INTERNATIONAL BUSINESS MACHINES CORP
Form 4
July 16, 2007

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HORN PAUL M
(Last) (First) (Middle)
IBM CORPORATION, P.O. BOX 218
(Street)
YORKTOWN HEIGHTS, NY 10598
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
INTERNATIONAL BUSINESS MACHINES CORP [IBM]

3. Date of Earliest Transaction (Month/Day/Year)
07/13/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number	6. Date Exercisable and Expiration Date	7. Title and Amount of Underlying Securities	8. Price of Derivative

Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)		of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		(Month/Day/Year)		(Instr. 3 and 4)		Security (Instr. 5)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Stock Unit	$ 0 (1)	07/13/2007		A (2)		5		(3)	(3)	Common Stock	5	$ 0

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HORN PAUL M IBM CORPORATION P.O. BOX 218 YORKTOWN HEIGHTS, NY 10598			Senior Vice President	

Signatures

D. Cummins for P. M. Horn by power-of-attorney	07/16/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Phantom stock units convert to the cash value of the company's common stock on a one-for-one basis.

(2) Acquisition of phantom stock units under the IBM Executive Deferred Compensation Plan.

(3) Distribution of phantom stock units under the IBM Executive Deferred Compensation Plan is deferred until separation from the company.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. e White Cap closures operations from Amcor Limited. -20- RESULTS OF OPERATIONS The following table sets forth certain unaudited income statement data expressed as a percentage of net sales for the periods presented: Three Months Ended Six Months Ended ------------------ ---------------- June 30, June 30, June 30, June 30, 2008 2007 2008 2007 ---- ---- ---- ---- Net sales Metal food containers 51.3% 53.4% 51.5% 53.2% Plastic containers 22.7 23.0 24.0 24.0 Closures 26.0 23.6 24.5 22.8 ----- ----- ----- ----- Consolidated 100.0 100.0 100.0 100.0 Cost of goods sold 85.3 85.5 86.0 85.1 ----- ----- ----- ----- Gross profit 14.7 14.5 14.0 14.9 Selling, general and administrative expenses 5.5 5.6 5.4 5.6 Rationalization charges 0.4 0.3 0.5 0.3 ----- ----- ----- ----- Income from operations 8.8 8.6 8.1 9.0 Interest and other debt expense 2.0 2.5 2.2 2.5 ----- ----- ----- ----- Income before income taxes 6.8 6.1 5.9 6.5 Provision for income taxes 2.3 2.2 2.1 2.4 ----- ----- ----- ----- Net income 4.5% 3.9% 3.8% 4.1%

===== ===== ===== ===== Summary unaudited results of operations for the three and six months ended June 30, 2008 and 2007 are provided below. Three Months Ended Six Months Ended ------------------ ---------------- June 30, June 30, June 30, June 30, 2008 2007 2008 2007 ---- ---- ---- ---- (Dollars in millions) Net sales Metal food containers $377.5 $365.0 $ 728.7 $ 710.6 Plastic containers 166.9 157.2 339.0 319.6 Closures 190.9 161.4 347.4 304.2 ------ ------ -------- -------- Consolidated $735.3 $683.6 $1,415.1 $1,334.4 ====== ====== ======== ======== Income from operations Metal food containers (1) $ 33.1 $ 27.7 $ 58.2 $ 56.5 Plastic containers (2) 13.6 12.4 26.2 32.2 Closures (3) 21.8 20.8 36.3 36.6 Corporate (3.6) (2.4) (5.9) (4.7) ------ ------ -------- ------ Consolidated $ 64.9 $ 58.5 $ 114.8 $120.6 ====== ====== ======== ====== ------------ (1) Includes rationalization charges of $2.0 million and $2.1 million for the three months ended June 30, 2008 and 2007, respectively, and $3.3 million and $3.2 million for the six months ended June 30, 2008 and 2007, respectively. (2) Includes rationalization charges of $0.1 million and $0.2 million for the three months ended June 30, 2008 and 2007, respectively, and $0.8 million and $0.2 million for the six months ended June 30, 2008 and 2007, respectively. (3) Includes rationalization charges of $0.6 million and $3.3 million for the three and six months ended June 30, 2008, respectively. -21- Three Months Ended June 30, 2008 Compared with Three Months Ended June 30, 2007 Overview. Consolidated net sales were $735.3 million in the second quarter of 2008, representing a 7.6 percent increase as compared to the second quarter of 2007 primarily as a result of higher average selling prices across all businesses largely attributable to the pass through of higher raw material and other manufacturing costs and favorable foreign currency translation, partially offset by lower unit volumes in the metal food and plastic container businesses. Income from operations for the second quarter of 2008 of $64.9 million increased by $6.4 million, or 10.9 percent, as compared to the same period in 2007 due to manufacturing efficiencies and cost control across all businesses, a favorable mix of products sold in the plastic container business and higher unit volumes in the closures business, partially offset by inflation in manufacturing and other costs and lower unit volumes in the metal food and plastic container businesses. Results for 2008 included rationalization charges of $2.7 million. Results for 2007 included rationalization charges of $2.3 million. Net income for the second quarter of 2008 was $33.3 million, or $0.87 per diluted share, as compared to $26.8 million, or $0.70 per diluted share, for the same period in 2007. Net Sales. The $51.7 million increase in consolidated net sales in the second quarter of 2008 as compared to the second quarter of 2007 was the result of higher net sales across all businesses. Net sales for the metal food container business increased $12.5 million, or 3.4 percent, in the second quarter of 2008 as compared to the same period in 2007. This increase was primarily attributable to higher average selling prices as a result of the pass through of inflation in raw material and other manufacturing costs, partially offset by lower unit volumes. Net sales for the plastic container business in the second quarter of 2008 increased $9.7 million, or 6.2 percent, as compared to the same period in 2007. This increase was primarily due to higher average selling prices as a result of the pass through of higher raw material costs, a more favorable mix of products sold and the impact of favorable foreign currency translation of approximately $3.1 million, partially offset by lower unit volumes attributable to generally soft market demand. Net sales for the closures business increased $29.5 million, or 18.3 percent, in the second quarter of 2008 as compared to the same period in 2007. This increase was primarily the result of favorable foreign currency translation of approximately $12.5 million, higher average selling prices due to the pass through of higher raw material costs and an increase in unit volumes, including from the recently acquired Vem and White Cap Brazil operations. Gross Profit. Gross profit margin increased 0.2 percentage points to 14.7 percent in the second quarter of 2008 as compared to the same period in 2007 for the reasons discussed below in "Income from Operations." Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of consolidated net sales decreased 0.1 percentage points to 5.5 percent for the second quarter of 2008 as compared to 5.6 percent for the same period in 2007, due primarily to cost control measures across all businesses. Income from Operations. Income from operations for the second quarter of 2008 increased by $6.4 million, or 10.9 percent, as compared to the second quarter of 2007, and operating margin increased to 8.8 percent from 8.6 percent over the same periods. -22- Income from operations of the metal food container business for the second quarter of 2008 increased $5.4 million, or 19.5 percent, as compared to the same period in 2007, and operating margin increased to 8.8 percent from 7.6 percent over the same periods. These increases were primarily a result of cost control and manufacturing efficiencies, including the benefits from the closing of the St. Paul, Minnesota and Stockton, California manufacturing facilities, slightly offset by lower unit volumes. The second quarter of 2008 included total rationalization charges of $2.0 million primarily related to ongoing costs to exit the St. Paul manufacturing facility as well as costs incurred for the shutdown of the Tarrant, Alabama manufacturing facility. The second quarter of 2007 included rationalization charges of $2.1 million related to costs to exit the St. Paul and Stockton manufacturing facilities. Income from operations of the plastic container business for the second quarter of 2008 increased $1.2 million, or 9.7 percent, as compared to the same period in 2007, and operating margin increased to 8.1 percent from 7.9 percent over the same periods. These increases were primarily a result of a favorable mix of products sold, improved manufacturing efficiencies and cost control, partially offset by inflation in manufacturing and other costs and a decrease in unit volumes attributable to generally soft market demand. Income from operations of the closures business for the second quarter of 2008 increased $1.0 million, or 4.8 percent, as compared to the same period in 2007, while operating margin decreased to 11.4 percent from 12.9 percent over the same periods. The increase in income from operations was due primarily to unit volume increases, partially offset by inflation in manufacturing and other costs and rationalization charges of $0.6 million recognized in the second quarter of 2008 related to the streamlining of certain operations and consolidation of various administrative positions in Europe. Operating margin was also negatively impacted as a result of the inventory write-up for purchase accounting in the recently acquired Vem and White Cap Brazil operations. Interest and Other Debt Expense. Interest and other debt expense for the second quarter of 2008 decreased $2.1 million to $14.8 million as compared to the same period in 2007. This decrease was primarily due to lower market interest rates and higher interest income attributable to the cash on hand during the quarter. Provision for Income Taxes. The effective tax rate for the second quarter of 2008 was 33.6 percent as compared to 35.6 percent in the same period of 2007. The effective tax rate for the second quarter of 2008 benefited from a $1.7 million tax credit related to certain non-recurring state tax incentives associated with capital investments. Six Months Ended June 30, 2008 Compared with Six Months Ended June 30, 2007 Overview. Consolidated net sales were $1.42 billion in the first six months of 2008, representing a 6.0 percent increase as compared to the first six months of 2007 primarily due to higher average selling prices resulting from the pass through of inflation in raw material and other manufacturing costs, favorable foreign currency translation and an increase in unit volumes in the closures business, slightly offset by lower unit volumes in the metal food and plastic container businesses. Income from operations for the first six months of 2008 decreased by $5.8 million, or 4.8 percent, as compared to the same period in 2007. The decrease in income from operations was a result of $4.0 million of higher rationalization charges incurred in 2008, benefits realized in the first quarter of 2007 due to the lagged pass through of declines in resin costs in the plastic container business, higher depreciation expense, inflation in manufacturing and other costs and lower unit volumes in the metal food and plastic container businesses. The results for the first six months of 2008 and 2007 included rationalization charges of $7.4 million and $3.4 million, respectively. Net income for the first six months of 2008 was $54.5 million, or $1.42 per diluted share, as compared to $55.3 million, or $1.45 per diluted share, for the same period in 2007. -23- Net Sales. The $80.7 million increase in consolidated net sales in the first six months of 2008 as compared to the first six months of 2007 was due to higher net sales across all of our businesses. Net sales for the metal food container business increased $18.1 million, or 2.5 percent, in the first six months of 2008 as compared to the same period in 2007. This increase was primarily attributable to higher average selling prices due to the pass through of inflation in raw material and other manufacturing costs, partially offset by lower unit volumes. Net sales for the plastic container business in the first six months of 2008 increased $19.4 million, or 6.1 percent, as compared to the same period in 2007. This increase was primarily the result of higher average selling prices as a result of the pass through of higher raw material costs and the impact of favorable foreign currency translation of approximately $8.3 million, slightly offset by lower unit volumes attributable to generally soft market demand. Net sales for the closures business in the first six months of 2008 increased $43.2 million, or 14.2 percent, as compared to the same period in 2007. This increase was the result of favorable foreign currency translation of approximately $21.8 million, higher average selling prices due to the pass through of higher raw material costs and an increase in unit volumes. Gross Profit. Gross Profit margin decreased 0.9 percentage points to 14.0 percent for the first six months of 2008 as compared to the same period in 2007 for the reasons discussed below in "Income from Operations." Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of consolidated net sales decreased to 5.4 percent for the first six months of 2008 as compared to 5.6 percent for the same period in 2007, due primarily to the recognition in the first quarter of 2008 of management fee income of $2.2 million from the management of the White Cap Brazil closures operations during the delayed closing period up until it was acquired from Amcor Limited. Income from Operations. Income from operations for the first six months of 2008 decreased by $5.8 million, or 4.8 percent, as compared to the first six months of 2007, and operating margin decreased to 8.1 percent from 9.0 percent over the same periods. Income from operations of the metal food container business for the first six months of 2008 increased $1.7 million, or 3.0 percent, as compared to the same period in 2007, while operating margin remained constant at 8.0 percent over the same periods. The increase in income from operations was principally due to cost control and manufacturing efficiencies, including the benefits from closing the St. Paul and Stockton manufacturing facilities. The increase in income from operations was partially offset by benefits derived in the first quarter of 2007 from the provisional inventory build in anticipation of certain union negotiations which were completed in the second quarter of 2007, lower unit volumes and higher depreciation expense. Rationalization charges for the first six months of 2008 and 2007 were $3.3 million and $3.2 million, respectively. -24- Income from operations of the plastic container business for the first six months of 2008 decreased $6.0 million, or 18.6 percent, as compared to the same period in 2007, and operating margin decreased to 7.7 percent from 10.1 percent over the same periods. These decreases were primarily the result of the negative effect from the timing of the pass through of resin costs to customers particularly in light of escalating resin costs experienced in 2008 as compared to declines in resin costs experienced in the first quarter of 2007, inflation in manufacturing and other costs, a decrease in unit volumes and higher depreciation expense. These decreases were partially offset by a favorable mix of products sold, improved manufacturing efficiencies and cost control. Rationalization charges for the first six months of 2008 and 2007 were $0.8 million and $0.2 million, respectively. Income from operations of the closures business for the first six months of 2008 decreased $0.3 million, or 0.8 percent, as compared to the same period in 2007, and operating margin decreased to 10.4 percent from 12.0 percent over the same periods. These decreases were due primarily to rationalization charges of $3.3 million recognized in 2008 related to the streamlining of certain operations and consolidation of various administrative positions in Europe, inflation in raw materials and other costs and the benefit recognized in the first quarter of 2007 of $1.4 million from the sale of certain previously leased capping equipment. These decreases were partially offset by management fee income of $2.2 million from the pre-acquisition management of the White Cap Brazil operations and an increase in unit volumes. Interest and Other Debt Expense. Interest and other debt expense for the first six months of 2008 decreased $1.9 million to $31.1 million as compared to the same period in 2007. This decrease resulted primarily from lower market interest rates and higher interest income attributable to the cash on hand during 2008, partially offset by the effects of higher average borrowings. Provision for Income Taxes. The effective tax rate for the first six months of 2008 was 34.9 percent as compared to 36.9 percent in the same period of 2007. The effective tax rate for the first six months of 2008 benefited from a $1.7 million tax credit related to certain non-recurring state tax incentives associated with capital investments. CAPITAL RESOURCES AND LIQUIDITY Our principal sources of liquidity have been cash from operations and borrowings under our debt instruments, including our Credit Agreement. Our liquidity requirements arise primarily from our obligations under the indebtedness incurred in connection with our acquisitions and the refinancing of that indebtedness, capital investment in new and existing equipment and the funding of our seasonal working capital needs. For the six months ended June 30, 2008, we used net borrowings of revolving loans of $196.3 million, other debt borrowings of $8.0 million, net proceeds from stock-based compensation issuances of $2.9 million and cash balances of $9.9 million to fund cash used in operations of $44.0 million primarily for our seasonal working capital needs, net capital expenditures of $54.5 million, our acquisition of Vem and the White Cap Brazil operations for $14.5 million, net of cash acquired, decreases in outstanding checks of $88.1 million, the repayment of debt of $3.0 million and dividends paid on our common stock of $13.0 million. At the end of 2007 and through the second quarter of 2008 in light of the current credit markets, we maintained a significant amount of cash to reduce our dependency on our revolving credit facility for our seasonal working capital requirements. Our cash balance at June 30, 2008 was $86.1 million. -25- For the six months ended June 30, 2007, we used net borrowings of revolving loans of $234.0 million and net proceeds from stock-based compensation issuances of $1.3 million to fund cash used in operations of $37.9 million primarily for our seasonal working capital needs, net capital expenditures of $72.9 million, our acquisition of the White Cap operations in Venezuela for $7.8 million, net of cash acquired, decreases in outstanding checks of $96.1 million and dividends paid on our common stock of $12.1 million and to increase cash balances by $8.5 million. Because we sell metal containers used in fruit and vegetable pack processing, we have seasonal sales. As is common in the industry, we must utilize working capital to build inventory and then carry accounts receivable for some customers beyond the end of the packing season. Due to our seasonal requirements, we incur short-term indebtedness to finance our working capital requirements. At June 30, 2008, we had $193.2 million of revolving loans outstanding under the Credit Agreement. After taking into account outstanding letters of credit, the available portion of the revolving loan facility under the Credit Agreement at June 30, 2008 was $215.8 million. We may use the available portion of our revolving loan facility, after taking into account our seasonal needs and outstanding letters of credit, for acquisitions or other permitted purposes. During 2008, we estimate that we will utilize approximately $300 - $350 million of revolving loans under the Credit Agreement for our peak seasonal working capital requirements, which amount could be lower to the extent we utilize cash on hand. During the first six months of 2008, we paid cash dividends on our common stock totaling $13.0 million. On August 6, 2008, our Board of Directors declared a quarterly cash dividend on our common stock of $0.17 per share, payable on September 15, 2008 to holders of record of our common stock on August 29, 2008. The cash payment related to this dividend is expected to be approximately $6.5 million. We believe that cash generated from operations and funds from borrowings available under the Credit Agreement will be sufficient to meet our expected operating needs, planned capital expenditures, debt service, tax obligations, share repurchases required under our 2004 Stock Incentive Plan and common stock dividends for the foreseeable future. We continue to evaluate acquisition opportunities in the consumer goods packaging market and may incur additional indebtedness, including indebtedness under the Credit Agreement, to finance any such acquisition. We are in compliance with all financial and operating covenants contained in our financing agreements and believe that we will continue to be in compliance during 2008 with all of these covenants. Rationalization Charges In the first quarter of 2008, as part of our ongoing effort to streamline operations and reduce costs, we approved plans to close our metal food container manufacturing facility in Tarrant, Alabama and our plastic container manufacturing facility in Richmond, Virginia and to streamline certain operations and consolidate various administrative positions within our European closures operations. -26- Our plan to cease operations at our Tarrant facility in the third quarter of 2008 includes the termination of approximately 35 employees and other related plant exit costs. We estimate that the total costs for the rationalization of this facility will be $2.8 million. These costs include $0.6 million for employee severance and benefits, $1.5 million for plant exit costs and $1.1 million for the acceleration of depreciation to write-down equipment for abandonment upon the exit of the facility, offset by $0.4 million for a non-cash curtailment gain for other postretirement benefits. Rationalization charges recognized during the first six months of 2008 for this action were $1.6 million, of which $1.1 million was incurred for the accelerated depreciation of equipment and $0.5 million was incurred for employee severance and benefits. Additional charges of $1.2 million are expected through 2009. Remaining cash payments of $1.8 million are expected through 2009. Our plan to cease operations at our Richmond facility in the third quarter of 2008 includes the termination of approximately 15 employees and other related plant exit costs. We estimate that the total costs for the rationalization of this facility will be $1.6 million. These costs include $0.2 million for employee severance and benefits, $0.6 million for plant exit costs and $0.8 million for the non-cash write-down in carrying value of assets. Rationalization charges recognized during the first six months of 2008 for this action were $0.8 million for the non-cash write-down in carrying value of assets. Additional charges and related payments of $0.8 million are expected primarily in 2008. Our plans to consolidate various administrative positions and streamline operations at certain of our closure manufacturing facilities in Europe include the termination of approximately 90 employees and the relocation of certain operations into existing facilities. These decisions resulted in a total charge to earnings during the first six months of 2008 of $3.3 million, which consisted of $3.1 million for employee severance and benefits and $0.2 million for plant exit costs. Additional charges of $0.5 million for employee severance and benefits are expected during the remainder of 2008. Remaining cash payments of $2.5 million are expected primarily in 2008. In 2006, we announced our plans to exit our St. Paul, Minnesota and Stockton, California metal food container manufacturing facilities. We have ceased operations at both of these facilities. We incurred charges of $1.7 million in the first six months of 2008 related primarily to the St. Paul rationalization. We expect to incur additional charges of $0.4 million for plant exit costs through 2008 related to the St. Paul and Stockton rationalizations. Under our rationalization plans, we made cash payments of $3.8 million and $0.7 million for the six months ended June 30, 2008 and 2007, respectively. Total future cash spending of $10.0 million is expected for our outstanding rationalization plans. You should also read Note 3 to our Condensed Consolidated Financial Statements for the three and six months ended June 30, 2008 included elsewhere in this Quarterly Report. We continually evaluate cost reduction opportunities in our business, including rationalizations of our existing facilities through plant closings and downsizings. We use a disciplined approach to identify opportunities that generate attractive cash returns. In line with our ongoing evaluation, we are currently reviewing certain facilities for potential rationalization actions which may result in additional cash expenditures and charges to our earnings. -27- RECENT ACCOUNTING PRONOUNCEMENTS In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements." SFAS No. 157 establishes a single authoritative definition for fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. In February 2008, the FASB issued FSP No. 157-2, "Effective Date of FASB Statement No. 157." FSP No. 157-2 delays the effective date of our adoption of SFAS No. 157, as it relates to applying fair value measurements to nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed on a recurring basis (at least annually), to January 1, 2009. We adopted SFAS No. 157, as it relates to financial assets and financial liabilities, on January 1, 2008. The adoption of SFAS No. 157 did not have a significant effect on our financial position, results of operations or cash flows. We are currently evaluating the impact that SFAS No. 157, as it relates to nonfinancial assets and nonfinancial liabilities, will have on our consolidated financial statements. You should also read Note 7 to our Condensed Consolidated Financial Statements for the three and six months ended June 30, 2008 included elsewhere in this Quarterly Report. In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to elect to measure eligible financial instruments and certain other items at fair value that are not currently required to be measured at fair value. We adopted SFAS No. 159 on January 1, 2008. We have elected not to measure eligible items at fair value, and therefore our adoption of SFAS No. 159 did not have an effect on our financial position, results of operations or cash flows. In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) retains the fundamental requirements in SFAS No. 141 that the purchase method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. SFAS No. 141(R) establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed and any non-controlling interest at their fair values at the acquisition date. SFAS No. 141(R) also requires that acquisition-related costs be recognized separately from the acquisition. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. In addition, SFAS No. 141(R) requires that any changes in an acquired deferred tax account or related valuation allowance that occur after the effective date of adoption will be recognized as adjustments to income tax expense. We are currently evaluating the impact that SFAS No. 141(R) will have on our consolidated financial statements. In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 requires companies with derivative instruments to disclose information that should enable financial-statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS No. 161 is effective for us on January 1, 2009. We are currently evaluating the impact, if any, that SFAS No. 161 will have on our consolidated financial statements. -28- Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK -- Market risks relating to our operations result primarily from changes in interest rates and, with respect to our international closures operations and our Canadian plastic container operations, from foreign currency exchange rates. In the normal course of business, we also have risk related to commodity price changes for items such as natural gas. We employ established policies and procedures to manage our exposure to these risks. Interest rate, foreign currency and commodity pricing transactions are used only to the extent considered necessary to meet our objectives. We do not utilize derivative financial instruments for trading or other speculative purposes. Information regarding our interest rate risk, foreign currency exchange rate risk and commodity pricing risk has been disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. Since such filing there has not been a material change to our interest rate risk, foreign currency exchange rate risk or commodity pricing risk or to our policies and procedures to manage our exposure to these risks. Item 4. CONTROLS AND PROCEDURES ----------------------- We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, as of the end of the period covered by this Quarterly Report our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be disclosed in this Quarterly Report has been made known to them in a timely fashion. There were no changes in our internal controls over financial reporting during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, these internal controls. -29- Part II. Other Information Item 4. Submission of Matters to a Vote of Security Holders Our annual meeting of stockholders, or the Annual Meeting, for which proxies were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, was held on June 4, 2008 for the purposes of (1) electing two directors to serve for a three year term until our annual meeting of stockholders in 2011 and until their successors are duly elected and qualified; and (2) ratifying the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008. The nominees for director listed in our proxy statement, each of whom was elected at the Annual Meeting, are named below, and each received the number of votes for election as indicated below (with each share of our common stock being entitled to one vote): Number of Shares Number of Shares Voted For Withheld --------- -------- D. Greg Horrigan 23,597,152 11,264,649 John W. Alden 34,088,717 773,084 Our directors whose term of office continued after the Annual Meeting are Anthony J. Allott, Jeffrey C. Crowe and Edward A. Lapekas, each of whose term of office as a director continues until our annual meeting of stockholders in 2009, and R. Philip Silver and William C. Jennings, each of whose term of office as a director continues until our annual meeting of stockholders in 2010. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008 was approved at the Annual Meeting. There were 34,656,048 votes cast ratifying such appointment, 204,759 votes cast against ratification of such appointment and 994 votes abstaining. Item 6. Exhibits Exhibit Number Description ------------- ----------- 12 Ratio of Earnings to Fixed Charges for the three and six months ended June 30, 2008 and 2007. 31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act. 31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act. 32.1 Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act. 32.2 Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act. -30- SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized. SILGAN HOLDINGS INC. Dated: August 11, 2008 /s/ Robert B. Lewis --------------------------- Robert B. Lewis Executive Vice President and Chief Financial Officer -31- EXHIBIT INDEX EXHIBIT NO. 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