

OWENS ILLINOIS INC /DE/  
Form 10-Q  
April 24, 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 March 31, 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   
(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares of common stock, par value \$.01, of Owens-Illinois, Inc. outstanding as of March 31, 2013 was 164,494,763.



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.

## OWENS-ILLINOIS, INC.

## CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net sales	\$ 1,641	\$ 1,739
Manufacturing, shipping and delivery expense	(1,322)	(1,361)
Gross profit	319	378
Selling and administrative expense	(129)	(140)
Research, development and engineering expense	(15)	(15)
Interest expense	(71)	(64)
Interest income	3	3
Equity earnings	17	13
Royalties and net technical assistance	4	4
Other income	3	2
Other expense	(14)	(11)
Earnings from continuing operations before income taxes	117	170
Provision for income taxes	(33)	(44)
Earnings from continuing operations	84	126
Loss from discontinued operations	(10)	(1)
Net earnings	74	125
Net earnings attributable to noncontrolling interests	(5)	(4)
Net earnings attributable to the Company	\$ 69	\$ 121
Amounts attributable to the Company:		
Earnings from continuing operations	\$ 79	\$ 122
Loss from discontinued operations	(10)	(1)
Net earnings	\$ 69	\$ 121
Basic earnings per share:		
Earnings from continuing operations	\$ 0.48	\$ 0.74
Loss from discontinued operations	(0.06)	(0.01)
Net earnings	\$ 0.42	\$ 0.73
Weighted average shares outstanding (thousands)	164,069	164,241
Diluted earnings per share:		
Earnings from continuing operations	\$ 0.48	\$ 0.73
Loss from discontinued operations	(0.06)	(0.01)
Net earnings	\$ 0.42	\$ 0.72
Weighted average diluted shares outstanding (thousands)	165,501	166,206

See accompanying notes.



OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net earnings	\$ 74	\$ 125
Other comprehensive income:		
Foreign currency translation adjustments	(32)	99
Pension and other postretirement benefit adjustments, net of tax	45	24
Change in fair value of derivative instruments	4	
Other comprehensive income	17	123
Total comprehensive income	91	248
Comprehensive income attributable to noncontrolling interests	(1)	(11)
Comprehensive income attributable to the Company	\$ 90	\$ 237

See accompanying notes.

## OWENS-ILLINOIS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)

	March 31, 2013	December 31, 2012	March 31, 2012
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 359	\$ 431	\$ 299
Receivables, less allowances for losses and discounts (\$41 at March 31, 2013, \$41 at December 31, 2012, and \$42 at March 31, 2012)	1,047	968	1,199
Inventories	1,178	1,139	1,237
Prepaid expenses	99	110	130
<b>Total current assets</b>	<b>2,683</b>	<b>2,648</b>	<b>2,865</b>
<b>Investments and other assets:</b>			
Equity investments	293	294	316
Repair parts inventories	137	133	153
Pension assets			121
Other assets	676	675	695
Goodwill	2,048	2,079	2,127
<b>Total other assets</b>	<b>3,154</b>	<b>3,181</b>	<b>3,412</b>
Property, plant and equipment, at cost	6,509	6,667	7,049
Less accumulated depreciation	3,829	3,898	4,165
<b>Net property, plant and equipment</b>	<b>2,680</b>	<b>2,769</b>	<b>2,884</b>
<b>Total assets</b>	<b>\$ 8,517</b>	<b>\$ 8,598</b>	<b>\$ 9,161</b>



## CONDENSED CONSOLIDATED BALANCE SHEETS Continued

	March 31, 2013	December 31, 2012	March 31, 2012
Liabilities and Share Owners Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 347	\$ 319	\$ 406
Current portion of asbestos-related liabilities	155	155	165
Accounts payable	904	1,032	943
Other liabilities	523	656	602
Total current liabilities	1,929	2,162	2,116
Long-term debt	3,550	3,454	3,724
Deferred taxes	184	182	214
Pension benefits	825	846	856
Nonpension postretirement benefits	262	264	270
Other liabilities	323	329	410
Asbestos-related liabilities	289	306	276
Commitments and contingencies			
Share owners equity:			
Share owners equity of the Company:			
Common stock, par value \$.01 per share, 250,000,000 shares authorized, 182,355,917, 181,865,751, and 181,658,637 shares issued (including treasury shares), respectively	2	2	2
Capital in excess of par value	3,013	3,005	2,996
Treasury stock, at cost, 17,861,154, 17,901,925, and 16,732,262 shares, respectively	(424)	(425)	(404)
Retained loss	(126)	(195)	(258)
Accumulated other comprehensive loss	(1,485)	(1,506)	(1,205)
Total share owners equity of the Company	980	881	1,131
Noncontrolling interests	175	174	164
Total share owners equity	1,155	1,055	1,295
Total liabilities and share owners equity	\$ 8,517	\$ 8,598	\$ 9,161

See accompanying notes.

## OWENS-ILLINOIS, INC.

## CONDENSED CONSOLIDATED CASH FLOWS

(Dollars in millions)

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 74	\$ 125
Loss from discontinued operations	10	1
<b>Non-cash charges (credits):</b>		
Depreciation	90	97
Amortization of intangibles and other deferred items	9	8
Amortization of finance fees and debt discount	8	8
Pension expense	26	22
Restructuring, asset impairment and related charges	10	
Other	31	10
Pension contributions	(7)	(17)
Asbestos-related payments	(17)	(30)
Cash paid for restructuring activities	(34)	(30)
Change in non-current assets and liabilities	(33)	(13)
Change in components of working capital	(301)	(275)
Cash utilized in continuing operating activities	(134)	(94)
Cash utilized in discontinued operating activities	(2)	(1)
Total cash utilized in operating activities	(136)	(95)
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(94)	(73)
Acquisitions, net of cash acquired		