OWENS ILLINOIS INC /DE/
Form 10-Q
July 26, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended

June 30, 2012

or

o 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 1-9576

OWENS-ILLINOIS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**22-2781933** (IRS Employer Identification No.)
One Michael Owens Way, Perrysburg, Ohio (Address of principal executive offices)	**43551** (Zip Code)

Registrant s telephone number, including area code: **(567) 336-5000**

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 the 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 Exchange Act). Yes o No x

The number of shares of common stock, par value $.01, of Owens-Illinois, Inc. outstanding as of June 30, 2012 was 165,069,439.

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 Company s Annual Report on Form 10-K for the year ended December 31, 2011.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net sales	$ 1,766	$ 1,959	$ 3,505	$ 3,678
Manufacturing, shipping and delivery expense	(1,390)	(1,604)	(2,751)	(2,980)
Gross profit	376	355	754	698
Selling and administrative expense	(139)	(146)	(279)	(288)
Research, development and engineering expense	(17)	(18)	(32)	(34)
Interest expense	(62)	(100)	(126)	(176)
Interest income	2	3	5	6
Equity earnings	18	19	31	33
Royalties and net technical assistance	5	3	9	8
Other income	4	2	6	4
Other expense	(8)	(8)	(19)	(26)
Earnings from continuing operations before income taxes	179	110	349	225
Provision for income taxes	(41)	(32)	(85)	(60)
Earnings from continuing operations	138	78	264	165
Earnings (loss) from discontinued operations	(1)	2	(2)	1
Net earnings	137	80	262	166
Net earnings attributable to noncontrolling interests	(4)	(7)	(8)	(11)
Net earnings attributable to the Company	$ 133	$ 73	$ 254	$ 155
Amounts attributable to the Company:				
Earnings from continuing operations	$ 134	$ 71	$ 256	$ 154
Earnings (loss) from discontinued operations	(1)	2	(2)	1
Net earnings	$ 133	$ 73	$ 254	$ 155
Basic earnings per share:				
Earnings from continuing operations	$ 0.82	$ 0.43	$ 1.56	$ 0.93
Earnings (loss) from discontinued operations	(0.01)	0.01	(0.02)	0.01
Net earnings	$ 0.81	$ 0.44	$ 1.54	$ 0.94
Weighted average shares outstanding (thousands)	164,799	163,633	164,520	163,494
Diluted earnings per share:				
Earnings from continuing operations	$ 0.81	$ 0.42	$ 1.54	$ 0.92
Earnings (loss) from discontinued operations	(0.01)	0.01	(0.02)	0.01
Net earnings	$ 0.80	$ 0.43	$ 1.52	$ 0.93
Weighted average diluted shares outstanding (thousands)	165,930	166,271	166,062	166,193

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net earnings	$ 137	$ 80	$ 262	$ 166
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(207)	122	(108)	196
Pension and other postretirement benefit adjustments	33	26	57	46
Change in fair value of derivative instruments	3		3	1
Other comprehensive income (loss)	(171)	148	(48)	243
Total comprehensive income (loss)	(34)	228	214	409
Comprehensive income attributable to noncontrolling interests	(1)	(12)	(12)	(20)
Comprehensive income (loss) attributable to the Company	$ (35)	$ 216	$ 202	$ 389

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)

	June 30, 2012	December 31, 2011	June 30, 2011
Assets			
Current assets:			
Cash and cash equivalents	$ 336	$ 400	$ 260
Receivables, less allowances for losses and discounts ($40 at June 30, 2012, $38 at December 31, 2011, and $41 at June 30, 2011)	1,173	1,158	1,322
Inventories	1,223	1,061	1,114
Prepaid expenses	115	124	104
Total current assets	2,847	2,743	2,800
Investments and other assets:			
Equity investments	292	315	330
Repair parts inventories	149	155	156
Pension assets	115	116	63
Other assets	687	687	711
Goodwill	2,023	2,082	2,957
Total other assets	3,266	3,355	4,217
Property, plant and equipment, at cost	6,777	6,899	7,416
Less accumulated depreciation	4,056	4,022	4,240
Net property, plant and equipment	2,721	2,877	3,176
Total assets	$ 8,834	$ 8,975	$ 10,193

CONDENSED CONSOLIDATED BALANCE SHEETS Continued

		June 30, 2012		December 31, 2011		June 30, 2011
Liabilities and Share Owners Equity						
Current liabilities:						
Short-term loans and long-term debt due within one year	$	452	$	406	$	371
Current portion of asbestos-related liabilities		165		165		170
Accounts payable		909		1,038		985
Other liabilities		588		636		666
Total current liabilities		2,114		2,245		2,192
Long-term debt		3,567		3,627		3,969
Deferred taxes		204		212		234
Pension benefits		817		871		564
Nonpension postretirement benefits		266		269		259
Other liabilities		374		404		398
Asbestos-related liabilities		248		306		238
Commitments and contingencies						
Share owners equity:						
Share owners equity of the Company:						
Common stock, par value $.01 per share, 250,000,000 shares authorized, 181,726,093, 181,174,050, and 181,192,253 shares issued (including treasury shares), respectively		2		2		2
Capital in excess of par value		3,000		2,991		2,986
Treasury stock, at cost, 16,656,654, 16,799,903 and 16,991,597 shares, respectively		(402)		(405)		(410)
Retained earnings (loss)		(125)		(379)		276
Accumulated other comprehensive loss		(1,373)		(1,321)		(672)
Total share owners equity of the Company		1,102		888		2,182
Noncontrolling interests		142		153		157
Total share owners equity		1,244		1,041		2,339
Total liabilities and share owners equity	$	8,834	$	8,975	$	10,193

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED CASH FLOWS

(Dollars in millions)

	Six months ended June 30, 2012	2011
Cash flows from operating activities:		
Net earnings	$ 262	$ 166
(Earnings) loss from discontinued operations	2	(1)
Non-cash charges (credits):		
Depreciation	191	208
Amortization of intangibles and other deferred items	16	9
Amortization of finance fees and debt discount	16	16
Pension expense	44	44
Restructuring		12
Other	31	17
Pension contributions	(39)	(27)
Asbestos-related payments	(58)	(68)
Cash paid for restructuring activities	(40)	(13)
Change in non-current assets and liabilities	(39)	(52)
Change in components of working capital	(380)	(219)
Cash provided by continuing operating activities	6	92
Cash provided by (utilized in) discontinued operating activities	(2)	2
Total cash provided by operating activities	4	94
Cash flows from investing activities:		
Additions to property, plant and equipment	(124)	(153)
Acquisitions, net of cash acquired	(5)	(147)
Net cash proceeds related to sale of assets and other	20	
Proceeds from collection of minority partner loan	9	
Cash utilized in investing activities	(100)	(300)
Cash flows from financing activities:		
Additions to long-term debt	119	1,451
Repayments of long-term debt	(128)	(1,644)
Increase in short-term loans	31	61
Net receipts (payments) for hedging activity	27	(9)
Payment of finance fees		(18)
Dividends paid to noncontrolling interests	(23)	(31)
Issuance of common stock and other	1	2
Cash provided by (utilized in) financing activities	27	(188)
Effect of exchange rate fluctuations on cash	5	14
Decrease in cash	(64)	(380)
Cash at beginning of period	400	640
Cash at end of period	$ 336	$ 260

See accompanying notes.

OWENS-ILLINOIS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Tabular data dollars in millions, except per share amounts

1. Change in Accounting Method

Effective January 1, 2012, the Company elected to change the method of valuing U.S. inventories to the average cost method, while in prior years these inventories were valued using the last-in, first-out (LIFO) method. The Company believes the average cost method is preferable as it conforms the inventory costing methods globally, improves comparability with industry peers and better reflects the current value of inventory on the consolidated balance sheets. All prior periods presented have been adjusted to apply the new method retrospectively.

There was no effect of the change on the condensed consolidated results of operations for the three months ended June 30, 2011. The effect of the change for the six months ended June 30, 2011 is as follows:

	As originally reported under LIFO	Effect of Change	As Adjusted
Manufacturing, shipping and delivery expense	$ (2,990)	$ 10	$ (2,980)
Amounts attributable to the Company:			
Net earnings from continuing operations	144	10	154
Basic earnings per share from continuing operations	0.87	0.06	0.93
Diluted earnings per share from continuing operations	0.86	0.06	0.92

The effect of the change on the condensed consolidated balance sheets as of December 31, 2011 and June 30, 2011 is as follows:

December 31, 2011	As originally reported under LIFO	Effect of Change	As Adjusted
Assets:			
Inventories	$ 1,012	$ 49	$ 1,061
Share owners equity:			
Retained earnings (loss)	(428)	49	(379)
June 30, 2011			
Assets:			
Inventories	$ 1,065	$ 49	$ 1,114
Share owners equity:			
Retained earnings	227	49	276

The effect of the change on the consolidated share owners equity as of January 1, 2011 is as follows:

	As originally reported under LIFO	Effect of Change	As Adjusted
Retained earnings	$ 82	$ 39	$ 121

The effect of the change on the condensed consolidated cash flows for the six months ended June 30, 2011 is as follows:

	As originally reported under LIFO	Effect of Change	As Adjusted
Net earnings	$ 156	$ 10	$ 166
Change in components of working capital	(209)	(10)	(219)

Had the Company not made this change in accounting method, manufacturing, shipping and delivery expense for the three and six months ended June 30, 2012 would have been higher by $7 million and $1 million, respectively, and net earnings attributable to the Company would have been lower by $7 million and $1 million, respectively, than reported in the condensed consolidated results of operations. In addition, both basic and diluted earnings per share would have been lower by $0.04 and $0.01 for the three and six months ended June 30, 2012, respectively.

2. Earnings Per Share

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

	Three months ended June 30, 2012		Three months ended June 30, 2011	
Numerator:				
Net earnings attributable to the Company	$	133	$	73
Denominator (in thousands):				
Denominator for basic earnings per share - weighted average shares outstanding		164,799		163,633
Effect of dilutive securities:				
Stock options and other		1,131		2,638
Denominator for diluted earnings per share - adjusted weighted average shares outstanding		165,930		166,271
Basic earnings per share:				
Earnings from continuing operations	$	0.82	$	0.43
Earnings (loss) from discontinued operations		(0.01)		0.01
Net earnings	$	0.81	$	0.44
Diluted earnings per share:				
Earnings from continuing operations	$	0.81	$	0.42
Earnings (loss) from discontinued operations		(0.01)		0.01
Net earnings	$	0.80	$	0.43

Options to purchase 2,118,603 and 1,338,432 weighted average shares of common stock which were outstanding during the three months ended June 30, 2012 and 2011, 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, 2012	Six months ended June 30, 2011
Numerator:		
Net earnings attributable to the Company	$ 254	$ 155
Denominator (in thousands):		
Denominator for basic earnings per share - weighted average shares outstanding	164,520	163,494
Effect of dilutive securities:		
Stock options and other	1,542	2,699
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	166,062	166,193
Basic earnings per share:		
Earnings from continuing operations	$ 1.56	$ 0.93
Earnings (loss) from discontinued operations	(0.02)	0.01
Net earnings	$ 1.54	$ 0.94
Diluted earnings per share:		
Earnings from continuing operations	$ 1.54	$ 0.92
Earnings (loss) from discontinued operations	(0.02)	0.01
Net earnings	$ 1.52	$ 0.93

Options to purchase 1,908,925 and 1,147,767 weighted average shares of common stock which were outstanding during the six months ended June 30, 2012 and 2011, 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, 2012 and 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.

3. Debt

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

	June 30, 2012	December 31, 2011	June 30, 2011
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$	$	$ 125
Term Loans:			
Term Loan A (170 million AUD)	173	173	183
Term Loan B	600	600	600
Term Loan C (116 million CAD)	113	114	120
Term Loan D (141 million)	177	182	205
Senior Notes:			
3.00%, Exchangeable, due 2015	633	624	615
7.375%, due 2016	589	588	586
6.875%, due 2017 (300 million)	377	388	435
6.75%, due 2020 (500 million)	628	647	725
Senior Debentures:			
7.80%, due 2018	250	250	250
Other	128	137	161
Total long-term debt	3,668	3,703	4,005
Less amounts due within one year	101	76	36
Long-term debt	$ 3,567	$ 3,627	$ 3,969

On May 19, 2011, the Company s subsidiary borrowers entered into the Secured Credit Agreement (the Agreement). At June 30, 2012, 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, 2012, the Company s subsidiary borrowers had unused credit of $807 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at June 30, 2012 was 2.74%.

The Company has a 280 million European accounts receivable securitization program, which extends through September 2016, subject to annual renewal of backup credit lines. Information related to the Company s accounts receivable securitization program is as follows:

	June 30, 2012	December 31, 2011	June 30, 2011
Balance (included in short-term loans)	$ 302	$ 281	$ 312
Weighted average interest rate	1.42%	2.41%	2.69%

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 based on published market quotations, and are classified as Level 1 in the fair value hierarchy.

Fair values at June 30, 2012 of the Company s significant fixed rate debt obligations are as follows:

	Principal Amount	Indicated Market Price	Fair Value
Senior Notes:			
3.00%, Exchangeable, due 2015	$ 690	95.76	$ 661
7.375%, due 2016	600	111.88	671
6.875%, due 2017 (300 million)	377	103.63	391
6.75%, due 2020 (500 million)	628	106.34	668
Senior Debentures:			
7.80%, due 2018	250	113.50	284

4. Supplemental Cash Flow Information

	Six months ended June 30, 2012	2011
Interest paid in cash	$ 123	$ 148
Income taxes paid in cash:		
U.S.	$ 1	$ 1
Non-U.S.	71	63
Total income taxes paid in cash	$ 72	$ 64

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.

Proceeds from collection of minority partner loan in 2012 represents cash received from one of the Company s noncontrolling partners in South America as repayment of a loan.

5. Share Owners Equity

The activity in share owners equity for the three months ended June 30, 2012 and 2011 is as follows:

	Share Owners Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Loss	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners Equity
Balance on April 1, 2012	$ 2	$ 2,996	$ (404)	$ (258)	$ (1,205)	$ 164	$ 1,295
Issuance of common stock (0.1 million shares)		1					1
Reissuance of common stock (0.07 million shares)			2				2
Stock compensation		3					3
Comprehensive income (loss):							
Net earnings				133		4	137
Foreign currency translation adjustments					(204)	(3)	(207)
Pension and other postretirement benefit adjustments, net of tax					33		33
Change in fair value of derivative instruments, net of tax					3		3
Dividends paid to noncontrolling interests on subsidiary common stock						(23)	(23)
Balance on June 30, 2012	$ 2	$ 3,000	$ (402)	$ (125)	$ (1,373)	$ 142	$ 1,244

	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)	$ 203	$ (806)	$ 201	$ 2,230
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)	$	276	$	(672)	$	157	$	2,339

The activity in share owners equity for the six months ended June 30, 2012 and 2011 is as follows:

	Share Owners Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Loss	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners Equity
Balance on January 1, 2012	$ 2	$ 2,991	$ (405)	$ (379)	$ (1,321)	$ 153	$ 1,041
Issuance of common stock (0.2 million shares)		2					2
Reissuance of common stock (0.1 million shares)			3				3
Stock compensation		7					7
Comprehensive income:							
Net earnings				254		8	262
Foreign currency translation adjustments					(112)	4	(108)
Pension and other postretirement benefit adjustments, net of tax					57		57
Change in fair value of derivative instruments, net of tax					3		3
Dividends paid to noncontrolling interests on subsidiary common stock						(23)	(23)
Balance on June 30, 2012	$ 2	$ 3,000	$ (402)	$ (125)	$ (1,373)	$ 142	$ 1,244

	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)	$ 121	$ (897)	$ 211	$ 2,065
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				155		11	166
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)	$ 276	$ (672)	$ 157	$ 2,339

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.

6. Inventories

Major classes of inventory are as follows:

	June 30, 2012	December 31, 2011	June 30, 2011
Finished goods	$ 1,054	$ 891	$ 936
Raw materials	124	123	124
Operating supplies	45	47	54
	$ 1,223	$ 1,061	$ 1,114

7. 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, 2012, the Company has determined that it is a named defendant in asbestos lawsuits and claims involving approximately 4,700 plaintiffs and claimants. Based on an analysis of the lawsuits pending as of December 31, 2011, approximately 71% 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 27% 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, 2012 there are approximately 350 claims against other defendants which are likely to be asserted some time in the future against the Company.

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, 2012, has disposed of the asbestos claims of approximately 388,000 plaintiffs and claimants at an average indemnity payment per claim of approximately $8,200. Certain of these dispositions have included deferred amounts payable over a number of years. Deferred amounts payable totaled approximately $34 million at June 30, 2012 ($18 million at December 31, 2011) 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 $4.0 billion through 2011, 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, 2012. 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.

The Company s reported results of operations for 2011 were materially affected by the $165 million 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.

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.

8. 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.

In prior periods, pension expense was recorded in each segment related to the pension plans in place in that segment, with the exception of the U.S. pension plans which were recorded in Retained corporate costs and other. Effective January 1, 2012, the Company changed the allocation of pension expense to its reportable segments such that pension expense recorded in each segment relates only to the service cost component of the plans in that segment. The other components of pension expense, including interest cost, expected asset returns and amortization of actuarial losses, are recorded in Retained corporate costs and other. This change in allocation has been applied retrospectively to all periods. Also effective January 1, 2012, the Company elected to change the method of valuing U.S. inventories (see Note 1 for additional information).

There is no impact of the change in accounting method for inventory on Segment Operating Profit for the three months ended June 30, 2011. The impact of the change in pension expense allocation is as follows:

	As Originally Reported	Change in Pension Allocation	As Adjusted
Segment Operating Profit:			
Europe	$ 107	$ 5	$ 112
North America	56	(6)	50
South America	53		53
Asia Pacific	9		9
Reportable segment totals	225	(1)	224
Retained corporate costs and other	(14)	1	(13)

The impact of the changes in pension expense allocation and accounting method for inventory on Segment Operating Profit for the six months ended June 30, 2011 is as follows:

	As Originally Reported	Change in Pension Allocation	Change in Accounting Method for Inventory	As Adjusted
Segment Operating Profit:				
Europe	$ 178	$ 10	$	$ 188
North America	115	(12)	10	113
South America	98			98
Asia Pacific	33			33
Reportable segment totals	424	(2)	10	432
Retained corporate costs and other	(27)	2		(25)

Financial information for the three-month periods ended June 30, 2012 and 2011 regarding the Company s reportable segments is as follows:

	2012	2011
Net sales:		
Europe	$ 731	$ 887
North America	516	506
South America	282	302
Asia Pacific	230	246
Reportable segment totals	1,759	1,941
Other	7	18
Net sales	$ 1,766	$ 1,959

		2012		2011
Segment Operating Profit:				
Europe	$	107	$	112
North America		96		50
South America		47		53
Asia Pacific		16		9
Reportable segment totals		266		224
Items excluded from Segment Operating Profit:				
Retained corporate costs and other		(27)		(13)
Restructuring				(4)
Interest income		2		3
Interest expense		(62)		(100)
Earnings from continuing operations before income taxes	$	179	$	110

Financial information for the six-month periods ended June 30, 2012 and 2011 regarding the Company s reportable segments is as follows:

		2012		2011
Net sales:				
Europe	$	1,436	$	1,585
North America		998		969
South America		559		571
Asia Pacific		487		508
Reportable segment totals		3,480		3,633
Other		25		45
Net sales	$	3,505	$	3,678

		2012		2011
Segment Operating Profit:				
Europe	$	215	$	188
North America		174		113
South America		85		98
Asia Pacific		52		33
Reportable segment totals		526		432
Items excluded from Segment Operating Profit:				
Retained corporate costs and other		(56)		(25)
Restructuring				(12)
Interest income		5		6
Interest expense		(126)		(176)
Earnings from continuing operations before income taxes	$	349	$	225

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

	June 30, 2012	December 31, 2011	June 30, 2011
Total assets:			
Europe	$ 3,544	$ 3,588	$ 3,954
North America	2,055	2,020	2,042
South America	1,583	1,682	1,802
Asia Pacific	1,318	1,379	2,109
Reportable segment totals	8,500	8,669	9,907
Other	334	306	286
Consolidated totals	$ 8,834	$ 8,975	$ 10,193

9. Other Expense

Other expense for the three 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 10 for additional information.

10. Restructuring Accruals

Selected information related to the restructuring accruals for the three and six months ended June 30, 2012 and 2011 is as follows:

	Strategic Footprint Review	Asia Pacific Restructuring	Other Restructuring Actions	Total Restructuring
Balance at January 1, 2012	$ 37	$ 17	$ 49	$ 103
Net cash paid, principally severance and related benefits	(2)	(11)	(17)	(30)
Other, including foreign exchange translation			3	3
Balance at March 31, 2012	35	6	35	76
Second quarter 2012 charges	(1)	(1)	2	
Net cash paid, principally severance and related benefits	(1)	(2)	(7)	(10)
Write-down of assets to net realizable value			(2)	(2)
Other, including foreign exchange translation	(4)		(4)	(8)
Balance at June 30, 2012	$ 29	$ 3	$ 24	$ 56
Balance at January 1, 2011	$ 52	$	$ 27	$ 79
First quarter 2011 charges		8		8
Net cash paid, principally severance and related benefits	(4)			(4)
Other, including foreign exchange translation	2			2
Balance at March 31, 2011	50	8	27	85
Second quarter 2011 charges		4		4

Net cash paid, principally severance and related benefits		(2)		(7)				(9)
Other, including foreign exchange translation						(2)		(2)
Balance at June 30, 2011	$	48	$	5	$	25	$	78

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.

11. Derivative Instruments

The Company has certain derivative assets and liabilities which consist of natural gas forwards and foreign exchange option and forward contracts. The Company uses an income approach to valuing these contracts. 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.

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, 2012 and 2011, the Company had entered into commodity futures contracts covering approximately 6,200,000 MM BTUs and 6,300,000 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, 2012 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, 2012 and 2011, an unrecognized loss of $3 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, 2012 and 2011 was not material.

The effect of the commodity futures contracts on the results of operations for the three months ended June 30, 2012 and 2011 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)	
2012	**2011**	**2012**	**2011**
$ 1	$ (1)	$ (2)	$ (1)

The effect of the commodity futures contracts on the results of operations for the six months ended June 30, 2012 and 2011 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)	
2012	**2011**	**2012**	**2011**
$ (2)	$ (2)	$ (5)	$ (3)

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. The amount of loss recognized in OCI related to this net investment hedge for the three and six months ended June 30, 2011 was $7 million and $25 million, respectively. 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.

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, 2012 and 2011, various subsidiaries of the Company had outstanding forward exchange and option agreements denominated in various currencies covering the equivalent of approximately $590 million and $890 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, 2012 and 2011 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**			
	2012		**2011**	
Other expense	$	9	$	(17)

The effect of the forward exchange contracts on the results of operations for the six months ended June 30, 2012 and 2011 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**			
	2012		**2011**	
Other expense	$	10	$	(24)

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, 2012	December 31, 2011	June 30, 2011
Asset Derivatives:				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	a	$ 2	$ 13	$ 4
Foreign exchange contracts	b	1		
Foreign exchange contracts	c			1
Total derivatives not designated as hedging instruments		3	13	5
Total asset derivatives		$ 3	$ 13	$ 5
Liability Derivatives:				
Derivatives designated as hedging instruments:				
Commodity futures contracts	c	$ 3	$ 6	$ 2
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	c	5	4	9
Total liability derivatives		$ 8	$ 10	$ 11

12. Pensions Benefit Plans and Other Postretirement Benefits

The components of the net periodic pension cost for the three months ended June 30, 2012 and 2011 are as follows:

	U.S.		Non-U.S.	
	2012	2011	2012	2011
Service cost	$ 7	$ 6	$ 6	$ 7
Interest cost	29	31	18	21
Expected asset return	(46)	(47)	(22)	(23)
Amortization:				
Actuarial loss	24	21	6	6
Net periodic pension cost	$ 14	$ 11	$ 8	$ 11

The components of the net periodic pension cost for the six months ended June 30, 2012 and 2011 are as follows:

	U.S.		Non-U.S.	
	2012	2011	2012	2011
Service cost	$ 14	$ 13	$ 13	$ 12
Interest cost	57	62	37	42
Expected asset return	(92)	(94)	(44)	(44)
Amortization:				
Actuarial loss	48	42	11	12
Net periodic pension cost	$ 27	$ 23	$ 17	$ 22

The components of the net postretirement benefit cost for the three months ended June 30, 2012 and 2011 are as follows:

	U.S.		Non-U.S.	
	2012	2011	2012	2011
Service cost	$	$	$ 1	$ 1
Interest cost	2	2	1	1
Amortization:				
Prior service credit	(1)	(1)		
Actuarial loss	2	2		
Net amortization	1	1		
Net postretirement benefit cost	$ 3	$ 3	$ 2	$ 2

The components of the net postretirement benefit cost for the six months ended June 30, 2012 and 2011 are as follows:

	U.S.		Non-U.S.	
	2012	2011	2012	2011
Service cost	$ 1	$	$ 1	$ 1
Interest cost	4	5	2	2
Amortization:				
Prior service credit	(2)	(2)		
Actuarial loss	3	3		
Net amortization	1	1		
Net postretirement benefit cost	$ 6	$ 6	$ 3	$ 3

13. Income Taxes

The Company performs a quarterly review of the annual effective tax rate and makes changes if necessary based on new information or events. The estimated annual effective tax rate is forecasted quarterly using actual historical information and forward-looking estimates. The estimated annual effective tax rate may fluctuate due to changes in forecasted annual operating income; changes in the forecasted mix of earnings by country; changes to the valuation allowance for deferred tax assets (such changes would be recorded discretely in the quarter in which they occur); changes to actual or forecasted permanent book to tax differences (non-deductible expenses); impacts from future tax settlements with state, federal or foreign tax authorities (such changes would be recorded discretely in the quarter in which they occur); or impacts from tax law changes. To the extent such changes impact deferred tax assets/liabilities, these changes would generally be recorded discretely in the quarter in which they occur. Additionally, the annual effective tax rate differs from the statutory U.S. Federal tax rate of 35% primarily because of valuation allowances in some jurisdictions and varying non-U.S. tax rates.

The Company records a liability for unrecognized tax benefits related to uncertain tax positions. The Company recorded a decrease of $35 million to the estimated liability associated with uncertain tax positions in the six months ended June 30, 2012. The Company believes that it is reasonably possible that unrecognized tax benefits could decrease up to $30 million within the next 12 months. This is primarily the result of audit settlements or statute expirations in several taxing jurisdictions.

14. 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. On September 26, 2011, the Company, having been unable to reach an

agreement with the Venezuelan government regarding fair compensation, commenced an arbitration against Venezuela through the World Bank s International Centre for Settlement of Investment Disputes. The Company is unable at this stage to predict the amount, or timing of receipt, of compensation it will ultimately receive.

15. 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 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.

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, 2012 Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Current assets:					
Accounts receivable	$	$	$ 1,173	$	$ 1,173
Inventories			1,223		1,223
Other current assets			451		451
Total current assets			2,847		2,847
Investments in and advances to subsidiaries	1,765	1,515		(3,280)	
Goodwill			2,023		2,023
Other non-current assets			1,243		1,243
Total other assets	1,765	1,515	3,266	(3,280)	3,266
Property, plant and equipment, net			2,721		2,721
Total assets	$ 1,765	$ 1,515	$ 8,834	$ (3,280)	$ 8,834
Current liabilities :					
Accounts payable and accrued liabilities	$	$	$ 1,497	$	$ 1,497
Current portion of asbestos liability	165				165
Short-term loans and long-term debt due within one year			452		452
Total current liabilities	165		1,949		2,114
Long-term debt	250		3,567	(250)	3,567
Asbestos-related liabilities	248				248
Other non-current liabilities			1,661		1,661
Total share owners equity of the Company	1,102	1,515	1,515	(3,030)	1,102
Noncontrolling interests			142		142
Total liabilities and share owners equity	$ 1,765	$ 1,515	$ 8,834	$ (3,280)	$ 8,834

	December 31, 2011				
Balance Sheet	**Parent**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Current assets:					
Accounts receivable	$	$	$ 1,158	$	$ 1,158
Inventories			1,061		1,061
Other current assets			524		524
Total current assets			2,743		2,743
Investments in and advances to subsidiaries	1,609	1,359		(2,968)	
Goodwill			2,082		2,082
Other non-current assets			1,273		1,273
Total other assets	1,609	1,359	3,355	(2,968)	3,355
Property, plant and equipment, net			2,877		2,877
Total assets	$ 1,609	$ 1,359	$ 8,975	$ (2,968)	$ 8,975
Current liabilities :					
Accounts payable and accrued liabilities	$	$	$ 1,674	$	$ 1,674
Current portion of asbestos liability	165				165
Short-term loans and long-term debt due within one year			406		406
Total current liabilities	165		2,080		2,245
Long-term debt	250		3,627	(250)	3,627
Asbestos-related liabilities	306				306
Other non-current liabilities			1,756		1,756
Total share owners equity of the Company	888	1,359	1,359	(2,718)	888
Noncontrolling interests			153		153
Total liabilities and share owners equity	$ 1,609	$ 1,359	$ 8,975	$ (2,968)	$ 8,975

Balance Sheet	Parent	Guarantor Subsidiaries	June 30, 2011 Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:					
Accounts receivable	$	$	$ 1,322	$	$ 1,322
Inventories			1,114		1,114
Other current assets			364		364
Total current assets			2,800		2,800
Investments in and advances to subsidiaries	2,840	2,590		(5,430)	
Goodwill			2,957		2,957
Other non-current assets			1,260		1,260
Total other assets	2,840	2,590	4,217	(5,430)	4,217
Property, plant and equipment, net			3,176		3,176
Total assets	$ 2,840	$ 2,590	$ 10,193	$ (5,430)	$ 10,193
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	2,182	2,590	2,590	(5,180)	2,182
Noncontrolling interests			157		157
Total liabilities and share owners equity	$ 2,840	$ 2,590	$ 10,193	$ (5,430)	$ 10,193

	Three months ended June 30, 2012				
Results of Operations	**Parent**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net sales	$	$	$ 1,766	$	$ 1,766
Manufacturing, shipping and delivery			(1,390)		(1,390)
Gross profit			376		376
Research, engineering, selling, administrative, and other			(164)		(164)
Net intercompany interest	5		(5)		
Interest expense	(5)		(57)		(62)
Interest income			2		2
Equity earnings from subsidiaries	133	133		(266)	
Other equity earnings			18		18
Other income			9		9
Earnings before income taxes	133	133	179	(266)	179
Provision for income taxes			(41)		(41)
Earnings from continuing operations	133	133	138	(266)	138
Loss from discontinued operations			(1)		(1)
Net earnings	133	133	137	(266)	137
Net earnings attributable to noncontrolling interests			(4)		(4)
Net earnings attributable to the Company	$ 133	$ 133	$ 133	$ (266)	$ 133

	Three months ended June 30, 2012				
Comprehensive Income	**Parent**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net earnings	$ 133	$ 133	$ 137	$ (266)	$ 137
Other comprehensive income (loss)	(168)	(168)	(196)	361	(171)
Total comprehensive income (loss)	(35)	(35)	(59)	95	(34)
Comprehensive income attributable to noncontrolling interests			(1)		(1)
Comprehensive income (loss) attributable to the Company	$ (35)	$ (35)	$ (60)	$ 95	$ (35)

Three months ended June 30, 2011