OWENS ILLINOIS INC /DE/
Form 10-Q
August 07, 2009

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 Quarter Ended June 30, 2009

or

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

Owens-Illinois, Inc.

(Exact name of registrant as specified in its charter)

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

One Michael Owens Way, Perrysburg, Ohio (Address of principal executive offices)	**43551-2999** (Zip Code)

567-336-5000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Owens-Illinois, Inc. $.01 par value common stock 168,382,009 shares at June 30, 2009.

Part I FINANCIAL INFORMATION

Item 1. Financial Statements.

The Condensed Consolidated Financial Statements of Owens-Illinois, Inc. (the Company) presented herein are unaudited but, in the opinion of management, reflect all adjustments necessary to present fairly such information for the periods and at the dates indicated. All adjustments are of a normal recurring nature. Because the following unaudited condensed consolidated financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing in the Registrant s Annual Report on Form 10-K for the year ended December 31, 2008.

Effective January 1, 2009, the Company adopted the provisions of FAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51, which changed the presentation of noncontrolling interests in subsidiaries. The format of the Company s condensed consolidated results of operations for the three and six months ended June 30, 2008, condensed consolidated cash flows for the six months ended June 30, 2008, and condensed consolidated balance sheets at June 30, 2008 and December 31, 2008 have been reclassified to conform to the new presentation under FAS No. 160 which is required to be applied retrospectively.

Effective January 1, 2009, the Company adopted the provisions of FSP No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities, which required the Company to allocate earnings to unvested restricted shares outstanding during the period. Earnings per share for the three and six months ended June 30, 2008 were restated in accordance with FSP No. EITF 03-6-1which is required to be applied retrospectively.

Effective for the second quarter of 2009, the Company adopted the provisions of FAS No. 165, Subsequent Events . FAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. Adoption of FAS No. 165 had no impact on the Company s results of operations, financial position or cash flows. The Company has evaluated all subsequent events through August 7, 2009, the date the financial statements were issued.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Three months ended June 30, 2009	2008
Net sales	$ 1,807.0	$ 2,210.6
Manufacturing, shipping, and delivery expense	(1,399.6)	(1,685.4)
Gross profit	407.4	525.2
Selling and administrative expense	(122.4)	(130.8)
Research, development, and engineering expense	(14.1)	(17.9)
Interest expense	(57.9)	(69.2)
Interest income	6.5	10.0
Equity earnings	14.1	12.7
Royalties and net technical assistance	3.5	5.0
Other income	0.9	1.4
Other expense	(26.0)	(15.8)
Earnings from continuing operations before income taxes	212.0	320.6
Provision for income taxes	(49.5)	(75.9)
Earnings from continuing operations	162.5	244.7
Gain on sale of discontinued operations		3.8
Net earnings	162.5	248.5
Net earnings attributable to noncontrolling interests	(13.2)	(17.2)
Net earnings attributable to the Company	$ 149.3	$ 231.3
Amounts attributable to the Company:		
Earnings from continuing operations	$ 149.3	$ 227.5
Gain on sale of discontinued operations		3.8
Net earnings	$ 149.3	$ 231.3
Basic earnings per share:		
Earnings from continuing operations	$ 0.89	$ 1.37
Gain on sale of discontinued operations		0.02
Net earnings	$ 0.89	$ 1.39
Weighted average shares outstanding (thousands)	167,764	165,350
Diluted earnings per share:		
Earnings from continuing operations	$ 0.88	$ 1.33
Gain on sale of discontinued operations		0.02
Net earnings	$ 0.88	$ 1.35
Weighted diluted average shares (thousands)	170,493	170,550

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Six months ended June 30, 2009		2008	
Net sales	$	3,326.0	$	4,171.1
Manufacturing, shipping, and delivery expense		(2,621.8)		(3,189.1)
Gross profit		704.2		982.0
Selling and administrative expense		(240.9)		(258.6)
Research, development, and engineering expense		(28.0)		(33.9)
Interest expense		(106.0)		(133.5)
Interest income		15.0		18.7
Equity earnings		27.7		23.8
Royalties and net technical assistance		6.3		9.8
Other income		2.5		3.2
Other expense		(78.8)		(35.8)
Earnings from continuing operations before income taxes		302.0		575.7
Provision for income taxes		(80.7)		(140.8)
Earnings from continuing operations		221.3		434.9
Gain on sale of discontinued operations				7.9
Net earnings		221.3		442.8
Net earnings attributable to noncontrolling interests		(26.9)		(33.4)
Net earnings attributable to the Company	$	194.4	$	409.4
Amounts attributable to the Company:				
Earnings from continuing operations	$	194.4	$	401.5
Gain on sale of discontinued operations				7.9
Net earnings	$	194.4	$	409.4
Basic earnings per share:				
Earnings from continuing operations	$	1.16	$	2.43
Gain on sale of discontinued operations				0.05
Net earnings	$	1.16	$	2.48
Weighted average shares outstanding (thousands)		167,424		160,837
Diluted earnings per share:				
Earnings from continuing operations	$	1.15	$	2.35
Gain on sale of discontinued operations				0.05
Net earnings	$	1.15	$	2.40
Weighted diluted average shares (thousands)		169,481		170,611

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)

	June 30, 2009	Dec. 31, 2008	June 30, 2008
Assets			
Current assets:			
Cash and cash equivalents	$ 677.2	$ 379.5	$ 366.0
Short-term investments, at cost which approximates market	4.8	25.0	23.6
Receivables, less allowances for losses and discounts ($37.0 at June 30, 2009, $39.7 at December 31, 2008, and $36.1 at June 30, 2008)	1,126.4	988.8	1,438.4
Inventories	1,039.0	999.5	1,234.7
Prepaid expenses	70.0	51.9	51.8
Total current assets	2,917.4	2,444.7	3,114.5
Investments and other assets:			
Equity investments	115.7	101.7	95.2
Repair parts inventories	139.9	132.5	154.0
Prepaid pension			614.5
Deposits, receivables, and other assets	498.1	444.5	508.5
Goodwill	2,290.8	2,207.5	2,546.6
Total other assets	3,044.5	2,886.2	3,918.8
Property, plant, and equipment, at cost	6,206.3	5,983.1	6,811.6
Less accumulated depreciation	3,554.0	3,337.5	3,807.9
Net property, plant, and equipment	2,652.3	2,645.6	3,003.7
Total assets	$ 8,614.2	$ 7,976.5	$ 10,037.0

CONDENSED CONSOLIDATED BALANCE SHEETS Continued

	June 30, 2009	Dec. 31, 2008	June 30, 2008
Liabilities and Share Owners Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	$ 357.8	$ 393.8	$ 528.6
Current portion of asbestos-related liabilities	175.0	175.0	210.0
Accounts payable	802.5	838.2	1,002.1
Other liabilities	622.6	596.3	699.6
Total current liabilities	1,957.9	2,003.3	2,440.3
Long-term debt	3,284.4	2,940.3	3,260.8
Deferred taxes	154.2	77.6	130.7
Pension benefits	712.4	741.8	306.5
Nonpension postretirement benefits	239.0	239.7	279.1
Other liabilities	349.7	360.1	382.0
Asbestos-related liabilities	236.1	320.3	141.9
Commitments and contingencies			
Share owners equity:			
The Company s share owners equity:			
Common stock, par value $.01 per share 250,000,000 shares authorized, 179,791,262, 178,705,817, and 178,588,385 shares issued and outstanding, respectively	1.8	1.8	1.8
Capital in excess of par value	2,927.6	2,913.3	2,898.3
Treasury stock, at cost 11,409,253, 11,556,341, and 11,655,111 shares, respectively	(218.8)	(221.5)	(223.5)
Retained earnings (deficit)	162.0	(32.4)	118.7
Accumulated other comprehensive income (loss)	(1,424.4)	(1,620.6)	43.0
Total share owners equity of the Company	1,448.2	1,040.6	2,838.3
Noncontrolling interests	232.3	252.8	257.4
Total share owners equity	1,680.5	1,293.4	3,095.7
Total liabilities and share owners equity	$ 8,614.2	$ 7,976.5	$ 10,037.0

See accompanying notes.

Effective for the second quarter of 2009, the Company adopted the provisions of FAS No. 165, Subsequent Event

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED CASH FLOWS

(Dollars in millions)

	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash flows from operating activities:		
Net earnings	$ 221.3	$ 442.8
Net earnings attributable to noncontrolling interest	(26.9)	(33.4)
Gain on sale of discontinued operations		(7.9)
Non-cash charges (credits):		
Depreciation	182.2	229.2
Amortization of intangibles and other deferred items	9.3	14.3
Amortization of finance fees	4.0	4.0
Deferred tax benefit	(0.4)	(3.0)
Restructuring and asset impairment	55.6	21.1
Other	68.0	55.1
Asbestos-related payments	(84.2)	(103.6)
Cash paid for restructuring activities	(33.2)	(16.6)
Change in non-current operating assets	11.1	2.2
Change in non-current liabilities	(67.7)	(56.9)
Change in components of working capital	(155.9)	(275.1)
Cash provided by operating activities	183.2	272.2
Cash flows from investing activities:		
Additions to property, plant, and equipment	(124.1)	(129.0)
Advances to equity affiliate - net	1.6	(13.3)
Net cash proceeds (payments) related to divestitures and asset sales	4.2	(16.6)
Cash utilized in investing activities	(118.3)	(158.9)
Cash flows from financing activities:		
Additions to long-term debt	1,070.4	636.8
Repayments of long-term debt	(745.8)	(754.4)
Increase (decrease) in short-term loans	(65.5)	43.2
Net payments for hedging activity	29.1	(46.8)
Payment of finance fees	(11.8)	
Convertible preferred stock dividends		(5.4)
Dividends paid to noncontrolling interests	(55.4)	(41.6)
Issuance of common stock and other	4.3	13.9
Cash provided by (utilized in) financing activities	225.3	(154.3)
Effect of exchange rate fluctuations on cash	7.5	19.3
Increase (decrease) in cash	297.7	(21.7)
Cash at beginning of period	379.5	387.7
Cash at end of period	$ 677.2	$ 366.0

See accompanying notes.

OWENS-ILLINOIS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Tabular data dollars in millions,

except share and per share amounts

1. Earnings Per Share

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

	Three months ended June 30, 2009	2008
Numerator:		
Net earnings attributable to the Company	$ 149.3	$ 231.3
Net earnings attributable to participating securities	(0.5)	(2.1)
Numerator for basic earnings per share - income available to common share owners	$ 148.8	$ 229.2
Denominator:		
Denominator for basic earnings per share - weighted average shares outstanding	167,764,443	165,350,428
Effect of dilutive securities:		
Stock options and other	2,728,813	5,199,220
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	170,493,256	170,549,648
Basic earnings per share:		
Earnings from continuing operations	$ 0.89	$ 1.37
Gain on sale of discontinued operations		0.02
Net earnings	$ 0.89	$ 1.39
Diluted earnings per share:		
Earnings from continuing operations	$ 0.88	$ 1.33
Gain on sale of discontinued operations		0.02
Net earnings	$ 0.88	$ 1.35

Options to purchase 1,043,714 and 137,154 weighted average shares of common stock that were outstanding during the three months ended June 30, 2009 and 2008, 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 following table sets forth the computation of basic and diluted earnings per share:

	Six months ended June 30,			
		2009		2008
Numerator:				
Net earnings attributable to the Company	$	194.4	$	409.4
Convertible preferred stock dividends				(5.4)
Net earnings attributable to participating securities		(0.6)		(3.9)
Numerator for basic earnings per share - income available to common share owners	$	193.8	$	400.1
Denominator:				
Denominator for basic earnings per share - weighted average shares outstanding		167,423,900		160,837,250
Effect of dilutive securities:				
Convertible preferred stock				4,294,678
Stock options and other		2,057,253		5,478,834
Denominator for diluted earnings per share - adjusted weighted average shares outstanding		169,481,153		170,610,762
Basic earnings per share:				
Earnings from continuing operations	$	1.16	$	2.43
Gain on sale of discontinued operations				0.05
Net earnings	$	1.16	$	2.48
Diluted earnings per share:				
Earnings from continuing operations	$	1.15	$	2.35
Gain on sale of discontinued operations				0.05
Net earnings	$	1.15	$	2.40

The convertible preferred stock was included in the computation of diluted earnings per share for the six months ended June 30, 2008 on an if converted basis for the period prior to its actual conversion on March 31, 2008, since the result was dilutive. For purposes of this computation, the preferred stock dividends were not subtracted from the numerator. Options to purchase 1,594,799 and 68,577 weighted average shares of common stock that were outstanding during the six months ended June 30, 2009 and 2008, 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.

Effective January 1, 2009, the Company adopted the provisions of FSP No. EITF 03-6-1, which addresses whether instruments granted in share-based payment awards are participating securities prior to vesting and, therefore, must be included in the earnings allocation in calculating earnings per share under the two-class method described in FAS No. 128, Earnings per Share. FSP No. EITF 03-6-1 requires that unvested share-based payment awards that contain non-forfeitable rights to dividends be treated as participating securities in calculating earnings per share. In accordance with FSP No. EITF 03-6-1, the Company was required to allocate earnings to unvested restricted shares outstanding during the period. Basic earnings

Effective for the second quarter of 2009, the Company adopted the provisions of FAS No. 165, Subsequent Event

per share for the three and six months ended June 30, 2008 were reduced by $0.01 and $0.03 per share, respectively, in accordance with FSP No. EITF 03-6-1 which requires retrospective application. There was no impact on basic earnings per share for the three and six months ended June 30, 2009 or diluted earnings per share in any period.

2. Debt

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

	June 30, 2009	Dec. 31, 2008	June 30, 2008
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$	$ 18.7	$ 157.9
Term Loans:			
Term Loan A (225.0 million AUD)	182.9	155.7	216.8
Term Loan B	191.5	191.5	191.5
Term Loan C (110.8 million CAD)	96.0	90.9	109.8
Term Loan D (191.5 million)	270.5	269.6	302.4
Senior Notes:			
8.25%, due 2013	462.0	470.0	446.2
6.75%, due 2014	400.0	400.0	400.0
6.75%, due 2014 (225 million)	317.8	316.8	355.3
7.375%, due 2016	580.7		
6.875%, due 2017 (300 million)	423.7	422.4	473.8
Senior Debentures:			
7.50%, due 2010	28.6	259.5	251.9
7.80%, due 2018	250.0	250.0	250.0
Other	124.0	113.4	117.7
Total long-term debt	3,327.7	2,958.5	3,273.3
Less amounts due within one year	43.3	18.2	12.5
Long-term debt	$ 3,284.4	$ 2,940.3	$ 3,260.8

On June 14, 2006, the Company s subsidiary borrowers entered into the Secured Credit Agreement (the Agreement). At June 30, 2009, the Agreement included a $900.0 million revolving credit facility, a 225.0 million Australian dollar term loan, and a 110.8 million Canadian dollar term loan, each of which has a final maturity date of June 15, 2012. It also included a $191.5 million term loan and a 191.5 million term loan, each of which has a final maturity date of June 14, 2013.

As a result of the bankruptcy of Lehman Brothers Holdings Inc. and several of its subsidiaries, the Company believes that the maximum amount available under the revolving credit facility was reduced by $32.3 million. After further deducting amounts attributable to letters of credit and overdraft facilities that are supported by the revolving credit facility, at June 30, 2009 the Company s subsidiary borrowers had unused credit of $799.4 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at June 30, 2009 was 2.57%.

Effective for the second quarter of 2009, the Company adopted the provisions of FAS No. 165, Subsequent Event

During May 2009, a subsidiary of the Company issued senior notes with a face value of $600.0 million issued at 96.72% of face value for an effective interest rate of 8.00%. The notes bear

Effective for the second quarter of 2009, the Company adopted the provisions of FAS No. 165,   Subsequent Event

interest at 7.375% and are due May 15, 2016. The notes are guaranteed by substantially all of the Company s domestic subsidiaries. The net proceeds, after deducting commissions and expenses from the notes, approximated $568 million and were used to purchase in a tender offer $221.9 million of the $250 million principal amount of 7.50% Senior Debentures due May 2010 and to reduce borrowings under the revolving credit facility. The balance of the proceeds increased cash. As a part of the issuance of these notes and the related tender offer, the Company recorded in the second quarter of 2009 additional interest charges of $5.2 million for note repurchase premiums and the related write-off of unamortized finance fees, net of a gain from the termination of the interest rate swap agreement on the notes.

During October 2006, the Company entered into a 300 million European accounts receivable securitization program. The program extends through October 2011, subject to annual renewal of backup credit lines. In addition, the Company participates in a receivables financing program in the Asia Pacific region with a revolving funding commitment of 85 million Australian dollars and 25 million New Zealand dollars that expire January 2010 and October 2009, respectively.

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

	June 30, 2009	Dec. 31, 2008	June 30, 2008
Balance (included in short-term loans)	$ 289.5	$ 293.7	$ 437.9
Weighted average interest rate	2.18%	5.31%	5.72%

Effective for the second quarter of 2009, the Company adopted the provisions of FASB Staff Position on Statement of Financial Accounting Standards No. 107 and Accounting Principles Board Opinion No. 28, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS No. 107-1and APB 28-1). FSP FAS No. 107-1 and APB 28-1 requires disclosure about fair value of financial instruments for interim reporting periods as well as in annual financial statements.

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

Fair values at June 30, 2009, of the Company s significant fixed rate debt obligations were as follows:

	Principal Amount (millions of dollars)	Indicated Market Price	Fair Value (millions of dollars)
Senior Notes:			
8.25%, due 2013	$ 450.0	101.25	$ 455.6
6.75%, due 2014	400.0	94.25	377.0
6.75%, due 2014 (225 million)	317.8	90.63	288.0
7.375%, due 2016	600.0	96.13	576.8
6.875%, due 2017 (300 million)	423.7	88.13	373.4
Senior Debentures:			
7.50%, due 2010	28.1	100.80	28.3
7.80%, due 2018	250.0	94.50	236.3

3. Supplemental Cash Flow Information

	Six months ended June 30, 2009	2008
Interest paid in cash	$ 95.7	$ 132.8
Income taxes paid in cash	80.6	66.6

Cash interest for 2009 includes note repurchase premiums and the proceeds from the settlement of interest rate swaps related to the May tender of the Company s 7.50% Senior Debentures due May 2010.

4. Share Owners Equity

The activity in share owners equity for the three months ended June 30, 2009 and 2008 is as follows:

	Share Owners Equity of the Company				
	Total Share Owners Equity	Common Stock, Capital in Excess of Par Value, and Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests
Balance on April 1, 2009	$ 1,256.2	$ 2,703.7	$ 12.7	$ (1,700.4)	$ 240.2
Issuance of common stock	5.6	5.6			
Reissuance of common stock	1.3	1.3			
Comprehensive income:					
Net earnings	162.5		149.3		13.2
Foreign currency translation adjustments	268.2			250.9	17.3
Pension and other postretirement benefit adjustments	10.3			10.3	
Change in fair value of derivative instruments, net of tax	14.8			14.8	
Total comprehensive income	455.8				
Dividends paid to noncontrolling interests on subsidiary common stock	(38.4)				(38.4)
Balance on June 30, 2009	$ 1,680.5	$ 2,710.6	$ 162.0	$ (1,424.4)	$ 232.3

	Share Owners Equity of the Company				
	Total Share Owners Equity	Common Stock, Capital in Excess of Par Value, and Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests
Balance on April 1, 2008	$ 2,747.2	$ 2,665.5	$ (112.6)	$ (54.1)	$ 248.4
Issuance of common stock	8.7	8.7			
Reissuance of common stock	2.4	2.4			
Comprehensive income:					
Net earnings	248.5		231.3		17.2
Foreign currency translation adjustments	72.9			69.7	3.2
Pension and other postretirement benefit adjustments	9.7			9.7	
Change in fair value of derivative instruments, net of tax	17.7			17.7	
Total comprehensive income	348.8				
Dividends paid to noncontrolling interests on subsidiary common stock	(11.4)				(11.4)
Balance on June 30, 2008	$ 3,095.7	$ 2,676.6	$ 118.7	$ 43.0	$ 257.4

The activity in share owners equity for the six months ended June 30, 2009 and 2008 is as follows:

	Share Owners Equity of the Company				
	Total Share Owners Equity	**Common Stock, Capital in Excess of Par Value, and Treasury Stock**	**Retained Earnings (Deficit)**	**Accumulated Other Comprehensive Loss**	**Non-controlling Interests**
Balance on January 1, 2009	$ 1,293.4	$ 2,693.6	$ (32.4)	$ (1,620.6)	$ 252.8
Issuance of common stock	14.1	14.1			
Reissuance of common stock	2.9	2.9			
Comprehensive income:					
Net earnings	221.3		194.4		26.9
Foreign currency translation adjustments	179.7			171.7	8.0
Pension and other postretirement benefit adjustments	15.7			15.7	
Change in fair value of derivative instruments, net of tax	8.8			8.8	
Total comprehensive income	425.5				
Dividends paid to noncontrolling interests on subsidiary common stock	(55.4)				(55.4)
Balance on June 30, 2009	$ 1,680.5	$ 2,710.6	$ 162.0	$ (1,424.4)	$ 232.3

	Share Owners Equity of the Company				
	Total Share Owners Equity	**Common Stock, Capital in Excess of Par Value, and Treasury Stock**	**Retained Earnings (Deficit)**	**Accumulated Other Comprehensive Income (Loss)**	**Non-controlling Interests**
Balance on January 1, 2008	$ 1,986.6	$ 2,197.1	$ (285.3)	$ (176.9)	$ 251.7
Issuance of common stock	476.5	476.5			
Reissuance of common stock	3.0	3.0			
Comprehensive income:					
Net earnings	442.8		409.4		33.4
Foreign currency translation adjustments	174.9			161.0	13.9
Pension and other postretirement benefit adjustments	18.0			18.0	
Change in fair value of derivative instruments, net of tax	40.9			40.9	
Total comprehensive income	676.6				
Dividends paid to noncontrolling interests on subsidiary common stock	(41.6)				(41.6)
Dividends paid on convertible preferred stock	(5.4)		(5.4)		
Balance on June 30, 2008	$ 3,095.7	$ 2,676.6	$ 118.7	$ 43.0	$ 257.4

5. Inventories

Major classes of inventory are as follows:

	June 30, 2009	Dec. 31, 2008	June 30, 2008
Finished goods	$ 860.3	$ 831.7	$ 1,058.0
Work in process	1.2	0.8	1.3
Raw materials	125.0	109.8	104.3
Operating supplies	52.5	57.2	71.1
	$ 1,039.0	$ 999.5	$ 1,234.7

6. Contingencies

The Company is one of a number of defendants in a substantial number of lawsuits filed in numerous state and federal courts by persons alleging bodily injury (including death) as a result of exposure to dust from asbestos fibers. 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 traditional asbestos personal injury lawsuits and claims relating to such production and sale of asbestos material typically allege 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, 2009, the Company has determined that it is a named defendant in asbestos lawsuits and claims involving approximately 7,000 plaintiffs and claimants. Based on an analysis of the lawsuits pending as of December 31, 2008, approximately 84% 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 15% of plaintiffs specifically plead damages of $15 million or less, and fewer than 1% 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 which 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 plaintiff s severity of disease, the product identification evidence against specific defendants, the defenses available to those defendants, the specific jurisdiction in which the claim is made, and the plaintiff s history of smoking or exposure to other possible disease-causative factors.

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, 2009 there are approximately 800 claims against other defendants which are likely to be asserted some time in the future against the Company. These claims are not included in the pending lawsuits and claims totals set forth above.

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

Since receiving its first asbestos claim, the Company as of June 30, 2009, has disposed of the asbestos claims of approximately 373,000 plaintiffs and claimants at an average indemnity payment per claim of approximately $7,400. Certain of these dispositions have included deferred amounts payable over a number of years. Deferred amounts payable totaled approximately $32.2 million at June 30, 2009 ($34.0 million at December 31, 2008) and are included in the foregoing average indemnity payment per claim. The Company s indemnity payments for these claims 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. This may have the effect of increasing the Company s per-claim average indemnity payment over time.

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot be estimated with certainty. Beginning with the initial liability of $975 million established in 1993, the Company has accrued a total of approximately $3.47 billion through 2008, before insurance recoveries, for its asbestos-related liability. The Company s ability reasonably to estimate its liability has been significantly affected by the volatility of asbestos-related litigation in the United States, 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 found liable for substantial damage awards, the use of mass litigation screenings to generate new lawsuits, the large number of claims asserted or filed by parties who claim prior exposure to asbestos materials but have no present physical impairment as a result of such exposure, and the significant number of co-defendants that have filed for bankruptcy.

The Company has continued to monitor trends which 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 estimated by the Company in connection with its annual comprehensive review and consist of the following: (i) the reasonably probable contingent liability for asbestos claims already asserted against the Company; (ii) the contingent liability for preexisting but unasserted asbestos claims for prior periods arising under its administrative claims-handling agreements with various plaintiffs counsel; (iii) the contingent liability for asbestos claims not yet asserted against the Company, but which the Company believes it is reasonably probable will be asserted in the next several years, to the degree that an estimation as to future claims is possible, 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 to which the Company s accelerated settlements in 2007 and 2008 impact the number and type of future claims and lawsuits;

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

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

f) the extent to which courts and legislatures eliminate, reduce or permit the diversion of financial resources for unimpaired claimants and so-called forum shopping;

g) the extent to which additional defendants with substantial resources and assets are required to participate significantly in the resolution of future asbestos lawsuits and claims;

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

i) the extent to which co-defendant 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.

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 an estimation of the reasonably probable amount of the contingent 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.

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. In accordance with FAS No. 5, the Company records a liability for such matters when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. Recorded amounts are reviewed and adjusted to reflect changes in the factors upon which the estimates are based including additional information, negotiations, settlements, and other events.

The ultimate legal and financial liability of the Company with respect to the lawsuits and proceedings referred to above, in addition to other pending litigation, cannot be estimated with certainty. The Company s reported results of operations for 2008 were materially affected by the $250.0 million ($248.8 million after tax) fourth quarter charge for asbestos-related costs and asbestos-related payments continue to be substantial. Any future additional charge would likewise materially affect the Company s results of operations for the period in which it is recorded. Also, the continued use of significant amounts of cash for asbestos-related costs has affected and will continue to affect the Company s cost of borrowing and its ability to pursue global or domestic acquisitions. However, the Company believes that its operating cash flows and other sources of liquidity will be sufficient to pay its obligations for asbestos-related costs and to fund its working capital and capital expenditure requirements on a short-term and long-term basis.

7. Segment Information

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

The Company s measure of profit for its reportable segments is Segment Operating Profit, which consists of consolidated earnings from continuing operations before interest income, interest expense, and provision for income taxes and excludes amounts related to certain items that management considers not representative of ongoing operations as well as certain retained corporate costs. The Company s management uses Segment Operating Profit, in combination with selected cash flow information, to evaluate performance and to allocate resources.

Segment Operating Profit for reportable segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided.

Financial information for the three-month periods ended June 30, 2009 and 2008 regarding the Company s reportable segments is as follows:

	2009	2008
Net sales:		
Europe	$ 793.9	$ 1,045.7
North America	560.5	606.3
South America	249.9	294.1
Asia Pacific	192.7	242.3
Reportable segment totals	1,797.0	2,188.4
Other	10.0	22.2
Net sales	$ 1,807.0	$ 2,210.6

	2009	2008
Segment Operating Profit:		
Europe	$ 120.4	$ 195.8
North America	103.1	68.1
South America	57.0	85.5
Asia Pacific	11.4	40.7
Reportable segment totals	291.9	390.1
Items excluded from Segment Operating Profit:		
Retained corporate costs and other	(23.3)	(2.1)
Restructuring and asset impairments	(5.2)	(8.2)
Interest income	6.5	10.0
Interest expense	(57.9)	(69.2)
Earnings from continuing operations before income taxes	$ 212.0	$ 320.6

Financial information for the six-month periods ended June 30, 2009 and 2008 regarding the Company s reportable segments is as follows:

	2009	2008
Net sales:		
Europe	$ 1,406.8	$ 1,934.6
North America	1,054.7	1,137.2
South America	463.9	548.3
Asia Pacific	374.8	492.3
Reportable segment totals	3,300.2	4,112.4
Other	25.8	58.7
Net sales	$ 3,326.0	$ 4,171.1

	2009	2008
Segment Operating Profit:		
Europe	$ 164.6	$ 343.4
North America	165.8	123.5
South America	117.0	159.1
Asia Pacific	36.4	86.2
Reportable segment totals	483.8	712.2
Items excluded from Segment Operating Profit:		
Retained corporate costs and other	(35.2)	(0.6)
Restructuring and asset impairments	(55.6)	(21.1)
Interest income	15.0	18.7
Interest expense	(106.0)	(133.5)
Earnings from continuing operations before income taxes	$ 302.0	$ 575.7

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

		June 30, 2009		Dec. 31, 2008		June 30, 2008
Total assets:						
Europe	$	3,853.9	$	3,758.4	$	4,525.8
North America		1,927.4		1,802.9		2,050.9
South America		992.2		976.2		1,017.6
Asia Pacific		1,470.2		1,239.6		1,680.2
Reportable segment totals		8,243.7		7,777.1		9,274.5
Other		370.5		199.4		762.5
Consolidated totals	$	8,614.2	$	7,976.5	$	10,037.0

8. Other Expense

During the second quarter of 2009, the Company recorded charges totaling $5.2 million (pretax and after tax), for restructuring and asset impairment. The total of all such charges for the six months ended June 30, 2009 was $55.6 million ($52.9 million after tax). The charges reflect the additional decisions reached in the Company s ongoing strategic review of its global manufacturing footprint. See Note 9 for additional information.

Charges for similar actions during the second quarter of 2008 totaled $8.2 million ($4.2 million after tax amount attributable to the Company). The total of all such charges for the six months ended June 30, 2008 was $21.1 million ($13.9 million after tax amount attributable to the Company). See Note 9 for additional information.

During the first six months of 2008, the Company also recorded an additional $0.9 million (pretax and after tax), related to the impairment of the Company s equity investment in the South American Segment s 50%-owned Caribbean affiliate.

9. Restructuring Accruals

Beginning in 2007, the Company commenced a strategic review of its global profitability and manufacturing footprint. The combined 2007, 2008 and 2009 charges, amounting to $243.3 million ($203.2 million after tax amount attributable to the Company) reflect the decisions reached through June 30, 2009 in the Company s ongoing strategic review of its global manufacturing footprint. The related curtailment of plant capacity and realignment of selected operations will result in an overall reduction in the Company s workforce of approximately 2,050 jobs. Amounts recorded by the Company do not include any gains that may be realized upon the ultimate sale or disposition of closed facilities.

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 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.

2007

During the third and fourth quarters of 2007, the Company recorded charges totaling $55.3 million ($40.2 million after tax), for restructuring and asset impairment in Europe and North

America. The curtailment of plant capacity resulted in elimination of approximately 560 jobs and a corresponding reduction in the Company s workforce.

2008

During 2008, the Company recorded charges totaling $132.4 million ($110.1 million after tax amount attributable to the Company), for restructuring and asset impairment across all segments as well as in Retained Corporate Costs and Other. The curtailment of plant capacity and realignment of selected operations resulted in elimination of approximately 1,240 jobs and a corresponding reduction in the Company s workforce.

2009

During the first and second quarters of 2009, the Company recorded charges totaling $55.6 million ($52.9 million after tax), for restructuring and asset impairment in Europe. The curtailment of plant capacity will result in elimination of approximately 250 jobs and a corresponding reduction in the Company s workforce.

The Company expects that the majority of the remaining estimated cash expenditures related to the above charges will be paid out by the end of 2009.

Selected information related to the restructuring accrual is as follows:

	Employee Costs	Asset Impairment	Other	Total
2007 Charges	$ 26.1	$ 22.3	$ 6.9	$ 55.3
Write-down of assets to net realizable value		(22.3)	(2.4)	(24.7)
Balance at December 31, 2007	26.1		4.5	30.6
2008 charges	70.1	32.5	29.8	132.4
Write-down of assets to net realizable value		(32.5)	(4.7)	(37.2)
Net cash paid, principally severance and related benefits	(35.6)		(7.2)	(42.8)
Other, principally foreign exchange translation	(13.0)		(6.1)	(19.1)
Balance at December 31, 2008	47.6		16.3	63.9
First quarter 2009 charges	19.1	29.3	2.0	50.4
Write-down of assets to net realizable value		(29.3)		(29.3)
Net cash paid, principally severance and related benefits	(18.9)		(1.3)	(20.2)
Other, principally foreign exchange translation	(1.7)		(0.5)	(2.2)
Balance at March 31, 2009	46.1		16.5	62.6
Second quarter 2009 charges	4.6	0.6		5.2
Write-down of assets to net realizable value		(0.6)		(0.6)
Net cash paid, principally severance and related benefits	(12.5)		(0.5)	(13.0)
Other, principally foreign exchange translation	3.4		1.3	4.7
Balance at June 30, 2009	$ 41.6	$	$ 17.3	$ 58.9

10. Derivative Instruments

The Company has certain derivative assets and liabilities which consist of interest rate swaps, natural gas forwards, and foreign exchange option and forward contracts. The Company records derivative assets and liabilities at fair value and classifies them as Level 2 in the fair value hierarchy.

Interest Rate Swaps Designated as Fair Value Hedges

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

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

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

During the second quarter of 2009, the Company completed a tender offer for its $250 million senior debentures due 2010. As a result of the tender offer, the Company extinguished $221.9 million of the senior debentures and terminated the related interest rate swap agreements for proceeds of $5.0 million. The Company recognized $4.4 million of the proceeds as a reduction to interest expense upon the termination of the interest rate swap agreements, while the remaining $0.6 million is recorded as an adjustment to the debt and will be recognized as a reduction to interest expense over the remaining life of the outstanding senior debentures due 2010. See Note 2 for additional information.

During the second quarter of 2009, the Company s interest rate swaps related to the $450 million senior notes due 2013 were terminated. The Company received proceeds of $12.4 million which were recorded as an adjustment to debt and will be recognized as a reduction to interest expense over the remaining life of the senior notes due 2013.

As of June 30, 2009, the balance of unamortized proceeds from terminated interest rate swaps included in long-term debt was $12.5 million.

The effect of the interest rate swaps on the results of operations for the three and six months ended June 30, 2009 and 2008 is as follows:

	Amount of Gain (Loss) Recognized in Interest Expense			
	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Interest Rate Swaps	$ (7.0)	$ (22.7)	$ (11.0)	$ (5.3)
Related long-term debt	7.0	22.7	11.0	5.3
Proceeds recognized and amortized for terminated interest rate swaps	4.8		4.8	
Net impact on interest expense	$ 4.8	$	$ 4.8	$

Commodity Futures Contracts Designated as Cash Flow Hedges

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 with respect to its forecasted usage requirements over the next twelve to twenty-four months and periodically enters into commodity futures contracts in order to hedge a portion of its usage requirements over that period. At June 30, 2009, the Company had entered into commodity futures contracts covering approximately 8,200,000 MM BTUs over that period.

The Company accounts for the above futures contracts as cash flow hedges at June 30, 2009 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, 2009, an unrecognized loss of $28.6 million (pretax and after tax) 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, 2009 and 2008 was not material.

The effect of the commodity futures contracts on the results of operations for the three months ended June 30, 2009 and 2008 is as follows:

Amount of Gain (Loss) Recognized in OCI on Commodity Futures Contracts (Effective Portion)		Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (reported in manufacturing, shipping, and delivery) (Effective Portion)	
2009	2008	2009	2008
$ (1.7)	$ 25.6	$ (16.5)	$ 7.9

The effect of the commodity futures contracts on the results of operations for the six months ended June 30, 2009 and 2008 is as follows:

Amount of Gain (Loss) Recognized in OCI on Commodity Futures Contracts (Effective Portion)		Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (reported in manufacturing, shipping, and delivery) (Effective Portion)	
2009	2008	2009	2008
$ (21.0)	$ 47.9	$ (29.8)	$ 6.9

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 matches the hedged portion of the net investment, there is 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 recorded in OCI will be reclassified into earnings when the Company sells or liquidates its net investment in the non-U.S. subsidiary.

The effect of the net investment hedge on the results of operations for the three months ended June 30, 2009 and 2008 is as follows:

Amount of Gain (Loss) Recognized in OCI		Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income	
2009	2008		2009	2008
$ (20.7)	$ (0.2)	N/A	$	$

The effect of the net investment hedge on the results of operations for the six months ended June 30, 2009 and 2008 is as follows:

Amount of Gain (Loss) Recognized in OCI		Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income	
2009	2008		2009	2008
$ (1.3)	$ (24.4)	N/A	$	$

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

24

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, 2009, various subsidiaries of the Company had outstanding forward exchange and option agreements denominated in various currencies covering the equivalent of approximately $750 million 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, 2009 and 2008 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 2009**	**2008**
Other expense	$ 1.2	$ 0.8

The effect of the forward exchange contracts on the results of operations for the six months ended June 30, 2009 and 2008 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 2009**	**2008**
Other expense	$ 11.8	$ (30.3)

Balance Sheet Classification

The Company records the fair values of derivative financial instruments on the balance sheet as follows: (1) receivables if the instrument has a positive fair value and maturity within one year, (2) deposits, receivables, and other assets if the instrument has a positive fair value and maturity after one year, (3) accounts payable and other current liabilities if the instrument has a negative fair value and maturity within one year, and (4) other liabilities if the instrument has a negative fair value and maturity after one year. The following table shows the amount and classification of the Company s derivatives as of June 30, 2009 and 2008:

	2009			2008		
	Balance Sheet Location		Fair Value	Balance Sheet Location		Fair Value
Asset Derivatives:						
Derivatives designated as hedging instruments						
Interest rate swaps				Receivables	$	0.1
Interest rate swaps				Deposits, receivables, and other assets		1.8
Commodity futures contracts				Receivables		2.6
Commodity futures contracts				Deposits, receivables, and other assets		33.8
Total derivatives designated as hedging instruments						38.3
Derivatives not designated as hedging instruments						
Foreign exchange contracts	Receivables	$	5.5	Receivables		7.3
Foreign exchange contracts	Deposits, receivables, and other assets		0.3			
Foreign exchange contracts	Other liabilities (current)		0.1			
Total derivatives not designated as hedging instruments			5.9			7.3
Total asset derivatives		$	5.9		$	45.6
Liability Derivatives:						
Derivatives designated as hedging instruments						
Interest rate swaps				Deposits, receivables, and other assets	$	3.8
Commodity futures contracts	Other liabilities (current)	$	28.6			
Total derivatives designated as hedging instruments			28.6			3.8
Derivatives not designated as hedging instruments						
Foreign exchange contracts	Other liabilities (current)		13.9	Other liabilities (current)		0.4
Foreign exchange contracts				Other liabilities		7.2
Total derivatives not designated as hedging instruments			13.9			7.6
Total liability derivatives		$	42.5		$	11.4

11. Pensions Benefit Plans and Other Postretirement Benefits

The components of the net periodic pension cost (income) for the three months ended June 30, 2009 and 2008 were as follows:

		2009		2008
Service cost	$	10.4	$	12.2
Interest cost		53.2		55.3
Expected asset return		(69.0)		(81.3)
Amortization:				
Loss		10.9		7.8
Prior service credit		(0.2)		(0.2)
Net amortization		10.7		7.6
Net periodic pension (income) cost	$	5.3	$	(6.2)

The components of the net periodic pension cost (income) for the six months ended June 30, 2009 and 2008 were as follows:

		2009		2008
Service cost	$	20.3	$	24.3
Interest cost		104.7		110.4
Expected asset return		(136.3)		(162.4)
Amortization:				
Loss		21.8		15.5
Prior service credit		(0.4)		(0.4)
Net amortization		21.4		15.1
Net periodic pension (income) cost	$	10.1	$	(12.6)

The components of the net postretirement benefit cost for the three months ended June 30, 2009 and 2008 were as follows:

		2009		2008
Service cost	$	0.5	$	0.6
Interest cost		4.1		4.4
Amortization:				
Prior service credit		(0.8)		(0.7)
Loss		0.9		1.5
Net amortization		0.1		0.8
Net postretirement benefit cost	$	4.7	$	5.8

The components of the net postretirement benefit cost for the six months ended June 30, 2009 and 2008 were as follows:

	2009	2008
Service cost	$ 0.9	$ 1.2
Interest cost	8.1	8.7
Amortization:		
Prior service credit	(1.6)	(1.5)
Loss	1.9	3.1
Net amortization	0.3	1.6
Net postretirement benefit cost	$ 9.3	$ 11.5

12. Noncontrolling Interests

Effective January 1, 2009, the Company adopted the provisions of FAS No. 160. FAS No. 160 establishes accounting and reporting standards for the noncontrolling interests in a subsidiary and the deconsolidation of a subsidiary. FAS No. 160 requires an entity to present consolidated net income attributable to the parent and to the noncontrolling interests separately on the face of the consolidated financial statements. FAS No. 160 clarifies that noncontrolling interests in a subsidiary should be accounted for as a component of equity separate from the parent s equity, rather than in liabilities. The format of the Company s condensed consolidated results of operations for the three and six months ended June 30, 2008, condensed consolidated cash flows for the six months ended June 30, 2008, and condensed consolidated balance sheets at June 30, 2008 and December 31, 2008 have been reclassified to conform to the new presentation under FAS No. 160 which is required to be applied retrospectively. The cash flow presentation was also revised to reflect dividends paid to noncontrolling interests as a cash flow from financing activities. Previously these cash flows had been reported as an operating activity.

13. New Accounting Standards

In December 2008, the FASB issued a FASB Staff Position on Statement of Financial Accounting Standards No. 132(R), Employers Disclosures about Postretirement Benefit Plan Assets (FSP FAS No. 132(R)-1). FSP FAS No. 132(R)-1 requires additional annual disclosures about the fair value of postretirement benefit plan assets to provide users of financial statements with useful, transparent and timely information about the asset portfolios. FSP FAS No. 132(R)-1 is effective for years ending after December 15, 2009. Adoption of FSP FAS No. 132(R)-1 will have no impact on the Company s results of operations, financial position or cash flows.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) (FAS No. 167). This Statement amends certain guidance in FIN 46(R) for determining whether an entity is a variable interest entity (VIE). FAS No. 167 requires an enterprise to perform an analysis to determine whether the Company s variable interests give it a controlling financial interest in a VIE. A company would be required to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has the power to direct the activities of the VIE that most significantly impact the entity s economic performance. In addition, this Statement amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. FAS No. 167 is effective for financial statements issued for fiscal years beginning after November 15, 2009. The Company is currently evaluating the impact of this Statement.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (Codification). The Codification does not change current U.S. GAAP but reorganizes all authoritative literature in one place. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Once effective, the Codification will supersede existing GAAP and become the source of authoritative accounting principles recognized by the FASB. This Statement only requires a change in disclosure and will not impact the Company s consolidated financial statements.

14. Discontinued Operations

The gain on sale of discontinued operations of $7.9 million reported in 2008 relates to an adjustment of the 2007 gain on the sale of the plastics packaging business mainly related to finalizing certain tax allocations and an adjustment to the selling price in accordance with procedures set forth in the final contract.

15. Convertible Preferred Stock

On February 29, 2008, the Company announced that all outstanding shares of convertible preferred stock would be redeemed on March 31, 2008, if not converted by holders prior to that date. All conversions and redemptions were completed by March 31, 2008 through the issuance of 8,584,479 shares of common stock. The conversions and redemptions resulted in an increase in common stock and capital in excess of par value.

16. Financial Information for Subsidiary Guarantors and Non-Guarantors

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

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

	June 30, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$	$	$ 1,126.4	$	$ 1,126.4
Inventories			1,039.0		1,039.0
Other current assets			752.0		752.0
Total current assets			2,917.4		2,917.4
Investments in and advances to subsidiaries	2,369.7	2,091.8		(4,461.5)	
Goodwill			2,290.8		2,290.8
Other non-current assets			753.7		753.7
Total other assets	2,369.7	2,091.8	3,044.5	(4,461.5)	3,044.5
Property, plant, and equipment, net			2,652.3		2,652.3
Total assets	$ 2,369.7	$ 2,091.8	$ 8,614.2	$ (4,461.5)	$ 8,614.2
Current liabilities :					
Accounts payable and accrued liabilities	$	$	$ 1,425.1	$	$ 1,425.1
Current portion of asbestos liability	175.0				175.0
Short-term loans and long-term debt due within one year	28.1		357.8	(28.1)	357.8
Total current liabilities	203.1		1,782.9	(28.1)	1,957.9
Long-term debt	250.0		3,284.4	(250.0)	3,284.4
Asbestos-related liabilities	236.1				236.1
Other non-current liabilities			1,455.3		1,455.3
Capital structure	1,680.5	2,091.8	2,091.6	(4,183.4)	1,680.5
Total liabilities and share owners equity	$ 2,369.7	$ 2,091.8	$ 8,614.2	$ (4,461.5)	$ 8,614.2

	December 31, 2008				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$	$	$ 988.8	$	$ 988.8
Inventories			999.5		999.5
Other current assets			456.4		456.4
Total current assets			2,444.7		2,444.7
Investments in and advances to subsidiaries	2,288.7	1,788.7		(4,077.4)	
Goodwill			2,207.5		2,207.5
Other non-current assets			678.7		678.7
Total other assets	2,288.7	1,788.7	2,886.2	(4,077.4)	2,886.2
Property, plant and equipment, net			2,645.6		2,645.6
Total assets	$ 2,288.7	$ 1,788.7	$ 7,976.5	$ (4,077.4)	$ 7,976.5
Current liabilities :					
Accounts payable and accrued liabilities	$	$	$ 1,434.5	$	$ 1,434.5
Current portion of asbestos liability	175.0				175.0
Short-term loans and long-term debt due within one year			393.8		393.8
Total current liabilities	175.0		1,828.3		2,003.3
Long-term debt	508.9		2,931.4	(500.0)	2,940.3
Asbestos-related liabilities	320.3				320.3
Other non-current liabilities	(8.9)		1,428.1		1,419.2
Capital structure	1,293.4	1,788.7	1,788.7	(3,577.4)	1,293.4
Total liabilities and share owners equity	$ 2,288.7	$ 1,788.7	$ 7,976.5	$ (4,077.4)	$ 7,976.5

	June 30, 2008				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$	$	$ 1,438.4	$	$ 1,438.4
Inventories			1,234.7		1,234.7
Other current assets			441.4		441.4
Total current assets			3,114.5		3,114.5
Investments in and advances to subsidiaries	3,947.6	3,447.6		(7,395.2)	
Goodwill			2,546.6		2,546.6
Other non-current assets			1,372.2		1,372.2
Total other assets	3,947.6	3,447.6	3,918.8	(7,395.2)	3,918.8
Property, plant, and equipment, net			3,003.7		3,003.7
Total assets	$ 3,947.6	$ 3,447.6	$ 10,037.0	$ (7,395.2)	$ 10,037.0
Current liabilities :					
Accounts payable and accrued liabilities	$	$	$ 1,701.7	$	$ 1,701.7
Current portion of asbestos liability	210.0				210.0
Short-term loans and long-term debt due within one year			528.6		528.6
Total current liabilities	210.0		2,230.3		2,440.3
Long-term debt	498.3		3,262.5	(500.0)	3,260.8
Asbestos-related liabilities	141.9				141.9
Other non-current liabilities	1.7		1,096.6		1,098.3
Capital structure	3,095.7	3,447.6	3,447.6	(6,895.2)	3,095.7
Total liabilities and share owners equity	$ 3,947.6	$ 3,447.6	$ 10,037.0	$ (7,395.2)	$ 10,037.0

	Three months ended June 30, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$	$	$ 1,807.0	$	$ 1,807.0
Manufacturing, shipping, and delivery			(1,399.6)		(1,399.6)
Gross profit			407.4		407.4
Research, engineering, selling, administrative, and other			(162.5)		(162.5)
External interest expense	(18.4)		(39.5)		(57.9)
Intercompany interest expense		(18.4)	(18.4)	36.8	
External interest income			6.5		6.5
Intercompany interest income	18.4	18.4		(36.8)	
Equity earnings from subsidiaries	149.3	149.3		(298.6)	
Other equity earnings			14.1		14.1
Other revenue			4.4		4.4
Earnings before income taxes	149.3	149.3	212.0	(298.6)	212.0
Provision for income taxes			(49.5)		(49.5)
Net earnings	149.3	149.3	162.5	(298.6)	162.5
Net earnings attributable to noncontrolling interests			(13.2)		(13.2)
Net earnings attributable to the Company	$ 149.3	$ 149.3	$ 149.3	$ (298.6)	$ 149.3

	Three months ended June 30, 2008				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$	$	$ 2,210.6	$	$ 2,210.6
Manufacturing, shipping, and delivery			(1,685.4)		(1,685.4)
Gross profit			525.2		525.2
Research, engineering, selling, administrative, and other			(164.5)		(164.5)
External interest expense	(12.0)		(57.2)		(69.2)
Intercompany interest expense		(12.0)	(12.0)	24.0	
External interest income			10.0		10.0
Intercompany interest income	12.0	12.0		(24.0)	
Equity earnings from subsidiaries	227.5	227.5		(455.0)	
Other equity earnings			12.7		12.7
Other revenue			6.4		6.4
Earnings from continuing operations before income taxes	227.5	227.5	320.6	(455.0)	320.6
Provision for income taxes			(75.9)		(75.9)
Earnings from continuing operations	227.5	227.5	244.7	(455.0)	244.7
Gain on sale of discontinued operations	3.8	3.8	3.8	(7.6)	3.8
Net earnings	231.3	231.3	248.5	(462.6)	248.5
Net earnings attributable to noncontrolling interest			(17.2)		(17.2)
Net earnings attributable to the Company	$ 231.3	$ 231.3	$ 231.3	$ (462.6)	$ 231.3

	Six months ended June 30, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$	$	$ 3,326.0	$	$ 3,326.0
Manufacturing, shipping, and delivery			(2,621.8)		(2,621.8)
Gross profit			704.2		704.2
Research, engineering, selling, administrative, and other			(347.7)		(347.7)
External interest expense	(28.1)		(77.9)		(106.0)
Intercompany interest expense		(28.1)	(28.1)	56.2	
External interest income			15.0		15.0
Intercompany interest income	28.1	28.1		(56.2)	
Equity earnings from subsidiaries	194.4	194.4		(388.8)	
Other equity earnings			27.7		27.7
Other revenue			8.8		8.8
Earnings from continuing operations before income taxes	194.4	194.4	302.0	(388.8)	302.0
Provision for income taxes			(80.7)		(80.7)
Net earnings	194.4	194.4	221.3	(388.8)	221.3
Net earnings attributable to noncontrolling interest			(26.9)		(26.9)
Net earnings attributable to the Company	$ 194.4	$ 194.4	$ 194.4	$ (388.8)	$ 194.4

	Six months ended June 30, 2008				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$	$	$ 4,171.1	$	$ 4,171.1
Manufacturing, shipping, and delivery			(3,189.1)		(3,189.1)
Gross profit			982.0		982.0
Research, engineering, selling, administrative, and other			(328.3)		(328.3)
External interest expense	(26.4)		(107.1)		(133.5)
Intercompany interest expense		(26.4)	(26.4)	52.8	
External interest income			18.7		18.7
Intercompany interest income	26.4	26.4		(52.8)	
Equity earnings from subsidiaries	401.5	401.5		(803.0)	
Other equity earnings			23.8		23.8
Other revenue			13.0		13.0
Earnings from continuing operations before income taxes	401.5	401.5	575.7	(803.0)	575.7
Provision for income taxes			(140.8)		(140.8)
Earnings from continuing operations	401.5	401.5	434.9	(803.0)	434.9
Gain on sale of discontinued operations	7.9	7.9	7.9	(15.8)	7.9
Net earnings	409.4	409.4	442.8	(818.8)	442.8
Net earnings attributable to noncontrolling interest			(33.4)		(33.4)
Net earnings attributable to the Company	$ 409.4	$ 409.4	$ 409.4	$ (818.8)	$ 409.4

	Six months ended June 30, 2009				
Cash Flows	**Parent**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Cash provided by (used in) operating activities	$ (84.2)	$	$ 267.4	$	$ 183.2
Cash used in investing activities			(118.3)		(118.3)
Cash provided by financing activities	84.2		141.1		225.3
Effect of exchange rate change on cash			7.5		7.5
Net change in cash			297.7		297.7
Cash at beginning of period			379.5		379.5
Cash at end of period	$	$	$ 677.2	$	$ 677.2

	Six months ended June 30, 2008				
Cash Flows	**Parent**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Cash provided by (used in) operating activities	$ (103.6)	$	$ 375.8	$	$ 272.2
Cash used in investing activities			(158.9)		(158.9)
Cash provided by (used in) financing activities	103.6		(257.9)		(154.3)
Effect of exchange rate change on cash			19.3		19.3
Net change in cash			(21.7)		(21.7)
Cash at beginning of period			387.7		387.7
Cash at end of period	$	$	$ 366.0	$	$ 366.0

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Following are the Company s net sales by segment and Segment Operating Profit for the three and six months ended June 30, 2009 and 2008. 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 segment data presented below is prepared in accordance with general accounting principles for segment reporting. The line titled reportable segment totals , however, is a non-GAAP measure when presented outside of the financial statement footnotes. Management has included reportable segment totals below to facilitate the discussion and analysis of financial condition and results of operations. The Company s management uses Segment Operating Profit, in combination with selected cash flow information, to evaluate performance and to allocate resources.

	Three months ended June 30,		Six months ended June 30,	
	2009	**2008**	**2009**	**2008**
Net Sales:				
Europe	$ 793.9	$ 1,045.7	$ 1,406.8	$ 1,934.6
North America	560.5	606.3	1,054.7	1,137.2
South America	249.9	294.1	463.9	548.3
Asia Pacific	192.7	242.3	374.8	492.3
Reportable segment totals	1,797.0	2,188.4	3,300.2	4,112.4
Other	10.0	22.2	25.8	58.7
Net Sales	$ 1,807.0	$ 2,210.6	$ 3,326.0	$ 4,171.1

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Segment Operating Profit:				
Europe	$ 120.4	$ 195.8	$ 164.6	$ 343.4
North America	103.1	68.1	165.8	123.5
South America	57.0	85.5	117.0	159.1
Asia Pacific	11.4	40.7	36.4	86.2
Reportable segment totals	291.9	390.1	483.8	712.2
Items excluded from Segment Operating Profit:				
Retained corporate costs and other	(23.3)	(2.1)	(35.2)	(0.6)
Restructuring and asset impairments	(5.2)	(8.2)	(55.6)	(21.1)
Interest income	6.5	10.0	15.0	18.7
Interest expense	(57.9)	(69.2)	(106.0)	(133.5)
Earnings from continuing operations before income taxes	212.0	320.6	302.0	575.7
Provision for income taxes	(49.5)	(75.9)	(80.7)	(140.8)
Earnings from continuing operations	162.5	244.7	221.3	434.9
Gain on sale of discontinued operations		3.8		7.9
Net earnings	162.5	248.5	221.3	442.8
Net earnings attributable to noncontrolling interests	(13.2)	(17.2)	(26.9)	(33.4)
Net earnings attributable to the Company	$ 149.3	$ 231.3	$ 194.4	$ 409.4
Net earnings from continuing operations attributable to the Company	$ 149.3	$ 227.5	$ 194.4	$ 401.5

Note: All amounts excluded from reportable segment totals are discussed in the following applicable sections.

Executive Overview — Quarters ended June 30, 2009 and 2008

Net sales were $403.6 million lower than the prior year principally resulting from decreased shipments and the unfavorable effect of foreign currency exchange rates, partially offset by higher selling prices and improved mix.

Segment Operating Profit for reportable segments was $98.2 million lower than the prior year. The decrease was mainly attributable to lower sales volume and increased manufacturing and delivery costs resulting from higher unabsorbed fixed costs of approximately $95 million, as compared to the second quarter of 2008, primarily from production curtailments as well as inflationary cost increases. Partially offsetting these costs were higher selling prices, improved mix, and savings of approximately $38 million from permanent curtailment of plant capacity and realignment of selected operations.

Interest expense for the second quarter of 2009 was $57.9 million compared with $69.2 million for the second quarter of 2008. The 2009 amount includes $5.2 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees, net of a gain from the termination of the interest rate swap agreement following the May tender for the 7.50% Senior Debentures due May 2010. Excluding these amounts, interest expense for the second quarter of 2009 decreased $16.5 million from the second quarter of 2008. The decrease is principally due to lower variable interest rates under the Company s bank credit agreement as well as favorable foreign currency exchange rates.

Interest income for the second quarter of 2009 was $6.5 million compared with $10.0 million for the second quarter of 2008.

Net earnings from continuing operations attributable to the Company for 2009 were $149.3 million, or $0.88 per share (diluted), compared with $227.5 million, or $1.33 per share (diluted), for 2008. Earnings in both periods included items that management considered not representative of ongoing operations. These items decreased net earnings in 2009 by $10.4 million, or $0.06 per share, and decreased net earnings in 2008 by $4.2 million, or $0.02 per share.

Cash payments for asbestos-related costs were $49.4 million for the three months ended June 30, 2009 compared with $63.4 million for the three months ended June 30, 2008.

Capital spending for property, plant and equipment was $77.5 million for 2009 compared with $83.6 million for 2008.

Executive Overview Six Months ended June 30, 2009 and 2008

Net sales were $845.1 million lower than the prior year principally resulting from decreased shipments and the unfavorable effect of foreign currency exchange rates, partially offset by higher selling prices and improved mix.

Segment Operating Profit for reportable segments was $228.4 million lower than the prior year. The decrease was mainly attributable to lower sales volume and increased manufacturing and delivery costs resulting from higher unabsorbed fixed costs of approximately $195 million, as compared to the first half of 2008, primarily from production curtailments as well as inflationary cost increases. Partially offsetting these costs were higher selling prices and savings from permanent curtailment of plant capacity and realignment of selected operations.

Interest expense for the first six months of 2009 was $106.0 million compared with $133.5 million for the first six months of 2008. The 2009 amount includes $5.2 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees, net of a gain from the termination of the interest rate swap agreement following the May tender for the 7.50% Senior Debentures due May 2010. Excluding these amounts, interest expense for the first six months of 2009 decreased $32.7 million from the first six months of 2008. The decrease is principally due to lower variable interest rates under the Company s bank credit agreement, lower average debt balances, as well as favorable foreign currency exchange rates.

Interest income for the first six months of 2009 was $15.0 million compared with $18.7 million for the first six months of 2008.

Net earnings from continuing operations attributable to the Company for 2009 were $194.4 million, or $1.15 per share (diluted), compared with $401.5 million, or $2.35 per share (diluted), for 2008. Earnings in both periods included items that management considered not representative of ongoing operations. These items decreased net earnings in 2009 by $58.1 million, or $0.34 per share, and decreased net earnings in 2008 by $13.9 million, or $0.08 per share.

Cash payments for asbestos-related costs were $84.2 million for the six months ended June 30, 2009 compared with $103.6 million for the six months ended June 30, 2008.

Capital spending for property, plant and equipment was $124.1 million for 2009 compared with $129.0 million for 2008.

Results of Operations Second Quarter of 2009 compared with Second Quarter of 2008

Net Sales

The Company s net sales in the second quarter of 2009 were $1,807.0 million compared with $2,210.6 million for the second quarter of 2008, a decrease of $403.6 million, or 18.3%. For further information, see Segment Information included in Note 7 to the Condensed Consolidated Financial Statements.

The change in net sales of reportable segments can be summarized as follows (dollars in millions):

Net sales - 2008		$ 2,188.4
Decreased sales volume	$ (271.0)	
Net effect of price and mix	88.0	
Effects of changing foreign currency rates	(208.4)	
Total effect on net sales		(391.4)
Net sales - 2009		$ 1,797.0

Segment Operating Profit

Operating Profit of the 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. Unallocated corporate expenses and certain other expenses not directly related to the reportable segments operations are included in Retained Corporate Costs and Other. For further information, see Segment Information included in Note 7 to the Condensed Consolidated Financial Statements.

Segment Operating Profit of reportable segments in the second quarter of 2009 was $291.9 million compared to $390.1 million for the second quarter of 2008, a decrease of $98.2 million, or 25.1%.

The change in Segment Operating Profit of reportable segments can be summarized as follows (dollars in millions):

Segment Operating Profit - 2008			$	390.1
Decreased sales volume	$	(94.0)		
Net effect of price and mix		88.0		
Effects of changing foreign currency rates		(23.0)		
Manufacturing and delivery		(64.0)		
Operating expenses		2.0		
Other		(7.2)		
Total net effect on Segment Operating Profit				(98.2)
Segment Operating Profit - 2009			$	291.9

Interest Expense

Interest expense for the second quarter of 2009 was $57.9 million compared with $69.2 million for the second quarter of 2008. The 2009 amount includes $5.2 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees, net of a gain from the termination of the interest rate swap agreement following the May tender for the 7.50% Senior Debentures due May 2010. Excluding these amounts, interest expense for the second quarter of 2009 decreased $16.5 million from the second quarter of 2008. The decrease is principally due to lower variable interest rates under the Company s bank credit agreement as well as favorable foreign currency exchange rates.

Interest Income

Interest income for the second quarter of 2009 was $6.5 million compared with $10.0 million for the second quarter of 2008.

Net Earnings Attributable to Noncontrolling Interests

Net earnings attributable to noncontrolling interests in the second quarter of 2009 was $13.2 million compared with $17.2 million in the second quarter of 2008.

Results of Operations First six months of 2009 compared with first six months of 2008

Net Sales

The Company s net sales in the first six months of 2009 were $3,326.0 million compared with $4,171.1 million for the first six months of 2008, a decrease of $845.1 million, or 20.3%. For further information, see Segment Information included in Note 7 to the Condensed Consolidated Financial Statements.

The change in net sales of reportable segments can be summarized as follows (dollars in millions):

Net sales - 2008		$ 4,112.4
Decreased sales volume	$ (567.0)	
Net effect of price and mix	209.0	
Effects of changing foreign currency rates	(454.2)	
Total effect on net sales		(812.2)
Net sales - 2009		$ 3,300.2

Segment Operating Profit

Operating Profit of the 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. Unallocated corporate expenses and certain other expenses not directly related to the reportable segments operations are included in Retained Corporate Costs and Other. For further information, see Segment Information included in Note 7 to the Condensed Consolidated Financial Statements.

Segment Operating Profit of reportable segments in the first six months of 2009 was $483.8 million compared to $712.2 million for the first six months of 2008, a decrease of $228.4 million, or 32.1%.

The change in Segment Operating Profit of reportable segments can be summarized as follows (dollars in millions):

Segment Operating Profit - 2008		$ 712.2
Decreased sales volume	$ (188.0)	
Net effect of price and mix	209.0	
Effects of changing foreign currency rates	(52.0)	
Manufacturing and delivery	(197.0)	
Operating expenses	(1.0)	
Other	0.6	
Total net effect on Segment Operating Profit		(228.4)
Segment Operating Profit - 2009		$ 483.8

Interest Expense

Interest expense for the first six months of 2009 was $106.0 million compared with $133.5 million for the first six months of 2008. The 2009 amount includes $5.2 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees, net of a gain from the termination of the interest rate swap agreement following the May tender for the 7.50% Senior Debentures due May 2010. Excluding these amounts, interest expense for the first six months of 2009 decreased $32.7 million from the first six months of 2008. The decrease is principally due to lower variable interest rates under the Company s bank credit agreement, lower average debt balances, as well as favorable foreign currency exchange rates.

Interest Income

Interest income for the first six months of 2009 was $15.0 million compared with $18.7 million for the first six months of 2008.

Net Earnings Attributable to Noncontrolling Interests

Net earnings attributable to noncontrolling interests in the first six months of 2009 was $26.9 million compared with $33.4 million in the first six months of 2008.

Provision for Income Taxes

The Company s effective tax rate for the six months ended June 30, 2009 was 26.7%, compared with 24.5% for the first six months of 2008. The Company expects that the full year effective tax rate will be comparable to the 24.0% effective tax rate for 2008 for continuing operations excluding the separately taxed items.

Items Excluded from Reportable Segment Totals

Retained Corporate Costs and Other

Retained corporate costs and other for the second quarter of 2009 was $23.3 million compared with $2.1 million for the second quarter of 2008, and $35.2 million for the first six months of 2009 compared with $0.6 million for the first six months of 2008. The increased expense in 2009 is mainly attributable to increased employee benefit costs. The increase is also due to lower royalty income and favorable items in 2008 that did not recur in 2009.

Restructuring and Asset Impairments

During the second quarter of 2009, the Company recorded charges totaling $5.2 million (pretax and after tax), for restructuring and asset impairment. The total of all such charges for the six months ended June 30, 2009 was $55.6 million ($52.9 million after tax). The charges reflect the additional decisions reached in the Company s ongoing strategic review of its global manufacturing footprint. See Note 9 to the Condensed Consolidated Financial Statements for additional information.

Charges for similar actions during the second quarter of 2008 totaled $8.2 million ($4.2 million after tax amount attributable to the Company). The total of all such charges for the six months ended June 30, 2008 was $21.1 million ($13.9 million after tax amount attributable to the Company). See Note 9 to the Condensed Consolidated Financial Statements for additional information.

During the first six months of 2008, the Company also recorded an additional $0.9 million (pretax and after tax), related to the impairment of the Company s equity investment in the South American Segment s 50%-owned Caribbean affiliate.

Discontinued Operations

The gain on sale of discontinued operations of $7.9 million reported in 2008 relates to an adjustment of the 2007 gain on the sale of the plastics packaging business mainly related to finalizing certain tax allocations and an adjustment to the selling price in accordance with procedures set forth in the final contract.

Capital Resources and Liquidity

The Company s total debt at June 30, 2009 was $3.64 billion, compared with $3.33 billion at December 31, 2008 and $3.79 billion at June 30, 2008.

On June 14, 2006, the Company s subsidiary borrowers entered into the Secured Credit Agreement (the Agreement). At June 30, 2009, the Agreement included a $900.0 million revolving credit facility, a 225.0 million Australian dollar term loan, and a 110.8 million Canadian dollar term loan, each of which has a final maturity date of June 15, 2012. It also included a $191.5 million term loan and a 191.5 million term loan, each of which has a final maturity date of June 14, 2013.

As a result of the bankruptcy of Lehman Brothers Holdings Inc. and several of its subsidiaries, the Company believes that the maximum amount available under the revolving credit facility was reduced by $32.3 million. After further deducting amounts attributable to letters of credit and overdraft facilities that are supported by the revolving credit facility, at June 30, 2009 the Company s subsidiary borrowers had unused credit of $799.4 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at June 30, 2009 was 2.57%.

During May 2009, a subsidiary of the Company issued senior notes with a face value of $600.0 million issued at 96.72% of face value for an effective interest rate of 8.00%. The notes bear interest at 7.375% and are due May 15, 2016. The notes are guaranteed by substantially all of the Company s domestic subsidiaries. The net proceeds, after deducting commissions and expenses from the notes, approximated $568 million and were used to purchase in a tender offer $221.9 million of the $250 million principal amount of 7.50% Senior Debentures due May 2010 and to reduce borrowings under the revolving credit facility. The balance of the proceeds increased cash. As a part of the issuance of these notes and the related tender offer, the Company recorded in the second quarter of 2009 additional interest charges of $5.2 million for note repurchase premiums and the related write-off of unamortized finance fees, net of a gain from the termination of the interest rate swap agreement on the notes.

During October 2006, the Company entered into a 300 million European accounts receivable securitization program. The program extends through October 2011, subject to annual renewal of backup credit lines. In addition, the Company participates in a receivables financing program in the Asia Pacific region with a revolving funding commitment of 85 million Australian dollars and 25 million New Zealand dollars that expire January 2010 and October 2009, respectively.

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

	June 30, 2009	Dec. 31, 2008	June 30, 2008
Balance (included in short-term loans)	$ 289.5	$ 293.7	$ 437.9
Weighted average interest rate	2.18%	5.31%	5.72%

For the six months ended June 30, 2009, cash provided by operating activities was $183.2 million compared with $272.2 million for the six months ended June 30, 2008. The decrease is mainly attributable to lower net earnings, increased payments for restructuring activities, and increased pension contributions partially offset by lower working capital balances, lower interest payments, and lower payments for asbestos-related costs. Cash flows from operating activities will continue to be affected by payments for restructuring activities.

Asbestos-related payments for the six months ended June 30, 2009 decreased $19.4 million to $84.2 million, compared with $103.6 million for the six months ended June 30, 2008.

Based on exchange rates at June 30, 2009, the Company expects to contribute approximately $75 million to $80 million to its non-U.S. defined benefit pension plans in 2009, compared with $61.2 million in 2008. The Company is not required to make cash contributions to the U.S. defined benefit pension plans during 2009. Contributions in 2010 are dependent on future asset returns and discount rates which the Company is unable to predict. However, based on a reasonably wide range of possible future asset returns and discount rates through the end of 2009, the Company believes that contributions to its non-U.S. plans will be moderately higher in 2010 and that it will not be required to make contributions to its U.S. plans in 2010. Depending on a number of factors, the Company may elect to contribute amounts in excess of minimum required amounts in order to improve the funded status of certain plans.

Capital spending for property, plant and equipment was $124.1 million compared with $129.0 million in the prior year. The Company capitalized $16.4 million and $10.7 million in 2009 and 2008, respectively, under capital lease obligations with the related financing recorded as long-term debt. Total capital spending for 2008 was $361.7 million. Based on current exchange rates, total capital spending for 2009 is expected to be up to $440 million depending on market conditions.

As of June 30, 2009, the Company had $677.2 million in cash and cash equivalents. The increase over the December 31, 2008 balance of $379.5 million largely represents additional funds provided by the second quarter financing activities described above. Most of the cash is held in mature, liquid markets where the Company has operations, such as North America, Europe and Australia and is readily available to fund liquidity requirements. Approximately 25% of the cash at June 30, 2009, is held in Venezuela where government restrictions on transfers of cash out of the country limit the Company s ability to immediately access cash at the government s official exchange rate of 2.15 bolivars to the U.S. dollar. The Company has been able to obtain U.S. dollars at the official rate to pay for the majority of its key raw materials and other imports. However, in 2009, the Venezuelan government has significantly slowed the process of exchanging bolivars to U.S. dollars at the official rate. As a result, the Company s cash balance in Venezuela has grown as earnings accumulate. The Company could access the cash in Venezuela more quickly through a market-driven parallel exchange process which, at June 30, 2009, valued the bolivar about 70% lower than the official exchange rate. While the Company will continue to pursue currency exchange at the official rate to pay for its imports and to remit earnings, it will also continue to monitor conditions in Venezuela and may elect to obtain dollars through the parallel market in the future.

The Company anticipates that cash flows from its operations and from utilization of credit available under the Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service and other obligations on a short-term (twelve-months) and long-term basis. Based on the Company s expectations regarding future payments for lawsuits and claims and also based on the Company s expected operating cash flow, the Company believes that the payment of any deferred amounts of previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company s liquidity on a short-term or long-term basis.

Critical Accounting Estimates

The Company s analysis and discussion of its financial condition and results of operations are based upon its consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The Company evaluates these estimates and assumptions on an ongoing basis. Estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances at the time the financial statements are issued. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates.

The impact of, and any associated risks related to, estimates and assumptions are discussed within Management s Discussion and Analysis of Financial Condition and Results of Operations, as well as in the Notes to the Condensed Consolidated Financial Statements, if applicable, where estimates and assumptions affect the Company s reported and expected financial results.

The Company believes that accounting for property, plant and equipment, impairment of long-lived assets, pension benefit plans, contingencies and litigation, and income taxes involves the more significant judgments and estimates used in the preparation of its consolidated financial statements.

Property, Plant and Equipment

The net carrying amount of property, plant, and equipment (PP&E) at June 30, 2009 totaled $2,652.3 million, representing 31% of total assets. Depreciation expense for the six months ended June 30, 2009 totaled $182.2 million, representing approximately 6% of total costs and expenses. Given the significance of PP&E and associated depreciation to the Company s consolidated financial statements, the determinations of an asset s cost basis and its economic useful life are considered to be critical accounting estimates.

Cost Basis - PP&E is recorded at cost, which is generally objectively quantifiable when assets are purchased singly. However, when assets are purchased in groups, or as part of a business, costs assigned to PP&E are based on an estimate of fair value of each asset at the date of acquisition. These estimates are based on assumptions about asset condition, remaining useful life and market conditions, among others. The Company frequently employs expert appraisers to aid in allocating cost among assets purchased as a group.

Included in the cost basis of PP&E are those costs which substantially increase the useful lives or capacity of existing PP&E. Significant judgment is needed to determine which costs should be capitalized under these criteria and which costs should be expensed as a repair or maintenance expenditure. For example, the Company frequently incurs various costs related to its existing glass melting furnaces and forming machines and must make a determination of which costs, if any, to capitalize. The Company relies on the experience and expertise of its operations and engineering staff to make reasonable and consistent judgments regarding increases in useful lives or capacity of PP&E.

Estimated Useful Life PP&E is generally depreciated using the straight-line method, which deducts equal amounts of the cost of each asset from earnings each period over its estimated economic useful life. Economic useful life is the duration of time an asset is expected to be productively employed by the Company, which may be less than its physical life. Management s assumptions regarding the following factors, among others, affect the determination of estimated economic useful life: wear and tear, product and process obsolescence, technical standards, and changes in market demand.

The estimated economic useful life of an asset is monitored to determine its appropriateness, especially in light of changed business circumstances. For example, technological advances, excessive wear and tear, or changes in customers requirements may result in a shorter estimated useful life than originally anticipated. In these cases, the Company depreciates the remaining net book value over the new estimated remaining life, thereby increasing depreciation expense per year on a prospective basis. Likewise, if the estimated useful life is increased, the adjustment to the useful life decreases depreciation expense per year on a prospective basis. Changes in economic useful life assumptions did not have a material impact on the Company s reported results in 2009, 2008 or 2007.

Impairment of Long-Lived Assets

Property, Plant, and Equipment The Company tests for impairment of PP&E whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. PP&E held for use in the Company s business is grouped for impairment testing at the lowest level for which cash flows can reasonably be identified, typically a geographic region. The Company evaluates the recoverability of PP&E based on undiscounted projected cash flows, excluding interest and taxes. If an asset group is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset group s carrying amount exceeds its fair value. PP&E held for sale is reported at the lower of carrying amount or fair value less cost to sell.

Impairment testing requires estimation of the fair value of PP&E based on the discounted value of projected future cash flows generated by the asset group. The assumptions underlying cash flow projections represent management s best estimates at the time of the impairment review. Factors that management must estimate include, among other things: industry and market conditions, sales volume and prices, production costs and inflation. Changes in key assumptions or actual conditions which differ from estimates could result in an impairment charge. The Company uses reasonable and supportable assumptions when performing impairment reviews and cannot predict the occurrence of future events and circumstances that could result in impairment charges.

In mid-2007, the Company began a strategic review of its global manufacturing footprint. The review is ongoing into 2009. As an initial result of this review, during 2009, 2008, and 2007, the Company recorded charges that included impairments of property, plant, and equipment across all segments including certain Retained Corporate Costs and Other activities. It is possible that the Company may conclude in the future that it will close or temporarily idle additional selected facilities or production lines and reduce headcount to increase operating performance and cash flows. As of June 30, 2009, no other decisions had been made and no events had occurred that would require an additional evaluation of possible impairment. For additional information on charges recorded in 2009, 2008 and 2007, see Note 9 to the Condensed Consolidated Financial Statements.

Goodwill Goodwill at June 30, 2009 totaled $2,290.8 million, representing 27% of total assets. The Company evaluates goodwill annually (or more frequently if impairment indicators arise) for impairment. The Company conducts its evaluation as of October 1 of each year. Goodwill impairment testing is performed using the business enterprise value (BEV) of each reporting unit which is calculated as of a measurement date by determining the present value of debt-free, after-tax projected future cash flows, discounted at the weighted average cost of capital of a hypothetical third party buyer. This BEV is then compared to the book value of each reporting unit as of the measurement date to assess whether an impairment of goodwill may exist.

During the fourth quarter of 2008, the Company completed its annual testing and determined that no impairment of goodwill existed.

The testing performed as of October 1, 2008, indicated a significant excess of BEV over book value for each unit. If the Company s projected future cash flows were substantially lower, or if the assumed weighted average cost of capital was substantially higher, the testing performed as of October 1, 2008, might have indicated an impairment of one or more of the Company s reporting units and, as a result, the related goodwill might also have been impaired. However, less significant changes in projected future cash flows or the assumed weighted average cost of capital would not have indicated an impairment. For example, if projected future cash flows had been decreased by 5%, or if the weighted average cost of capital had been increased by 5%, or both, the resulting lower BEV s would still have exceeded the book value of each reporting unit by a significant margin.

The Company will monitor conditions throughout 2009 that might significantly affect the projections and variables used in the impairment test to determine if a review prior to October 1 may be appropriate. If the results of impairment testing confirm that a write down of goodwill is necessary, then the Company will record a charge in the fourth quarter of 2009, or earlier if appropriate. In the event the Company would be required to record a significant write down of goodwill, the charge would have a material adverse effect on reported results of operations and net worth.

Other Long-Lived Assets Other long-lived assets include, among others, equity investments and repair parts inventories. The Company s equity investments are non-publicly traded ventures with other companies in businesses related to those of the Company. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. In the event that a decline in fair value of an investment occurs, and the decline in value is considered to be other than temporary, an impairment loss is recognized. Summarized financial information of equity affiliates is included in Note 5 to the 2008 Annual Report on Form 10-K.

The Company carries a significant amount of repair parts inventories in order to provide a dependable supply of quality parts for servicing the Company s PP&E, particularly its glass melting furnaces and forming machines. The Company evaluates the recoverability of repair parts inventories based on undiscounted projected cash flows, excluding interest and taxes, when factors indicate that impairment may exist. If impairment exists, the repair parts are written down to fair value. The Company continually monitors the carrying value of repair parts for recoverability, especially in light of changing business circumstances. For example, technological advances related to, and changes in, the estimated future demand for products produced on the equipment to which the repair parts relate may make the repair parts obsolete. In these circumstances, the Company writes down the repair parts to fair value.

Pension Benefit Plans

Significant Estimates - The determination of pension obligations and the related pension expense or credits to operations involves significant estimates. The most significant estimates are the discount rate used to calculate the actuarial present value of benefit obligations and the expected long-term rate of return on plan assets. The Company uses discount rates based on yields of high quality fixed rate debt securities at the end of the year. At December 31, 2008, the weighted average discount rate for all plans was 6.29%. The Company uses an expected long-term rate of return on assets that is based on both past performance of the various plans assets and estimated future performance of the assets. Due to the nature of the plans assets and the volatility of debt and equity markets, actual returns may vary significantly from year to year. The Company refers to average historical returns over longer periods (up to 10 years) in determining its expected rates of return because short-term fluctuations in market values do not reflect the rates of return the Company expects to achieve based upon its long-term investing strategy. For purposes of determining pension charges and credits in 2009, the Company s estimated weighted average expected long-term rate of return on plan assets is 7.7% compared to 8.1% in 2008. The Company recorded pension expense (income) of $10.1 million and $(12.6) million for the six months ended June 30, 2009 and 2008, respectively, from its principal defined benefit pension plans. Depending on currency translation rates, the Company expects to record approximately $20 million of pension expense for the full year of 2009.

Future effects on reported results of operations depend on economic conditions and investment performance. For example, a one-half percentage point change in the actuarial assumption regarding the expected return on assets would result in a change of approximately $18 million in the pretax pension cost (income) for the full year 2009. In addition, changes in external factors, including the fair values of plan assets and the discount rates used to calculate plan liabilities, could have a significant effect on the recognition of funded status as described below.

Recognition of Funded Status General accounting principles for pension benefit plans require employers to adjust the assets and liabilities related to defined benefit plans so that the amounts reflected on the balance sheet represent the overfunded or underfunded status of the plans. These funded status amounts are measured as the difference between the fair value of plan assets and actuarially calculated benefit obligations as of the balance sheet date. At December 31, 2008, the Accumulated Other Comprehensive Loss component of share owners equity was increased by $1,080.1 million ($1,025.0 million after tax) to reflect a net decrease in the funded status of the Company s plans at that date.

Contingencies and Litigation

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot be estimated with certainty. The Company s ability reasonably to estimate its liability has been significantly affected by the volatility of asbestos-related litigation in the United States, 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 found liable for substantial damage awards, the use of mass litigation screenings to generate new lawsuits, the large number of claims asserted or filed by parties who claim prior exposure to asbestos materials but have no present physical impairment as a result of such exposure, and the significant number of co-defendants that have filed for bankruptcy. The Company continues to monitor trends that may affect its ultimate liability and continues to analyze the developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company.

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 an estimation of the reasonably probable amount of the contingent 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.

In the fourth quarter of 2008, the Company recorded a charge of $250.0 million ($248.8 million after tax) to increase its accrued liability for asbestos-related costs. This amount was higher than the 2007 charge of $115.0 million. The larger 2008 charge reflects higher filing rates and average disposition costs for 2008 and the next several years than previously estimated. The factors and developments that particularly affected the determination of the amount of this increase in the accrual included the following: (i) the rates and average disposition costs of filings against the Company; (ii) the continuing evidence of irregularities associated with mass litigation screenings; (iii) the Company s successful litigation record; (iv) legislative developments and court rulings in several states; (v) the Company s strategy to accelerate settlements of certain claims on favorable terms; and (vi) the impact these and other factors had on the Company s valuation of existing and future claims.

The Company s estimates are based on a number of factors as described further in Note 6 to the Condensed Consolidated Financial Statements.

Income Taxes

The Company accounts for income taxes as required by general accounting principles under which deferred tax assets and liabilities are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities measured using enacted tax rates.

Management judgment is required in determining income tax expense and the related balance sheet amounts. In addition, judgments are required concerning the ultimate outcome of uncertain income tax positions. Actual income taxes paid may vary from estimates, depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed. For the six months ended June 30, 2009, the Company s estimated unrecognized tax benefits increased by $10.6 million related to tax positions taken in prior years in non-U.S. jurisdictions.

Deferred tax assets are also recorded for operating losses and tax credit carryforwards. However, a valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. This assessment is dependent upon projected profitability including the effects of tax planning. Deferred tax assets and liabilities are determined separately for each tax jurisdiction in which the Company conducts its operations or otherwise incurs taxable income or losses. In the U.S., the Company has recorded significant deferred tax assets, the largest of which relate to foreign and other tax credits, the accrued liability for asbestos-related costs that are not deductible until paid, and the pension liability.

The deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relate to accelerated depreciation. The Company has recorded a valuation allowance for the portion of U.S. deferred tax assets not offset by deferred tax liabilities.

Forward Looking Statements

This document contains forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Forward-looking statements reflect the Company s current expectations and projections about future events at the time, and thus involve uncertainty and risk. It is possible the Company s future financial performance may differ from expectations due to a variety of factors including, but not limited to the following: (1) foreign currency fluctuations relative to the U.S. dollar, (2) changes in capital availability or cost, including interest rate fluctuations, (3) the general political, economic and competitive conditions in markets and countries where the Company has its operations, including disruptions in capital markets, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (4) consumer preferences for alternative forms of packaging, (5) fluctuations in raw material and labor costs, (6) availability of raw materials, (7) costs and availability of energy, (8) transportation costs, (9) the ability of the Company to raise selling prices commensurate with energy and other cost increases, (10) consolidation among competitors and customers, (11) the ability of the Company to integrate operations of acquired businesses and achieve expected synergies, (12) unanticipated expenditures with respect to environmental, safety and health laws, (13) the performance by customers of their obligations under purchase agreements, and (14) the timing and occurrence of events which are beyond the control of the Company, including events related to asbestos-related claims. It is not possible to foresee or identify all such factors. Any forward looking statements in this document are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. Forward-looking statements are not a guarantee of future performance and actual results or developments may differ materially from expectations. While the Company continually reviews trends and uncertainties affecting the Company s results of operations and financial condition, the Company does not assume any obligation to update or supplement any particular forward looking statements contained in this document.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

As described in the Form 10-K, the Company is subject to foreign currency exchange rate risk with respect to earnings of operations outside the United States. In Venezuela, where currency restrictions have been in effect for a number of years, the government controls all exchanges of bolivars into U.S. dollars at the official rate, which has remained fixed at its current level since early 2005. In 2009, increased restrictions in the currency exchange process, combined with a general decline in economic conditions, are contributing to a growing shortage of U.S. dollars available for exchange at the official rate. In addition, inflation in Venezuela is continuing at an accelerated rate. If the Venezuelan government were to devalue the bolivar, or if the Venezuelan economy were to be designated as highly inflationary according to generally accepted accounting principles, reported results of the Company s Venezuelan operations, which represented approximately one-third of the South American Segment s operating profit for the full year 2008, would be adversely impacted.

There have been no other material changes in market risk at June 30, 2009 from those described in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the Company has investments in certain unconsolidated entities. As the Company does not control or manage these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those maintained with respect to its consolidated subsidiaries.

As required by Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2009.

Management concluded that the Company s system of internal control over financial reporting was effective as of December 31, 2008. There has been no change in the Company s internal controls over financial reporting during the Company s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal controls over financial reporting. The Company is undertaking the phased implementation of a global Enterprise Resource Planning software system and believes it is maintaining and monitoring appropriate internal controls during the implementation period. The Company believes that the internal control environment will be enhanced as a result of implementation.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

For further information on legal proceedings, see Note 6 to the Condensed Consolidated Financial Statements, Contingencies, that is included in Part I of this Report and is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes in risk factors at June 30, 2009 from those described in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of the Company s share owners was held on April 23, 2009. The following proposals were submitted to a vote by the share owners:

Proposal 1 For the Election of Directors:

Each of the nominees for a three-year term on the Company s Board of Directors was elected by vote of the share owners as follows:

	Aggregate Vote		
Name	**For**	**Withheld**	**Abstention**
Gary F. Colter	135,220,277	1,814,019	0
David H. Y. Ho	135,455,074	1,579,222	0
Corbin A. McNeill Jr.	104,964,961	32,069,335	0
Helge H. Wehmeier	135,471,173	1,563,123	0

Proposal 2 Ratification of Selection of Independent Registered Public Accounting Firm:

Aggregate Vote			
For	**Against**	**Abstentions**	**Broker Non-Votes**
135,304,315	1,682,138	47,843	0

Proposal 3 Approval of the Second Restated Certificate of Incorporation:

Aggregate Vote			
For	**Against**	**Abstentions**	**Broker Non-Votes**
135,711,902	1,209,186	113,208	0

Proposal 4 Approval of the Amendment and Restatement of the Company s 2005 Incentive Award Plan

Aggregate Vote			
For	**Against**	**Abstentions**	**Broker Non-Votes**
104,176,054	20,203,493	82,787	12,571,962

Item 6. Exhibits.

Exhibit 12	Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
Exhibit 32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350
Exhibit 101	Financial statements from the quarterly report on Form 10-Q of Owens-Illinois, Inc. for the quarter ended June 30, 2009, formatted in XBRL: (i) the Condensed Consolidated Results of Operations, (ii) the Consolidated Balance Sheets, (iii) the Condensed Consolidated Cash Flows and (iv) the Notes to Condensed Consolidated Financial Statements tagged as blocks of text.

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* This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OWENS-ILLINOIS, INC.

Date August 7, 2009	By	/s/ Edward C. White Edward C. White Senior Vice President and Chief Financial Officer (Principal Financial Officer)

INDEX TO EXHIBITS

Exhibits

12	Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350
101	Financial statements from the quarterly report on Form 10-Q of Owens-Illinois, Inc. for the quarter ended June 30, 2009, formatted in XBRL: (i) the Condensed Consolidated Results of Operations, (ii) the Consolidated Balance Sheets, (iii) the Condensed Consolidated Cash Flows and (iv) the Notes to Condensed Consolidated Financial Statements tagged as blocks of text.

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* This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.