	$ 10,144	$ (5,332)	$ 10,144

			December 31, 2010		
Balance Sheet	**Parent**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Current assets:					
Accounts receivable	$	$	$ 1,075	$	$ 1,075
Inventories			946		946
Other current assets			717		717
Total current assets			2,738		2,738
Investments in and advances to subsidiaries	2,541	2,291		(4,832)	
Goodwill			2,821		2,821
Other non-current assets			1,088		1,088
Total other assets	2,541	2,291	3,909	(4,832)	3,909
Property, plant and equipment, net			3,107		3,107
Total assets	$ 2,541	$ 2,291	$ 9,754	$ (4,832)	$ 9,754
Current liabilities :					
Accounts payable and accrued liabilities	$	$	$ 1,555	$	$ 1,555
Current portion of asbestos liability	170				170
Short-term loans and long-term debt due within one year			354		354
Total current liabilities	170		1,909		2,079
Long-term debt	250		3,924	(250)	3,924
Asbestos-related liabilities	306				306
Other non-current liabilities			1,419		1,419
Total share owners equity of the Company	1,815	2,291	2,291	(4,582)	1,815
Noncontrolling interests			211		211
Total liabilities and share owners equity	$ 2,541	$ 2,291	$ 9,754	$ (4,832)	$ 9,754

Balance Sheet		**Parent**		**Guarantor Subsidiaries**		**June 30, 2010 Non-Guarantor Subsidiaries**		**Eliminations**		**Consolidated**
Current assets:										
Accounts receivable	$		$		$	1,076	$		$	1,076
Inventories						856				856
Other current assets						718				718
Assets of discontinued operations						78				78
Total current assets						2,728				2,728
Investments in and advances to subsidiaries		2,196		1,946				(4,142)		
Goodwill						2,222				2,222
Other non-current assets						774				774
Assets of discontinued operations						36				36
Total other assets		2,196		1,946		3,032		(4,142)		3,032
Property, plant and equipment, net						2,598				2,598
Total assets	$	2,196	$	1,946	$	8,358	$	(4,142)	$	8,358
Current liabilities :										
Accounts payable and accrued liabilities	$		$		$	1,447	$		$	1,447
Current portion of asbestos liability		175								175
Short-term loans and long-term debt due within one year						272				272
Liabilities of discontinued operations						25				25
Total current liabilities		175				1,744				1,919
Liabilities of discontinued operations						15				15
Long-term debt		250				3,228		(250)		3,228
Asbestos-related liabilities		233								233
Other non-current liabilities						1,220				1,220
Total share owners equity of the Company		1,538		1,946		1,946		(3,892)		1,538
Noncontrolling interests						205				205
Total liabilities and share owners equity	$	2,196	$	1,946	$	8,358	$	(4,142)	$	8,358

	Three months ended June 30, 2011				
Results of Operations	**Parent**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net sales	$	$	$ 1,959	$	$ 1,959
Manufacturing, shipping, and delivery			(1,604)		(1,604)
Gross profit			355		355
Research, engineering, selling, administrative, and other			(172)		(172)
External interest expense	(5)		(95)		(100)
Intercompany interest expense		(5)	(5)	10	
External interest income			3		3
Intercompany interest income	5	5		(10)	
Equity earnings from subsidiaries	73	73		(146)	
Other equity earnings			19		19
Other income			5		5
Earnings before income taxes	73	73	110	(146)	110
Provision for income taxes			(32)		(32)
Earnings from continuing operations	73	73	78	(146)	78
Earnings from discontinued operations			2		2
Net earnings	73	73	80	(146)	80
Net earnings attributable to noncontrolling interest			(7)		(7)
Net earnings attributable to the Company	$ 73	$ 73	$ 73	$ (146)	$ 73

	Three months ended June 30, 2010				
Results of Operations	**Parent**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net sales	$	$	$ 1,670	$	$ 1,670
Manufacturing, shipping, and delivery			(1,287)		(1,287)
Gross profit			383		383