

SILGAN HOLDINGS INC
Form 10-Q
August 09, 2010

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

Commission file number 000-22117

SILGAN HOLDINGS INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

06-1269834
(I.R.S. Employer
Identification No.)

4 Landmark Square
Stamford, Connecticut
(Address of principal executive offices)

06901
(Zip Code)

(203) 975-7110
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

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Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of July 30, 2010, the number of shares outstanding of the Registrant's common stock, \$0.01 par value, was 76,678,386.

SILGAN HOLDINGS INC.

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Part I. Financial Information
Item 1. Financial Statements

SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

| | June 30, 2010 (unaudited) | June 30, 2009 (unaudited) | Dec. 31, 2009 |
|---|---------------------------------|---------------------------------|------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 52,079 | \$ 79,638 | \$ 305,754 |
| Trade accounts receivable, net | 306,067 | 289,309 | 196,573 |
| Inventories | 563,644 | 542,362 | 387,214 |
| Prepaid expenses and other current assets | 17,167 | 28,531 | 24,685 |
| Total current assets | 938,957 | 939,840 | 914,226 |
| Property, plant and equipment, net | 842,879 | 891,632 | 882,310 |
| Goodwill | 291,724 | 300,315 | 303,695 |
| Other intangible assets, net | 53,867 | 56,242 | 56,152 |
| Other assets, net | 55,479 | 52,400 | 57,971 |
| | \$ 2,182,906 | \$ 2,240,429 | \$ 2,214,354 |
| Liabilities and Stockholders' Equity | | | |
| Current liabilities: | | | |
| Revolving loans and current portion of long-term debt | \$ 88,372 | \$ 127,938 | \$ 26,067 |
| Trade accounts payable | 213,175 | 218,626 | 277,809 |
| Accrued payroll and related costs | 67,307 | 72,157 | 65,142 |
| Accrued liabilities | 54,041 | 60,857 | 55,318 |
| Total current liabilities | 422,895 | 479,578 | 424,336 |
| Long-term debt | 760,465 | 856,669 | 773,347 |
| Other liabilities | 279,602 | 326,754 | 330,909 |
| Stockholders' equity: | | | |
| Common stock | 870 | 434 | 435 |
| Paid-in capital | 175,531 | 166,878 | 173,176 |
| Retained earnings | 674,928 | 545,233 | 628,234 |
| Accumulated other comprehensive loss | (70,587) | (74,740) | (55,601) |
| Treasury stock | (60,798) | (60,377) | (60,482) |
| Total stockholders' equity | 719,944 | 577,428 | 685,762 |
| | \$ 2,182,906 | \$ 2,240,429 | \$ 2,214,354 |

See accompanying notes.

SILGAN HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the three months ended June 30, 2010 and 2009

(Dollars and shares in thousands, except per share amounts)

(Unaudited)

| | 2010 | 2009 |
|---|------------|------------|
| Net sales | \$ 693,849 | \$ 689,542 |
| Cost of goods sold | 585,253 | 582,753 |
| Gross profit | 108,596 | 106,789 |
| Selling, general and administrative expenses | 40,829 | 40,087 |
| Rationalization charges (credit) | 709 | (77) |
| Income from operations | 67,058 | 66,779 |
| Interest and other debt expense before loss on early extinguishment of debt | 11,971 | 12,208 |
| Loss on early extinguishment of debt | - | 661 |
| Interest and other debt expense | 11,971 | 12,869 |
| Income before income taxes | 55,087 | 53,910 |
| Provision for income taxes | 18,833 | 19,153 |
| Net income | \$ 36,254 | \$ 34,757 |
| Earnings per share: (a) | | |
| Basic net income per share | \$ 0.47 | \$ 0.45 |
| Diluted net income per share | \$ 0.47 | \$ 0.45 |
| Dividends per share (a) | \$ 0.11 | \$ 0.10 |
| Weighted average number of shares: (a) | | |
| Basic | 76,701 | 76,292 |
| Effect of dilutive securities | 586 | 595 |
| Diluted | 77,287 | 76,887 |

(a) Per share and share amounts for 2009 have been retroactively adjusted for the two-for-one stock split discussed in Note 1.

See accompanying notes.

SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the six months ended June 30, 2010 and 2009
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

| | 2010 | 2009 |
|---|--------------|--------------|
| Net sales | \$ 1,357,885 | \$ 1,344,938 |
| Cost of goods sold | 1,145,986 | 1,143,045 |
| Gross profit | 211,899 | 201,893 |
| Selling, general and administrative expenses | 85,372 | 81,339 |
| Rationalization charges | 2,763 | 1,378 |
| Income from operations | 123,764 | 119,176 |
| Interest and other debt expense before loss on early extinguishment of debt | 24,506 | 22,665 |
| Loss on early extinguishment of debt | - | 661 |
| Interest and other debt expense | 24,506 | 23,326 |
| Income before income taxes | 99,258 | 95,850 |
| Provision for income taxes | 36,222 | 34,152 |
| Net income | \$ 63,036 | \$ 61,698 |
| Earnings per share: (a) | | |
| Basic net income per share | \$ 0.82 | \$ 0.81 |
| Diluted net income per share | \$ 0.82 | \$ 0.80 |
| Dividends per share (a) | \$ 0.21 | \$ 0.19 |
| Weighted average number of shares: (a) | | |
| Basic | 76,665 | 76,234 |
| Effect of dilutive securities | 603 | 628 |
| Diluted | 77,268 | 76,862 |

(a) Per share and share amounts for 2009 have been retroactively adjusted for the two-for-one stock split discussed in Note 1.

See accompanying notes.

SILGAN HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2010 and 2009

(Dollars in thousands)

(Unaudited)

| | 2010 | 2009 |
|---|-----------|-----------|
| Cash flows provided by (used in) operating activities: | | |
| Net income | \$ 63,036 | \$ 61,698 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 72,522 | 73,186 |
| Rationalization charges | 2,763 | 1,378 |
| Loss on early extinguishment of debt | - | 661 |
| Excess tax benefit from stock-based compensation | (452) | (1,173) |
| Other changes that provided (used) cash: | | |
| Trade accounts receivable, net | (118,896) | (23,197) |
| Inventories | (184,957) | (164,133) |
| Trade accounts payable | 34,275 | (28,937) |
| Accrued liabilities | 4,443 | 12,834 |
| Contributions to pension benefit plans | (92,287) | (23,066) |
| Other, net | 47,078 | 19,186 |
| Net cash used in operating activities | (172,475) | (71,563) |
| Cash flows provided by (used in) investing activities: | | |
| Capital expenditures | (48,104) | (48,776) |
| Proceeds from asset sales | 548 | 2,456 |
| Net cash used in investing activities | (47,556) | (46,320) |
| Cash flows provided by (used in) financing activities: | | |
| Borrowings under revolving loans | 203,412 | 190,620 |
| Repayments under revolving loans | (127,590) | (93,039) |
| Proceeds from issuance of long-term debt | - | 243,200 |
| Repayments of long-term debt | - | (237,924) |
| Debt issuance costs | - | (5,325) |
| Changes in outstanding checks - principally vendors | (92,531) | (49,996) |
| Dividends paid on common stock | (16,342) | (14,642) |
| Proceeds from stock option exercises | 157 | 1,102 |
| Excess tax benefit from stock-based compensation | 452 | 1,173 |
| Repurchase of treasury shares | (1,202) | (654) |
| Net cash (used in) provided by financing activities | (33,644) | 34,515 |
| Cash and cash equivalents: | | |
| Net decrease | (253,675) | (83,368) |
| Balance at beginning of year | 305,754 | 163,006 |
| Balance at end of period | \$ 52,079 | \$ 79,638 |
| Interest paid, net | | |
| | \$ 23,777 | \$ 19,905 |

| | | |
|-------------------------|-------|--------|
| Income taxes paid, net | 4,410 | 27,444 |
| See accompanying notes. | | |

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SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY
For the six months ended June 30, 2010 and 2009
(Dollars and shares in thousands)
(Unaudited)

| | Common Stock | | | Retained Earnings | Accumulated Other Comprehensive Income | | Total Stockholders' Equity |
|---|--------------------|-----------|-----------------|-------------------|--|----------------|----------------------------|
| | Shares Outstanding | Par Value | Paid-in Capital | | (Loss) | Treasury Stock | |
| Balance at December 31, 2008 | 38,026 | \$433 | \$162,568 | \$498,177 | \$(75,861) | \$(60,294) | \$525,023 |
| Comprehensive income: | | | | | | | |
| Net income | - | - | - | 61,698 | - | - | 61,698 |
| Changes in net prior service credit and actuarial losses, net of tax provision of \$1,884 | - | - | - | - | 2,873 | - | 2,873 |
| Change in fair value of derivatives, net of tax benefit of \$1,237 | - | - | - | - | (1,600) | - | (1,600) |
| Foreign currency translation, net of tax provision of \$2,838 | - | - | - | - | (152) | - | (152) |
| Comprehensive income | | | | | | | 62,819 |
| Dividends declared on common stock | - | - | - | (14,642) | - | - | (14,642) |
| Stock compensation expense | - | - | 2,312 | - | - | - | 2,312 |
| Stock option exercises, including tax benefit of \$1,389 | 86 | 1 | 2,490 | - | - | - | 2,491 |
| Net issuance of treasury stock for | | | | | | | |

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| | | | | | | | |
|---|--------|-------|-----------|-----------|------------|------------|-----------|
| vested restricted stock units, including tax benefit of \$79 | 30 | - | (492) | - | - | (83) | (575) |
| Balance at June 30, 2009 | 38,142 | \$434 | \$166,878 | \$545,233 | \$(74,740) | \$(60,377) | \$577,428 |
| Balance at December 31, 2009 | 38,284 | \$435 | \$173,176 | \$628,234 | \$(55,601) | \$(60,482) | \$685,762 |
| Comprehensive income: | | | | | | | |
| Net income | - | - | - | 63,036 | - | - | 63,036 |
| Changes in net prior service credit and actuarial losses, net of tax provision of \$1,606 | - | - | - | - | 2,486 | - | 2,486 |
| Change in fair value of derivatives, net of tax benefit of \$76 | - | - | - | - | (138) | - | (138) |
| Foreign currency translation, net of tax provision of \$10,948 | - | - | - | - | (17,334) | - | (17,334) |
| Comprehensive income | | | | | | | 48,050 |
| Dividends declared on common stock | - | - | - | (16,342) | - | - | (16,342) |
| Stock compensation expense | - | - | 3,023 | - | - | - | 3,023 |
| Stock option exercises, including tax benefit of \$166 | 15 | - | 323 | - | - | - | 323 |
| Net issuance of treasury stock for vested restricted stock units, including tax benefit of \$330 | 47 | - | (556) | - | - | (316) | (872) |
| Two-for-one stock split, net of treasury shares of 5,171 | 38,332 | 435 | (435) | - | - | - | - |
| Balance at June 30, 2010 | 76,678 | \$870 | \$175,531 | \$674,928 | \$(70,587) | \$(60,798) | \$719,944 |

See accompanying notes.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at June 30, 2010 and 2009 and for the
three and six months then ended is unaudited)

Note 1. Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Silgan Holdings Inc., or Silgan, have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation. The results of operations for any interim period are not necessarily indicative of the results of operations for the full year.

The Condensed Consolidated Balance Sheet at December 31, 2009 has been derived from our audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Certain prior years' amounts have been reclassified to conform with the current year's presentation.

You should read the accompanying condensed consolidated financial statements in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Stock Split. On March 29, 2010, our Board of Directors declared a two-for-one stock split of our issued common stock. The stock split was effected on May 3, 2010 in the form of a stock dividend. Stockholders of record at the close of business on April 20, 2010 were issued one additional share of common stock for each share of common stock owned on that date. Information pertaining to the number of shares outstanding, per share amounts and stock compensation has been retroactively adjusted in the accompanying financial statements and related footnotes to reflect this stock split for all periods presented, except for the Condensed Consolidated Balance Sheets and Statements of Stockholders' Equity. Stockholders' equity reflects the stock split by reclassifying from paid-in capital to common stock an amount equal to the par value of the additional shares issued as a result of the stock split.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at June 30, 2010 and 2009 and for the
three and six months then ended is unaudited)

Note 2. Rationalization Charges

As part of our plans to rationalize certain facilities, we have established reserves for employee severance and benefits and plant exit costs. Activity in our rationalization reserves since December 31, 2009 is summarized as follows:

| | Employee Severance and Benefits | Plant Exit Costs | Non-Cash Asset Write-Down | Total |
|--|--|------------------------|---------------------------------|----------|
| (Dollars in thousands) | | | | |
| Balance at December 31, 2009 | | | | |
| Prior Years' Rationalization Plans | \$ 3,328 | \$ 217 | \$ - | \$ 3,545 |
| Activity for the Six Months Ended June 30, 2010 | | | | |
| Prior Years' Rationalization Plan Reserves Established | 314 | - | - | 314 |
| Prior Years' Rationalization Plan Reserves Utilized | (145) | - | - | (145) |
| 2010 Rationalization Plan Reserves Established | 976 | - | 1,473 | 2,449 |
| 2010 Rationalization Plan Reserves Utilized | - | - | (1,473) | (1,473) |
| Total Activity | 1,145 | - | - | 1,145 |
| Balance at June 30, 2010 | | | | |
| Prior Years' Rationalization Plans | 3,497 | 217 | - | 3,714 |
| 2010 Rationalization Plan | 976 | - | - | 976 |
| Balance at June 30, 2010 | \$ 4,473 | \$ 217 | \$ - | \$ 4,690 |

2010 Rationalization Plan

In February 2010, we announced a plan to exit our Port Clinton, Ohio plastic container manufacturing facility. Our plan included the termination of approximately 150 employees and other related plant exit costs. The total estimated costs for the rationalization of this facility of \$4.7 million consist of \$1.4 million for employee severance and benefits, \$1.8 million for plant exit costs and \$1.5 million for the non-cash write-down in carrying value of assets. Through June 30, 2010, we have recognized a total of \$2.4 million, which consisted of \$0.9 million of employee severance and benefits and \$1.5 million for the non-cash write-down in carrying value of assets. Remaining expenses and cash expenditures of \$2.3 million and \$3.2 million, respectively, are expected primarily in 2010.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at June 30, 2010 and 2009 and for the
three and six months then ended is unaudited)

Note 2. Rationalization Charges (continued)

Rationalization reserves are included in the Condensed Consolidated Balance Sheets as follows:

| | June 30, 2010 | June 30, 2009 | Dec. 31, 2009 |
|------------------------|------------------|------------------|------------------|
| (Dollars in thousands) | | | |
| Accrued liabilities | \$ 1,911 | \$ 2,777 | \$ 867 |
| Other liabilities | 2,779 | 2,982 | 2,678 |
| | \$ 4,690 | \$ 5,759 | \$ 3,545 |

Note 3. Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income is reported in the Condensed Consolidated Statements of Stockholders' Equity. Amounts included in accumulated other comprehensive (loss) income, net of tax, consisted of the following:

| | June 30, 2010 | June 30, 2009 | Dec. 31, 2009 |
|--|------------------|------------------|------------------|
| (Dollars in thousands) | | | |
| Foreign currency translation | \$ 4,758 | \$ 12,044 | \$ 22,092 |
| Change in fair value of derivatives | (8,033) | (8,760) | (7,895) |
| Unrecognized net periodic pension and other postretirement benefit costs: | | | |
| Net prior service credit | 6,647 | 6,730 | 6,797 |
| Net actuarial loss | (73,959) | (84,754) | (76,595) |
| Accumulated other comprehensive loss | \$ (70,587) | \$ (74,740) | \$ (55,601) |

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at June 30, 2010 and 2009 and for the
three and six months then ended is unaudited)

Note 4. Inventories

Inventories consisted of the following:

| | June 30, 2010 | June 30, 2009 | Dec. 31, 2009 |
|---|------------------|------------------|------------------|
| (Dollars in thousands) | | | |
| Raw materials | \$ 106,273 | \$ 96,281 | \$ 100,578 |
| Work-in-process | 86,936 | 78,303 | 82,402 |
| Finished goods | 436,800 | 409,431 | 268,804 |
| Other | 12,539 | 15,759 | 14,334 |
| | 642,548 | 599,774 | 466,118 |
| Adjustment to value inventory at cost on the LIFO method | (78,904) | (57,412) | (78,904) |
| | \$ 563,644 | \$ 542,362 | \$ 387,214 |

Note 5. Long-Term Debt

Long-term debt consisted of the following:

| | June 30, 2010 | June 30, 2009 | Dec. 31, 2009 |
|---|------------------|------------------|------------------|
| (Dollars in thousands) | | | |
| Bank debt | | | |
| Bank revolving loans | \$ 76,000 | \$ 99,000 | \$ - |
| Bank A term loans | 81,765 | 121,765 | 81,765 |
| Bank B term loans | - | 40,621 | - |
| Canadian term loans | 78,214 | 72,194 | 77,404 |
| Euro term loans | 156,463 | 178,801 | 182,530 |
| Other foreign bank revolving and term loans | 12,372 | 28,938 | 14,067 |
| Total bank debt | 404,814 | 541,319 | 355,766 |
| 7¼% Senior Notes, net of unamortized discount | 244,023 | 243,288 | 243,648 |
| 6¾% Senior Subordinated Notes | 200,000 | 200,000 | 200,000 |
| Total debt | 848,837 | 984,607 | 799,414 |
| Less current portion | 88,372 | 127,938 | 26,067 |
| | \$ 760,465 | \$ 856,669 | \$ 773,347 |

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at June 30, 2010 and 2009 and for the
three and six months then ended is unaudited)

Note 5. Long-Term Debt (continued)

Bank Credit Agreement

On July 7, 2010, we completed the refinancing of our previous senior secured credit facility by entering into a new \$1.4 billion senior secured credit facility, or the Credit Agreement. Our Credit Agreement provides us with term loans and revolving loans. The term loans, or the Term Loans, consist of \$400 million of U.S. term loans, €125 million of Euro term loans and Cdn \$81 million of Canadian term loans. The revolving loans, or the Revolving Loans, consist of a \$790 million multicurrency revolving loan facility and a Cdn \$10 million Canadian revolving loan facility. Our Credit Agreement also provides us with an uncommitted multicurrency incremental loan facility for up to an additional U.S. \$450 million, which may be used to finance acquisitions and for other permitted purposes.

We may use Revolving Loans under the Credit Agreement for working capital and other general corporate purposes, including acquisitions, dividends, stock repurchases and refinancing of other debt. Revolving Loans may be borrowed, repaid and re-borrowed until their final maturity on July 7, 2015. The Term Loans mature on July 7, 2016 and are each payable in installments as follows (amounts in thousands):

| Year | U.S. Term Loans | Euro Term Loans | Canadian Term Loans |
|------|-----------------|-----------------|---------------------|
| 2012 | \$60,000 | €18,750 | Cdn\$12,150 |
| 2013 | \$60,000 | €18,750 | Cdn\$12,150 |
| 2014 | \$80,000 | €25,000 | Cdn\$16,200 |
| 2015 | \$80,000 | €25,000 | Cdn\$16,200 |
| 2016 | \$120,000 | €37,500 | Cdn\$24,300 |

The Credit Agreement requires us to prepay the Term Loans with proceeds received from certain assets sales and, under certain circumstances, with 50 percent of our excess cash flow. The mandatory repayment provisions are no more restrictive in the aggregate than under our previous senior secured credit facility. Generally, mandatory repayments of Term Loans are allocated pro rata to each of the Term Loans and applied first to the scheduled amortization payments in the year of such prepayments and, to the extent in excess thereof, pro rata to the remaining installments of the Term Loans. Voluntary prepayments of Term Loans may be applied to any tranche of Term Loans at our discretion and are applied first to the scheduled amortization payments in the year of such prepayment and, to the extent in excess thereof, pro rata to the remaining installments. Amounts repaid under the Term Loans may not be reborrowed.

The uncommitted multicurrency incremental loan facility provides, among other things, that any incremental term loan borrowing shall be denominated in a single currency, either U.S. dollars or certain foreign currencies; have a maturity date no earlier than the maturity date for the Term Loans; and be used for working capital and general corporate purposes, including to finance acquisitions, to refinance any indebtedness assumed as part of such acquisitions, to pay dividends, to repurchase common stock, to refinance or repurchase debt as permitted and to repay outstanding Revolving Loans.

SILGAN HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Information at June 30, 2010 and 2009 and for the
three and six months then ended is unaudited)

Note 5. Long-Term Debt (continued)

Bank Credit Agreement (continued)

Under the Credit Agreement, the interest rate for U.S. term loans will be either LIBOR or the base rate under the Credit Agreement plus a margin, the interest rate for Euro term loans will be the Euribor rate under the Credit Agreement plus a margin and the interest rate for Canadian term loans will be either the Bankers' Acceptance discount rate or the Canadian prime rate under the Credit Agreement plus a margin. Initially, for Term Loans and Revolving Loans maintained as LIBOR, Euribor or Bankers' Acceptance loans, the margin will be 2.25 percent and for Term Loans and Revolving Loans maintained as base rate or Canadian prime rate loans the margin will be 1.25 percent. The Credit Agreement provides for the payment of a commitment fee ranging from 0.375 percent to 0.50 percent per annum on the daily average unused portion of commitments available under the Revolving Loans. Initially, the commitment fee will be 0.50 percent per annum. The margins for Term Loans, Revolving Loans and the commitment fee are subject to adjustment quarterly after September 30, 2010 based upon our Total Leverage Ratio and our corporate credit rating from certain rating agencies as provided in the Credit Agreement.

We may utilize up to a maximum of \$100 million of our multicurrency revolving loan facility under the Credit Agreement for letters of credit as long as the aggregate amount of borrowings of Revolving Loans and letters of credit under such multicurrency revolving loan facility do not exceed the amount of the commitment under such multicurrency revolving loan facility. The Credit Agreement provides for payment to the applicable lenders of a letter of credit fee equal to the applicable margin in effect for Revolving Loans and to the issuers of the letters of credit of a facing fee of the greater of (x) \$500 per annum and (y) 0.25 percent per annum, calculated on the aggregate stated amount of all letters of credit for their stated duration.

The indebtedness under the Credit Agreement is guaranteed by Silgan and certain of its U.S. and Canadian subsidiaries. The stock of certain of our U.S. subsidiaries has also been pledged as security to the lenders under the Credit Agreement. The Credit Agreement contains certain financial and operating covenants which limit, subject to certain exceptions, among other things, our ability to incur additional indebtedness; create liens; consolidate, merge or sell assets; make certain advances, investments or loans; enter into certain transactions with affiliates; engage in any business other than the packaging business; pay dividends; and repurchase stock. In addition, we are required to meet specified financial covenants including Interest Coverage and Total Leverage Ratios, each as defined in the Credit Agreement. We are currently in compliance with all covenants under the Credit Agreement.

All amounts owing under our previous senior secured credit facility were repaid on July 7, 2010 with proceeds from the Credit Agreement. As a result of this refinancing, we expect to record a pre-tax charge of approximately \$4.5 million for the loss on early extinguishment of debt during the quarter ending September 30, 2010.

At June 30, 2010, total bank debt of \$404.8 million was repayable within one year. However, based on the refinancing of our previous senior secured credit facility with the Credit Agreement on July 7, 2010, we have classified bank term loan debt of \$316.4 million as long-term in the Condensed Consolidated Balance Sheet at June 30, 2010. Amounts outstanding as of June 30, 2010 classified as current debt included \$76.0 million of bank revolving loans (which were repaid on July 7, 2010 in connection with the refinancing of our previous senior secured credit facility with the Credit Agreement) and \$12.4 million of foreign bank revolving loans and term loans.

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Note 6. Financial Instruments

The financial instruments recorded in our Condensed Consolidated Balance Sheets include cash and cash equivalents, trade accounts receivable, trade accounts payable, debt obligations and swap agreements. Due to their short-term maturity, the carrying amounts of trade accounts receivable and trade accounts payable approximate their fair market values. The following table summarizes the carrying amounts and estimated fair values of our other financial instruments at June 30, 2010:

| | Carrying Amount | Fair Value |
|-------------------------------|--------------------|---------------|
| (Dollars in thousands) | | |
| Assets: | | |
| Cash and cash equivalents | \$ 52,079 | \$ 52,079 |
| Liabilities: | | |
| Bank debt | 404,814 | 404,814 |
| 7¼% Senior Notes | 244,023 | 257,500 |
| 6¾% Senior Subordinated Notes | 200,000 | 202,000 |
| Interest rate swap agreements | 13,519 | 13,519 |
| Natural gas swap agreements | 323 | 323 |

Fair Value Measurements

Financial Instruments Measured at Fair Value

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). GAAP classifies the inputs used to measure fair value into a hierarchy consisting of three levels. Level 1 inputs represent unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs represent unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs represent unobservable inputs for the asset or liability. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities that are measured on a recurring basis at June 30, 2010 consist of our cash and cash equivalents, interest rate swap agreements and natural gas swap agreements. We measured the fair value of cash and cash equivalents using Level 1 inputs. We measured the fair value of the swap agreements using the income approach. The fair value of these agreements reflects the estimated amounts that we would pay based on the present value of the expected cash flows derived from market interest rates and prices. As such, these derivative instruments are classified within Level 2.

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Note 6. Financial Instruments (continued)

Fair Value Measurements (continued)

Financial Instruments Not Measured at Fair Value

Our bank debt, 7¼% Senior Notes and 6¾% Senior Subordinated Notes are recorded at historical amounts in our Condensed Consolidated Balance Sheets as we have not elected to record them at fair value. The carrying amounts of our variable rate bank debt approximate their fair values. Fair values of our 7¼% Senior Notes and 6¾% Senior Subordinated Notes are estimated based on quoted market prices.

Derivative Instruments and Hedging Activities

Our derivative financial instruments are recorded in the Condensed Consolidated Balance Sheets at their fair values. Changes in fair values of derivatives are recorded in each period in earnings or comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

We utilize certain derivative financial instruments to manage a portion of our interest rate and natural gas cost exposures. We limit our use of derivative financial instruments to interest rate and natural gas swap agreements. We do not engage in trading or other speculative uses of these financial instruments. For a financial instrument to qualify as a hedge, we must be exposed to interest rate or price risk, and the financial instrument must reduce the exposure and be designated as a hedge. Financial instruments qualifying for hedge accounting must maintain a high correlation between the hedging instrument and the item being hedged, both at inception and throughout the hedged period.

We utilize certain internal hedging strategies to minimize our foreign currency exchange rate risk. Net investment hedges that qualify for hedge accounting result in the recognition of foreign currency gains or losses, net of tax, in accumulated other comprehensive (loss) income. We generally do not utilize external derivative financial instruments to manage our foreign currency exchange rate risk.

Our interest rate and natural gas swap agreements are accounted for as cash flow hedges. During the first six months of 2010, our hedges were fully effective. The fair value of our outstanding swap agreements in effect at June 30, 2010 was recorded in our Condensed Consolidated Balance Sheet as a liability of \$13.8 million, of which \$5.2 million was included in accrued liabilities and \$8.6 million was included in other liabilities.

The amount reclassified to earnings from the change in fair value of derivatives component of accumulated other comprehensive (loss) income for the six months ended June 30, 2010 was a loss of \$3.0 million, net of income taxes. We estimate that we will reclassify losses of \$2.8 million, net of income taxes, from the change in fair value of derivatives component of accumulated other comprehensive (loss) income to earnings during the next twelve months. The actual amount that will be reclassified to earnings will vary from this amount as a result of changes in market conditions.

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Note 6. Financial Instruments (continued)

Interest Rate Swap Agreements

We have entered into U.S. dollar and Euro interest rate swap agreements to manage a portion of our exposure to interest rate fluctuations. At June 30, 2010, the aggregate notional principal amount of our outstanding interest rate swap agreements was \$204.2 million (non-U.S. dollar agreements have been translated into U.S. dollars at exchange rates in effect at the balance sheet date).

The difference between amounts to be paid or received on our interest rate swap agreements is recorded in interest and other debt expense in our Condensed Consolidated Statements of Income. For the six months ended June 30, 2010, net payments under our interest rate swap agreements were \$4.4 million. These agreements are with a financial institution which is expected to fully perform under the terms thereof.

Natural Gas Swap Agreements

We have entered into natural gas swap agreements with a major financial institution to manage a portion of our exposure to fluctuations in natural gas prices. At June 30, 2010, the aggregate notional principal amount of our natural gas swap agreements was 540,400 MMBtu of natural gas with fixed prices ranging from \$4.36 to \$6.69 per MMBtu, which hedges approximately 18 percent of our estimated twelve month exposure to fluctuations in natural gas prices. For the six months ended June 30, 2010, net payments under our natural gas swap agreements were \$0.8 million. These agreements are with a financial institution which is expected to fully perform under the terms thereof.

Foreign Currency Exchange Rate Risk

In an effort to minimize foreign currency exchange rate risk, we have financed acquisitions of foreign operations primarily with term loans borrowed under our Credit Agreement denominated in Euros and Canadian dollars. In addition, where available, we have borrowed funds in local currency or implemented certain internal hedging strategies to minimize our foreign currency exchange rate risk related to foreign operations. Foreign currency gains recognized as net investment hedges included in accumulated other comprehensive (loss) income for the six months ended June 30, 2010 were \$26.1 million, net of a deferred tax provision of \$10.9 million.

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Note 7. Retirement Benefits

The components of the net periodic pension benefit costs are as follows:

| | Three Months Ended | | Six Months Ended | |
|------------------------------------|------------------------|------------------|------------------|------------------|
| | June 30, 2010 | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| | (Dollars in thousands) | | | |
| Service cost | \$ 3,075 | \$ 3,276 | \$ 6,785 | \$ 6,686 |
| Interest cost | 6,995 | 6,993 | 14,020 | 13,973 |
| Expected return on plan assets | (9,377) | (6,312) | (16,793) | (12,646) |
| Amortization of prior service cost | 515 | 551 | 1,033 | 1,107 |
| Amortization of actuarial losses | 2,282 | 2,380 | 4,199 | 4,763 |
| Net periodic benefit cost | \$ 3,490 | \$ 6,888 | \$ 9,244 | \$ 13,883 |

The components of the net periodic other postretirement benefits costs are as follows:

| | Three Months Ended | | Six Months Ended | |
|--------------------------------------|------------------------|------------------|------------------|------------------|
| | June 30, 2010 | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| | (Dollars in thousands) | | | |
| Service cost | \$ 244 | \$ 197 | \$ 466 | \$ 405 |
| Interest cost | 695 | 766 | 1,403 | 1,532 |
| Amortization of prior service credit | (641) | (641) | (1,283) | (1,279) |
| Amortization of actuarial losses | 53 | 83 | 143 | 166 |
| Net periodic benefit cost | \$ 351 | \$ 405 | \$ 729 | \$ 824 |

As previously disclosed in our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009, there are no material minimum required contributions to our pension plans in 2010. In March 2010, we made voluntary contributions of \$92.3 million to our pension benefit plans.

Note 8. Income Taxes

Silgan and its subsidiaries file U.S. Federal income tax returns, as well as income tax returns in various states and foreign jurisdictions. The Internal Revenue Service, or IRS, has commenced an examination of Silgan's income tax return for the periods ended December 31, 2004 through December 31, 2007. It is reasonably possible that this IRS audit and IRS audits for prior periods will be concluded within the next twelve months, and that the conclusion of these audits may result in a significant change to our reported unrecognized tax benefits. Due to the ongoing nature of these audits, we are unable to estimate the amount of this potential impact.

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Note 9. Dividends

In each of March and June 2010, we paid a quarterly cash dividend on our common stock of \$0.105 per share, adjusted for the two-for-one stock split, as approved by our Board of Directors. The cash payments related to these dividends totaled \$16.3 million.

On July 27, 2010, our Board of Directors declared a quarterly cash dividend on our common stock of \$0.105 per share, payable on September 15, 2010 to holders of record of our common stock on September 1, 2010. The cash payment related to this dividend is expected to be \$8.2 million.

Note 10. Treasury Stock

During the first six months of 2010, we issued 133,628 treasury shares which had an average cost of \$6.63 per share for restricted stock units that vested during the period. In accordance with the Silgan Holdings Inc. 2004 Stock Incentive Plan, we repurchased 41,946 shares of our common stock at an average cost of \$28.65 to satisfy employee withholding tax requirements resulting from certain restricted stock units becoming vested. We account for the treasury shares using the first-in, first-out (FIFO) cost method. As of June 30, 2010, 10,339,710 shares were held in treasury.

Note 11. Stock-Based Compensation

We currently have one stock-based compensation plan in effect, under which we have issued options and restricted stock units to our officers, other key employees and outside directors. During the first six months of 2010, 140,400 restricted stock units were granted to certain of our officers and key employees. The fair value of these restricted stock units at the grant date was \$4.0 million, which is being amortized ratably over the five-year vesting period from the grant date.

In June 2010, we granted 10,794 restricted stock units to non-employee members of our Board of Directors, which vest in full one year from the date of grant. The fair value of these restricted stock units at the date of grant was \$0.3 million.

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Note 12. Business Segment Information

Reportable business segment information for the three and six months ended June 30 is as follows:

| | Metal Food | | Plastic | | Total |
|------------------------------------|------------|------------|------------|-----------|--------------|
| | Containers | Closures | Containers | Corporate | |
| (Dollars in thousands) | | | | | |
| Three Months Ended June 30, 2010 | | | | | |
| Net sales | \$ 378,063 | \$ 165,773 | \$ 150,013 | \$ - | \$ 693,849 |
| Depreciation and amortization(1) | 16,881 | 6,929 | 11,573 | 419 | 35,802 |
| Rationalization charges | 314 | - | 395 | - | 709 |
| Segment income from operations | 44,034 | 23,955 | 3,969 | (4,900) | 67,058 |
| Three Months Ended June 30, 2009 | | | | | |
| Net sales | \$ 405,356 | \$ 154,591 | \$ 129,595 | \$ - | \$ 689,542 |
| Depreciation and amortization(1) | 16,788 | 7,057 | 11,619 | 421 | 35,885 |
| Rationalization (credit) charges | - | (99) | 22 | - | (77) |
| Segment income from operations | 41,815 | 22,208 | 6,021 | (3,265) | 66,779 |
| Six Months Ended June 30, 2010 | | | | | |
| Net sales | \$ 753,115 | \$ 309,819 | \$ 294,951 | \$ - | \$ 1,357,885 |
| Depreciation and amortization(1) | 33,602 | 14,059 | 22,738 | 838 | 71,237 |
| Rationalization charges | 314 | - | 2,449 | - | 2,763 |
| Segment income from operations (2) | 90,424 | 35,050 | 6,874 | (8,584) | 123,764 |
| Six Months Ended June 30, 2009 | | | | | |
| Net sales | \$ 776,972 | \$ 296,927 | \$ 271,039 | \$ - | \$ 1,344,938 |
| Depreciation and amortization(1) | 34,656 | 13,961 | 22,920 | 841 | 72,378 |
| Rationalization charges | - | 1,326 | 52 | - | 1,378 |
| Segment income from operations | 68,426 | 36,547 | 20,914 | (6,711) | 119,176 |

- (1) Depreciation and amortization excludes amortization of debt discount and issuance costs of \$0.6 million and \$0.5 million for the three months ended June 30, 2010 and 2009, respectively, and \$1.3 million and \$0.8 million for the six months ended June 30, 2010 and 2009, respectively.
- (2) Income from operations for the Closures segment includes a charge of \$3.2 million for the remeasurement of net assets in the Venezuela operations to the devalued official Bolivar exchange rate.

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Note 12. Business Segment Information (continued)

Total segment income from operations is reconciled to income before income taxes as follows:

| | Three Months Ended | | Six Months Ended | |
|--------------------------------------|------------------------|------------------|------------------|------------------|
| | June 30, 2010 | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| | (Dollars in thousands) | | | |
| Total segment income from operations | \$ 67,058 | \$ 66,779 | \$ 123,764 | \$ 119,176 |
| Interest and other debt expense | 11,971 | 12,869 | 24,506 | 23,326 |
| Income before income taxes | \$ 55,087 | \$ 53,910 | \$ 99,258 | \$ 95,850 |

Sales and income from operations of our metal food container business are dependent, in part, upon the vegetable and fruit harvests in the midwest and western regions of the United States. Our closures business is also dependent, in part, upon vegetable and fruit harvests. The size and quality of these harvests varies from year to year, depending in large part upon the weather conditions in applicable regions. Because of the seasonality of the harvests, we have historically experienced higher unit sales volume in the third quarter of our fiscal year and generated a disproportionate amount of our annual income from operations during that quarter.

Note 13. Subsequent Event

On July 7, 2010, we completed the refinancing of our previous senior secured credit facility. See Note 5 for further information.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q which are not historical facts are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and Securities Exchange Act of 1934. Such forward-looking statements are made based upon management's expectations and beliefs concerning future events impacting us and therefore involve a number of uncertainties and risks, including, but not limited to, those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and our other filings with the Securities and Exchange Commission. As a result, the actual results of our operations or our financial condition could differ materially from those expressed or implied in these forward-looking statements.

General

We are a leading manufacturer of metal and plastic consumer goods packaging products. We produce steel and aluminum containers for human and pet food; metal, composite and plastic vacuum closures for food and beverage products; and custom designed plastic containers, tubes and closures for personal care, health care, pharmaceutical, household and industrial chemical, food, pet care, agricultural chemical, automotive and marine chemical products. We are the largest manufacturer of metal food containers in North America, a leading worldwide manufacturer of metal, composite and plastic vacuum closures for food and beverage products and a leading manufacturer of plastic containers in North America for a variety of markets, including the personal care, health care, household and industrial chemical and food markets.

Our objective is to increase shareholder value by efficiently deploying capital and management resources to grow our business, reduce operating costs and build sustainable competitive positions, or franchises, and to complete acquisitions that generate attractive cash returns. We have grown our net sales and income from operations over the years, largely through acquisitions but also through internal growth, and we continue to evaluate acquisition opportunities in the consumer goods packaging market. If acquisition opportunities are not identified over a longer period of time, we may use our cash flow to repay debt, repurchase shares of our common stock or increase dividends to our stockholders or for other permitted purposes.

On March 29, 2010, our Board of Directors declared a two-for-one stock split of our issued common stock in the form of a stock dividend. The additional shares of our common stock were distributed on May 3, 2010. Information pertaining to the number of shares outstanding and per share amounts for 2009 has been retroactively adjusted to reflect this stock split.

RESULTS OF OPERATIONS

The following table sets forth certain unaudited income statement data expressed as a percentage of net sales for the periods presented:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------------|------------------|------------------|
| | June 30, 2010 | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| Net sales | | | | |
| Metal food containers | 54.5 % | 58.8 % | 55.5 % | 57.8 % |
| Closures | 23.9 | 22.4 | 22.8 | 22.1 |
| Plastic containers | 21.6 | 18.8 | 21.7 | 20.1 |
| Consolidated | 100.0 | 100.0 | 100.0 | 100.0 |
| Cost of goods sold | 84.3 | 84.5 | 84.4 | 85.0 |
| Gross profit | 15.7 | 15.5 | 15.6 | 15.0 |
| Selling, general and administrative expenses | 5.9 | 5.8 | 6.3 | 6.1 |
| Rationalization charges | 0.1 | - | 0.2 | 0.1 |
| Income from operations | 9.7 | 9.7 | 9.1 | 8.8 |
| Interest and other debt expense | 1.7 | 1.8 | 1.8 | 1.7 |
| Income before income taxes | 8.0 | 7.9 | 7.3 | 7.1 |
| Provision for income taxes | 2.8 | 2.8 | 2.7 | 2.5 |
| Net income | 5.2 % | 5.1 % | 4.6 % | 4.6 % |

Summary unaudited results of operations for the three and six months ended June 30, 2010 and 2009 are provided below.

| | Three Months Ended | | Six Months Ended | |
|---------------------------|--------------------|------------------|------------------|------------------|
| | June 30, 2010 | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| (Dollars in millions) | | | | |
| Net sales | | | | |
| Metal food containers | \$378.1 | \$405.3 | \$753.1 | \$777.0 |
| Closures | 165.8 | 154.6 | 309.8 | 296.9 |
| Plastic containers | 150.0 | 129.6 | 295.0 | 271.0 |
| Consolidated | \$693.9 | \$689.5 | \$1,357.9 | \$1,344.9 |
| Income from operations | | | | |
| Metal food containers (1) | \$44.0 | \$41.8 | \$90.4 | \$68.4 |
| Closures (2) | 24.0 | 22.2 | 35.1 | 36.5 |
| Plastic containers (3) | 4.0 | 6.0 | 6.9 | 20.9 |
| Corporate | (4.9) | (3.2) | (8.6) | (6.6) |
| Consolidated | \$67.1 | \$66.8 | \$123.8 | \$119.2 |

(1) Includes rationalization charges of \$0.3 million for the three and six months ended June 30, 2010.

(2) Includes a charge of \$3.2 million for the remeasurement of net assets in the Venezuela operations for the six months ended June 30, 2010 and a rationalization credit of \$0.1 million and rationalization charges of \$1.3 million for the three and six months ended June 30, 2009, respectively.

(3)

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Includes rationalization charges of \$0.4 million for the three months ended June 30, 2010 and \$2.4 million and \$0.1 million for the six months ended June 30, 2010 and 2009, respectively.

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Three Months Ended June 30, 2010 Compared with Three Months Ended June 30, 2009

Overview. Consolidated net sales were \$693.9 million in the second quarter of 2010, representing a 0.6 percent increase as compared to the second quarter of 2009 primarily as a result of higher average selling prices in the plastic container business largely attributable to the pass through of resin cost increases and higher unit volumes in the plastic container and closures businesses, partially offset by lower average selling prices in the metal food container business as a result of the pass through of lower raw material costs and a decrease in unit volumes in the metal food container business. Income from operations for the second quarter of 2010 of \$67.1 million increased by \$0.3 million, or 0.4 percent, as compared to the same period in 2009 primarily due to higher unit volumes in the plastic container and closures businesses and effective cost control and manufacturing efficiencies, partially offset by lower unit volumes in the metal food container business, the impact from the lagged pass through of increases in resin costs in the plastic container and closures businesses and higher rationalization charges. Results for 2010 included rationalization charges of \$0.7 million. Results for 2009 included \$0.7 million for the loss on early extinguishment of debt related to the issuance of 7¼% Senior Notes in May 2009. Net income for the second quarter of 2010 was \$36.3 million, or \$0.47 per diluted share, as compared to \$34.8 million, or \$0.45 per diluted share, for the same period in 2009.

Net Sales. The \$4.4 million increase in consolidated net sales in the second quarter of 2010 as compared to the second quarter of 2009 was the result of higher net sales in the closures and plastic container businesses offset by lower net sales in the metal food container business.

Net sales for the metal food container business decreased \$27.2 million, or 6.7 percent, in the second quarter of 2010 as compared to the same period in 2009. This decrease was primarily attributable to lower average selling prices as a result of the pass through of lower raw material costs and lower unit volumes attributable principally to the timing of customer requirements.

Net sales for the closures business increased \$11.2 million, or 7.2 percent, in the second quarter of 2010 as compared to the same period in 2009. This increase was primarily the result of higher unit volumes, largely attributable to some volume recovery in the domestic single-serve beverage market and overall volume improvement in Europe, partially offset by the impact of unfavorable foreign currency translation of approximately \$5.5 million.

Net sales for the plastic container business in the second quarter of 2010 increased \$20.4 million, or 15.7 percent, as compared to the same period in 2009. This increase was principally due to the impact of higher average selling prices as a result of the pass through of resin cost increases, an increase in unit volumes and the impact of favorable foreign currency translation of approximately \$3.9 million.

Gross Profit. Gross profit margin increased 0.2 percentage points to 15.7 percent in the second quarter of 2010 as compared to the same period in 2009 for the reasons discussed below in "Income from Operations."

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of consolidated net sales increased 0.1 percentage points to 5.9 percent for the second quarter of 2010 as compared to 5.8 percent for the same period in 2009.

Income from Operations. Income from operations for the second quarter of 2010 increased by \$0.3 million as compared to the second quarter of 2009, and operating margin remained unchanged at 9.7 percent.

Income from operations of the metal food container business for the second quarter of 2010 increased \$2.2 million, or 5.3 percent, as compared to the same period in 2009, and operating margin increased to 11.6 percent from 10.3 percent over the same periods. These increases were primarily the result of ongoing cost control and continued improvement in manufacturing efficiencies, partially offset by the effect of lower unit volumes and higher rationalization charges. Rationalization charges of \$0.3 million were recognized in the second quarter of 2010.

Income from operations of the closures business for the second quarter of 2010 increased \$1.8 million, or 8.1 percent, as compared to the same period in 2009, and operating margin increased to 14.5 percent from 14.4 percent over the same periods. These increases were primarily attributable to increased unit volumes, the benefits of ongoing cost reduction initiatives and improved manufacturing efficiencies, partially offset by the impact from the lagged pass through of increases in resin costs to customers. A rationalization credit of \$0.1 million was recognized in the second quarter of 2009.

Income from operations of the plastic container business for the second quarter of 2010 decreased \$2.0 million, or 33.3 percent, as compared to the same period in 2009, and operating margin decreased to 2.7 percent from 4.6 percent over the same periods. These decreases were primarily attributable to the impact from the lagged pass through of increases in resin costs to customers and higher rationalization charges, partially offset by the effect of an increase in unit volumes. Rationalization charges of \$0.4 million were recognized in the second quarter of 2010.

Interest and Other Debt Expense. Interest and other debt expense before loss on early extinguishment of debt for the second quarter of 2010 decreased \$0.2 million to \$12.0 million as compared to the same period in 2009.

Provision for Income Taxes. The effective tax rate for the second quarter of 2010 was 34.2 percent as compared to 35.5 percent in the same period of 2009.

Six Months Ended June 30, 2010 Compared with Six Months Ended June 30, 2009

Overview. Consolidated net sales were \$1.36 billion in the first six months of 2010, representing a 1.0 percent increase as compared to the first six months of 2009 primarily due to higher unit volumes in the plastic container and closures businesses, higher average selling prices in the plastic container business largely attributable to the pass through of resin cost increases and the impact of favorable foreign currency translation, partially offset by lower average selling prices in the metal food container business as a result of the pass through of lower raw material costs. Income from operations for the first six months of 2010 increased by \$4.6 million, or 3.9 percent, as compared to the same period in 2009 as a result of improved manufacturing efficiencies and ongoing cost controls, the year-over-year benefit resulting from the timing of certain contractual pass throughs of changes in manufacturing costs in the metal food container business and higher unit volumes in the plastic container and closures businesses. These increases were partially offset by the impact from the lagged pass through of significant increases in resin costs in the plastic container and closures businesses, the recognition of a charge of \$3.2 million in selling, general and administrative expenses for the remeasurement of net assets in the Venezuela operations and higher rationalization charges. The results for the first six months of 2010 and 2009 included rationalization charges of \$2.7 million and \$1.4 million, respectively. Net income for the first six months of 2010 was \$63.0 million, or \$0.82 per diluted share, as compared to \$61.7 million, or \$0.80 per diluted share, for the same period in 2009.

Net Sales. The \$13.0 million increase in consolidated net sales in the first six months of 2010 as compared to the first six months of 2009 was due to higher net sales in the closures and plastic container businesses, partially offset by lower net sales in the metal food container business.

Net sales for the metal food container business decreased \$23.9 million, or 3.1 percent, in the first six months of 2010 as compared to the same period in 2009. This decrease was primarily attributable to lower average selling prices due to the pass through of lower raw material costs.

Net sales for the closures business in the first six months of 2010 increased \$12.9 million, or 4.3 percent, as compared to the same period in 2009. This increase was primarily the result of higher unit volumes, partially offset by the impact of unfavorable foreign currency translation of approximately \$1.4 million.

Net sales for the plastic container business in the first six months of 2010 increased \$24.0 million, or 8.9 percent, as compared to the same period in 2009. This increase was primarily the result of higher unit volumes, higher average selling prices as a result of the pass through of resin cost increases and the impact of favorable foreign currency translation of approximately \$8.8 million, partially offset by an unfavorable mix of products sold.

Gross Profit. Gross Profit margin increased 0.6 percentage points to 15.6 percent for the first six months of 2010 as compared to the same period in 2009 for the reasons discussed below in “Income from Operations.”

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$4.1 million to \$85.4 million for the six months ended June 30, 2010 as compared to \$81.3 million for the same period in 2009. Selling, general and administrative expenses as a percentage of consolidated net sales increased to 6.3 percent for the first six months of 2010 as compared to 6.1 percent for the same period in 2009. These increases were primarily due to a charge of \$3.2 million recognized in 2010 for the remeasurement of the net assets in the operations of Venezuela to the devalued official Bolivar exchange rate.

Income from Operations. Income from operations for the first six months of 2010 increased by \$4.6 million, or 3.9 percent, as compared to the first six months of 2009, and operating margin increased to 9.1 percent from 8.8 percent over the same periods.

Income from operations of the metal food container business for the first six months of 2010 increased \$22.0 million, or 32.2 percent, as compared to the same period in 2009, and operating margin increased to 12.0 percent from 8.8 percent over the same periods. These increases were primarily the result of the year-over-year benefit resulting from the timing of certain contractual pass throughs of changes in manufacturing costs and improved manufacturing efficiencies. The first six months of 2010 included rationalization charges of \$0.3 million.

Income from operations of the closures business for the first six months of 2010 decreased \$1.4 million, or 3.8 percent, as compared to the same period in 2009, while operating margin decreased to 11.3 percent from 12.3 percent over the same periods. These decreases were primarily attributable to the negative impact from the lagged pass through of higher resin costs and a \$3.2 million charge recognized for the remeasurement of net assets in the Venezuela operations, partially offset by higher unit volumes, the benefits of ongoing cost reduction initiatives, improved manufacturing efficiencies and lower rationalization charges. Rationalization charges of \$1.3 million were recognized in the first six months of 2009 for a reduction in workforce at the operating facility in Germany.

Income from operations of the plastic container business for the first six months of 2010 decreased \$14.0 million, or 67.0 percent, as compared to the same period in 2009, and operating margin decreased to 2.3 percent from 7.7 percent over the same periods. These decreases were primarily attributable to the negative impact from the lagged pass through of significant increases in resin costs and higher rationalization charges, partially offset by higher unit volumes. The first six months of 2010 included rationalization charges of \$2.4 million related to the shutdown of the Port Clinton, Ohio manufacturing facility.

Interest and Other Debt Expense. Interest and other debt expense before loss on early extinguishment of debt for the first six months of 2010 increased \$1.9 million to \$24.5 million as compared to the same period in 2009. This increase was primarily due to higher average interest rates, largely attributable to the issuance of the 7¼% Senior Notes in May 2009.

Provision for Income Taxes. The effective tax rate for the first six months of 2010 was 36.5 percent as compared to 35.6 percent in the same period of 2009. The effective tax rate for the six months ending June 30, 2010 was negatively impacted by the nondeductible portion of the charge for the remeasurement of net assets in the Venezuela operations.

CAPITAL RESOURCES AND LIQUIDITY

Our principal sources of liquidity have been net cash from operating activities and borrowings under our debt instruments, including our senior secured credit facility. Our liquidity requirements arise primarily from our obligations under the indebtedness incurred in connection with our acquisitions and the refinancing of that indebtedness, capital investment in new and existing equipment and the funding of our seasonal working capital needs.

On July 7, 2010, we completed the refinancing of our previous senior secured credit facility by entering into a new \$1.4 billion senior secured credit facility, or the Credit Agreement. Our Credit Agreement provides us with term loans and revolving loans. The term loans, or the Term Loans, consist of \$400 million of U.S. term loans, €125 million of Euro term loans and Cdn \$81 million of Canadian term loans. The revolving loans, or the Revolving Loans, consist of a \$790 million multicurrency revolving loan facility and a Cdn \$10 million Canadian revolving loan facility. Our Credit Agreement also provides us with an uncommitted multicurrency incremental loan facility for up to an additional U.S. \$450 million, which may be used to finance acquisitions and for other permitted purposes.

Under the Credit Agreement, total Term Loans of \$632.3 million are payable as follows: \$94.8 million in each of 2012 and 2013, \$126.5 million in each of 2014 and 2015, and \$189.7 million in 2016 (non-U.S. dollar debt has been translated into U.S. dollars at exchange rates in effect at the balance sheet date).

At July 7, 2010, we had no Revolving Loans outstanding under the Credit Agreement. After taking into account outstanding letters of credit, the available portion of our revolving loan facility under the Credit Agreement was \$767.1 million. We may use the available portion of our revolving loan facility, after taking into account our seasonal needs and outstanding letters of credit, for other general corporate purposes including acquisitions, dividends, stock repurchases and refinancing of other debt.

Under the Credit Agreement, the interest rate for U.S. term loans will be either LIBOR or the base rate under the Credit Agreement plus a margin, the interest rate for Euro term loans will be the Euribor rate under the Credit Agreement plus a margin and the interest rate for Canadian term loans will be either the Bankers' Acceptance discount rate or the Canadian prime rate under the Credit Agreement plus a margin. Initially, for Term Loans and Revolving Loans maintained as LIBOR, Euribor or Bankers' Acceptance loans, the margin will be 2.25 percent and for Term Loans and Revolving Loans maintained as base rate or Canadian prime rate loans the margin will be 1.25 percent. The Credit Agreement provides for the payment of a commitment fee ranging from 0.375 percent to 0.50 percent per annum on the daily average unused portion of commitments available under the Revolving Loans. Initially, the commitment fee will be 0.50 percent per annum. The margins for Term Loans, Revolving Loans and the commitment fee are subject to adjustment quarterly after September 30, 2010 based upon our Total Leverage Ratio and our corporate credit rating from certain rating agencies as provided in the Credit Agreement.

All amounts owing under our previous senior secured credit facility were repaid on July 7, 2010 with proceeds from the Credit Agreement. As a result of this refinancing, we expect to record a pre-tax charge of approximately \$4.5 million for the loss on early extinguishment of debt during the quarter ending September 30, 2010.

At June 30, 2010, total bank debt of \$404.8 million was repayable within one year. However, based on the refinancing of our previous senior secured credit facility with the Credit Agreement on July 7, 2010, we have classified bank term loan debt of \$316.4 million as long-term in the Condensed Consolidated Balance Sheet at June 30, 2010. Amounts outstanding as of June 30, 2010 classified as current debt included \$76.0 million of bank revolving loans (which were repaid on July 7, 2010 in connection with the refinancing of our previous senior secured credit facility with the Credit Agreement) and \$12.4 million of foreign bank revolving loans and term loans.

You should also read Note 5 to our Condensed Consolidated Financial Statements for the three and six months ended June 30, 2010 included elsewhere in this quarterly report.

For the six months ended June 30, 2010, we used cash and cash equivalents of \$253.7 million and net borrowings of revolving loans of \$75.8 million to fund cash used in operations of \$172.5 million (which consisted of \$92.3 million of contributions to our pension benefit plans and \$80.2 million primarily for our seasonal working capital needs), decreases in outstanding checks of \$92.5 million, net capital expenditures of \$47.6 million, net payments for stock-based compensation issuances of \$0.6 million and dividends paid on our common stock of \$16.3 million.

For the six months ended June 30, 2009, we used cash and cash equivalents of \$83.4 million, net borrowings of revolving loans of \$97.5 million, proceeds from the issuance of the 7¼% Senior Notes of \$243.2 million and net proceeds from stock-based compensation issuances of \$1.6 million to fund the repayment of term loans under our senior secured credit facility of \$237.9 million, cash used in operations of \$71.6 million (which consisted of \$23.1 million of contributions to our pension benefit plans and \$48.5 million primarily for our seasonal working capital needs), decreases in outstanding checks of \$50.0 million, net capital expenditures of \$46.3 million, debt issuance costs of \$5.3 million and dividends paid on our common stock of \$14.6 million.

Because we sell metal containers used in fruit and vegetable pack processing, we have seasonal sales. As is common in the industry, we must utilize working capital to build inventory and then carry accounts receivable for some customers beyond the end of the packing season. Due to our seasonal requirements, which generally peak sometime in the summer or early fall, we may incur short-term indebtedness to finance our working capital requirements. In recent years, our incremental peak seasonal working capital requirements were approximately \$300 million, which were funded through a combination of revolving loans under our senior secured credit facility and cash on hand. For 2010, we expect to fund our peak seasonal working capital requirements with cash on hand and Revolving Loans available under our Credit Agreement.

In June 2010, our Board of Directors authorized the repurchase of up to \$300 million of our common stock from time to time over a period of three years. We have not made any repurchases of shares of our common stock under this authorization.

On July 27, 2010, our Board of Directors declared a quarterly cash dividend on our common stock of \$0.105 per share, payable on September 15, 2010 to holders of record of our common stock on September 1, 2010. The cash payment related to this dividend is expected to be \$8.2 million.

We believe that cash generated from operations and funds from borrowings available under the Credit Agreement will be sufficient to meet our expected operating needs, planned capital expenditures, debt service, tax obligations, pension benefit plan contributions, share repurchases required under our 2004 Stock Incentive Plan and common stock dividends for the foreseeable future. We continue to evaluate acquisition opportunities in the consumer goods packaging market and may incur additional indebtedness, including indebtedness under the Credit Agreement, to finance any such acquisition.

We are in compliance with all financial and operating covenants contained in our financing agreements and believe that we will continue to be in compliance during 2010 with all of these covenants.

Rationalization Charges

In February 2010, we announced a plan to exit our Port Clinton, Ohio plastic container manufacturing facility, which plan included the termination of approximately 150 employees. Total estimated charges related to this plan are \$4.7 million. Through June 30, 2010, we have recognized a total of \$2.4 million. Remaining expenses and cash expenditures of \$2.3 million and \$3.2 million, respectively, are expected primarily in 2010.

Under our rationalization plans, we made cash payments of \$0.1 million and \$1.3 million for the six months ended June 30, 2010 and 2009, respectively. Total future cash spending of \$7.0 million is expected for our outstanding rationalization plans.

You should also read Note 2 to our Condensed Consolidated Financial Statements for the three and six months ended June 30, 2010 included elsewhere in this Quarterly Report.

We continually evaluate cost reduction opportunities in our business, including rationalizations of our existing facilities through plant closings and downsizings. We use a disciplined approach to identify opportunities that generate attractive cash returns.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in interest rates and, with respect to our international closures operations and our Canadian plastic container operations, from foreign currency exchange rates. In the normal course of business, we also have risk related to commodity price changes for items such as natural gas. We employ established policies and procedures to manage our exposure to these risks. Interest rate, foreign currency and commodity pricing transactions are used only to the extent considered necessary to meet our objectives. We do not utilize derivative financial instruments for trading or other speculative purposes.

Information regarding our interest rate risk, foreign currency exchange rate risk and commodity pricing risk has been disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. Since such filing, other than in respect of the refinancing of our previous senior secured credit facility with the Credit Agreement, there has not been a material change to our interest rate risk, foreign currency exchange rate risk or commodity pricing risk or to our policies and procedures to manage our exposure to these risks.

You should also read Notes 5 and 6 to our Condensed Consolidated Financial Statements for the three and six months ended June 30, 2010 included elsewhere in this Quarterly Report.

Item 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(e) of the Securities Exchange Act of 1934, or the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, as of the end of the period covered by this Quarterly Report, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and that our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the Principal Executive Officer and the Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal controls over financial reporting during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, these internal controls.

Part II. Other Information

Item 6. Exhibits

| Exhibit Number | Description |
|----------------|---|
| 12 | Ratio of Earnings to Fixed Charges for the three and six months ended June 30, 2010 and 2009. |
| 31.1 | Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 31.2 | Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 32.1 | Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act. |
| 32.2 | Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act. |
| 101.INS* | XBRL Instance Document. |
| 101.SCH* | XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document. |

* XBRL information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.

SIGNATURES

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

SILGAN HOLDINGS INC.

Dated: August 9, 2010

/s/ Robert B. Lewis
Robert B. Lewis
Executive Vice President and
Chief Financial Officer

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