

OWENS ILLINOIS INC /DE/
Form 10-Q
July 25, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2013

or

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

For the transition period from to

Commission file number 1-9576

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 No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The number of shares of common stock, par value \$.01, of Owens-Illinois, Inc. outstanding as of June 30, 2013 was 164,358,692.

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, 2012.

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OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net sales	\$ 1,781	\$ 1,766	\$ 3,422	\$ 3,505
Manufacturing, shipping and delivery expense	(1,412)	(1,390)	(2,734)	(2,751)
Gross profit	369	376	688	754
Selling and administrative expense	(129)	(139)	(258)	(279)
Research, development and engineering expense	(15)	(17)	(30)	(32)
Interest expense	(57)	(62)	(128)	(126)
Interest income	1	2	4	5
Equity earnings	16	18	33	31
Royalties and net technical assistance	4	5	8	9
Other income	3	4	6	6
Other expense	(15)	(8)	(29)	(19)
Earnings from continuing operations before income taxes	177	179	294	349
Provision for income taxes	(37)	(41)	(70)	(85)
Earnings from continuing operations	140	138	224	264
Loss from discontinued operations	(3)	(1)	(13)	(2)
Net earnings	137	137	211	262
Net earnings attributable to noncontrolling interests	(5)	(4)	(10)	(8)
Net earnings attributable to the Company	\$ 132	\$ 133	\$ 201	\$ 254
Amounts attributable to the Company:				
Earnings from continuing operations	\$ 135	\$ 134	\$ 214	\$ 256
Loss from discontinued operations	(3)	(1)	(13)	(2)
Net earnings	\$ 132	\$ 133	\$ 201	\$ 254
Basic earnings per share:				
Earnings from continuing operations	\$ 0.82	\$ 0.82	\$ 1.30	\$ 1.56
Loss from discontinued operations	(0.02)	(0.01)	(0.08)	(0.02)
Net earnings	\$ 0.80	\$ 0.81	\$ 1.22	\$ 1.54
Weighted average shares outstanding (thousands)	164,369	164,799	164,220	164,520
Diluted earnings per share:				
Earnings from continuing operations	\$ 0.81	\$ 0.81	\$ 1.29	\$ 1.54
Loss from discontinued operations	(0.02)	(0.01)	(0.08)	(0.02)
Net earnings	\$ 0.79	\$ 0.80	\$ 1.21	\$ 1.52
Weighted average diluted shares outstanding (thousands)	165,731	165,930	165,617	166,062

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net earnings	\$ 137	\$ 137	\$ 211	\$ 262
Other comprehensive income (loss):				
Foreign currency translation adjustments	(162)	(207)	(194)	(108)
Pension and other postretirement benefit adjustments, net of tax	90	33	135	57
Change in fair value of derivative instruments	(4)	3		3
Other comprehensive loss	(76)	(171)	(59)	(48)
Total comprehensive income (loss)	61	(34)	152	214
Comprehensive income attributable to noncontrolling interests	(3)	(1)	(4)	(12)
Comprehensive income (loss) attributable to the Company	\$ 58	\$ (35)	\$ 148	\$ 202

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)

	June 30, 2013	December 31, 2012	June 30, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$ 249	\$ 431	\$ 336
Receivables, less allowances for losses and discounts (\$42 at June 30, 2013, \$41 at December 31, 2012, and \$40 at June 30, 2012)	1,159	968	1,173
Inventories	1,175	1,139	1,223
Prepaid expenses	110	110	115
Total current assets	2,693	2,648	2,847
Investments and other assets:			
Equity investments	290	294	292
Repair parts inventories	129	133	149
Pension assets			115
Other assets	667	675	687
Goodwill	2,031	2,079	2,023
Total other assets	3,117	3,181	3,266
Property, plant and equipment, at cost	6,420	6,667	6,777
Less accumulated depreciation	3,820	3,898	4,056
Net property, plant and equipment	2,600	2,769	2,721
Total assets	\$ 8,410	\$ 8,598	\$ 8,834

CONDENSED CONSOLIDATED BALANCE SHEETS Continued

	June 30, 2013	December 31, 2012	June 30, 2012
Liabilities and Share Owners Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 437	\$ 319	\$ 452
Current portion of asbestos-related liabilities	155	155	165
Accounts payable	982	1,032	909
Other liabilities	545	656	588
Total current liabilities	2,119	2,162	2,114
Long-term debt	3,336	3,454	3,567
Deferred taxes	190	182	204
Pension benefits	805	846	817
Nonpension postretirement benefits	199	264	266
Other liabilities	310	329	374
Asbestos-related liabilities	257	306	248
Commitments and contingencies			