

SILGAN HOLDINGS INC  
Form 10-Q  
May 10, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

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). Yes  No

Edgar Filing: SILGAN HOLDINGS INC - Form 10-Q

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  [ ]

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  [ X ]

As of April 30, 2012, the number of shares outstanding of the Registrant’s common stock, \$0.01 par value, was 69,717,061.

---

SILGAN HOLDINGS INC.

TABLE OF CONTENTS

|   | Page No. |
|---|----------|
| <u>Part I. Financial Information</u>  | 3        |
| <u>Item 1. Financial Statements</u>   | 3        |
| <u>Condensed Consolidated Balance Sheets at March 31, 2012 and 2011 and December 31, 2011</u>                       | 3        |
| <u>Condensed Consolidated Statements of Income for the three months ended March 31, 2012 and 2011</u>               | 4        |
| <u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011</u> | 5        |
| <u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011</u>           | 6        |
| <u>Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2012 and 2011</u> | 7        |
| <u>Notes to Condensed Consolidated Financial Statements</u>   | 8        |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                | 20       |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>   | 25       |
| <u>Item 4. Controls and Procedures</u>  | 26       |
| <u>Part II. Other Information</u>   | 27       |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>  | 27       |
| <u>Item 6. Exhibits</u>   | 28       |
| <u>Signatures</u>   | 29       |
| <u>Exhibit Index</u>  | 30       |



Part I. Financial Information  
Item 1. Financial Statements

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

|   | March 31,<br>2012<br>(unaudited) | March 31,<br>2011<br>(unaudited) | Dec. 31,<br>2011 |
|---|----------------------------------|----------------------------------|------------------|
| Assets  |                                  |                                  |                  |
| Current assets:                                       |                                  |                                  |                  |
| Cash and cash equivalents                             | \$648,479                        | \$135,782                        | \$397,101        |
| Trade accounts receivable, net                        | 368,199                          | 377,875                          | 339,909          |
| Inventories   | 687,923                          | 654,483                          | 554,148          |
| Prepaid expenses and other current assets             | 43,499                           | 47,482                           | 42,565           |
| Total current assets                                  | 1,748,100                        | 1,215,622                        | 1,333,723        |
| Property, plant and equipment, net                    | 1,066,750                        | 1,081,916                        | 1,064,708        |
| Goodwill  | 393,451                          | 391,789                          | 389,922          |
| Other intangible assets, net                          | 96,666                           | 95,113                           | 96,442           |
| Other assets, net                                     | 112,861                          | 70,649                           | 94,292           |
|   | \$3,417,828                      | \$2,855,089                      | \$2,979,087      |
| Liabilities and Stockholders' Equity                  |                                  |                                  |                  |
| Current liabilities:                                  |                                  |                                  |                  |
| Revolving loans and current portion of long-term debt | \$331,008                        | \$520,285                        | \$87,776         |
| Trade accounts payable                                | 261,561                          | 272,581                          | 319,339          |
| Accrued payroll and related costs                     | 62,168                           | 54,209                           | 58,429           |
| Accrued liabilities                                   | 68,727                           | 81,731                           | 129,945          |
| Total current liabilities                             | 723,464                          | 928,806                          | 595,489          |
| Long-term debt  | 1,580,787                        | 922,717                          | 1,288,483        |
| Other liabilities                                     | 419,437                          | 415,794                          | 437,121          |
| Stockholders' equity:                                 |                                  |                                  |                  |
| Common stock  | 876                              | 873                              | 875              |
| Paid-in capital                                       | 199,068                          | 186,114                          | 196,626          |
| Retained earnings                                     | 927,250                          | 759,237                          | 902,987          |
| Accumulated other comprehensive loss                  | (99,888 )                        | (47,204 )                        | (115,282 )       |
| Treasury stock  | (333,166 )                       | (311,248 )                       | (327,212 )       |
| Total stockholders' equity                            | 694,140                          | 587,772                          | 657,994          |
|   | \$3,417,828                      | \$2,855,089                      | \$2,979,087      |

See accompanying notes.



SILGAN HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
For the three months ended March 31, 2012 and 2011  
(Dollars and shares in thousands, except per share amounts)  
(Unaudited)

|  | 2012      | 2011      |
|--|-----------|-----------|
| Net sales                                    | \$768,357 | \$703,087 |
| Cost of goods sold                           | 654,312   | 601,125   |
| Gross profit                                 | 114,045   | 101,962   |
| Selling, general and administrative expenses | 44,680    | 46,588    |
| Rationalization charges                      | 3,603     | 1,732     |
| Income from operations                       | 65,762    | 53,642    |
| Interest and other debt expense              | 15,588    | 13,940    |
| Income before income taxes                   | 50,174    | 39,702    |
| Provision for income taxes                   | 17,424    | 13,590    |
| Net income                                   | \$32,750  | \$26,112  |
| Earnings per share:                          |           |           |
| Basic net income per share                   | \$0.47    | \$0.37    |
| Diluted net income per share                 | \$0.47    | \$0.37    |
| Dividends per share                          | \$0.12    | \$0.11    |
| Weighted average number of shares:           |           |           |
| Basic  | 69,940    | 69,983    |
| Effect of dilutive securities                | 325       | 517       |
| Diluted                                      | 70,265    | 70,500    |

See accompanying notes.

SILGAN HOLDINGS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the three months ended March 31, 2012 and 2011  
 (Dollars in thousands)  
 (Unaudited)

|  | 2012     | 2011     |
|--|----------|----------|
| Net income   | \$32,750 | \$26,112 |
| Other comprehensive income (loss), net of tax:           |          |          |
| Changes in net prior service credit and actuarial losses | 1,851    | 1,240    |
| Change in fair value of derivatives                      | (156 )   | 2,179    |
| Foreign currency translation                             | 13,699   | 12,403   |
| Other comprehensive income                               | 15,394   | 15,822   |
| Comprehensive income                                     | \$48,144 | \$41,934 |

See accompanying notes.



SILGAN HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the three months ended March 31, 2012 and 2011  
(Dollars in thousands)  
(Unaudited)

|   | 2012       | 2011       |
|---|------------|------------|
| Cash flows provided by (used in) operating activities:                        |            |            |
| Net income  | \$32,750   | \$26,112   |
| Adjustments to reconcile net income to net cash used in operating activities: |            |            |
| Depreciation and amortization   | 42,176     | 38,266     |
| Rationalization charges   | 3,603      | 1,732      |
| Excess tax benefit from stock-based compensation                              | (1,268 )   | (1,652 )   |
| Other changes that provided (used) cash, net of effects from acquisitions:    |            |            |
| Trade accounts receivable, net  | (27,570 )  | (69,787 )  |
| Inventories   | (129,525 ) | (114,221 ) |
| Trade accounts payable  | 3,469      | 43,324     |
| Accrued liabilities   | (11,898 )  | 3,077      |
| Contributions to domestic pension benefit plans                               | (30,000 )  | -          |
| Other, net  | 12,752     | 14,231     |
| Net cash used in operating activities   | (105,511 ) | (58,918 )  |
| Cash flows provided by (used in) investing activities:                        |            |            |
| Purchases of businesses, net of cash acquired                                 | (50,975 )  | (264,367 ) |
| Capital expenditures  | (26,332 )  | (33,463 )  |
| Proceeds from asset sales   | 175        | 153        |
| Net cash used in investing activities   | (77,132 )  | (297,677 ) |
| Cash flows provided by (used in) financing activities:                        |            |            |
| Borrowings under revolving loans  | 4,991      | 617,305    |
| Repayments under revolving loans  | (10,913 )  | (167,062 ) |
| Proceeds from issuance of long-term debt                                      | 526,550    | 4,210      |
| Repayments of long-term debt  | -          | (25,213 )  |
| Debt issuance costs   | (9,643 )   | -          |
| Changes in outstanding checks - principally vendors                           | (63,193 )  | (101,124 ) |
| Dividends paid on common stock  | (8,487 )   | (7,798 )   |
| Proceeds from stock option exercises  | 155        | -          |
| Excess tax benefit from stock-based compensation                              | 1,268      | 1,652      |
| Repurchase of common stock under stock plan                                   | (1,692 )   | (4,819 )   |
| Repurchase of common stock under share repurchase authorization               | (5,015 )   | -          |
| Net cash provided by financing activities                                     | 434,021    | 317,151    |
| Cash and cash equivalents:  |            |            |
| Net increase (decrease)   | 251,378    | (39,444 )  |
| Balance at beginning of year  | 397,101    | 175,226    |

Edgar Filing: SILGAN HOLDINGS INC - Form 10-Q

|                          |           |           |
|--------------------------|-----------|-----------|
| Balance at end of period | \$648,479 | \$135,782 |
| Interest paid, net       | \$18,566  | \$17,387  |
| Income taxes paid, net   | 14,083    | 822       |

See accompanying notes.

SILGAN HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF  
STOCKHOLDERS' EQUITY

For the three months ended March 31, 2012 and 2011

(Dollars and shares in thousands)

(Unaudited)

|   | Common Stock<br>Shares<br>Outstanding | Par<br>Value | Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>(Loss)<br>Income | Treasury<br>Stock | Total<br>Stockholders'<br>Equity |
|---|---------------------------------------|--------------|--------------------|----------------------|---|-------------------|----------------------------------|
| Balance at December 31,<br>2010   | 69,876                                | \$ 873       | \$ 183,524         | \$ 740,923           | \$ (63,026 )  | \$ (308,695)      | \$ 553,599                       |
| Net income  | -                                     | -            | -                  | 26,112               | -   | -                 | 26,112                           |
| Other comprehensive<br>income   | -                                     | -            | -                  | -                    | 15,822  | -                 | 15,822                           |
| Dividends declared on<br>common stock   | -                                     | -            | -                  | (7,798 )             | -   | -                 | (7,798 )                         |
| Stock compensation<br>expense   | -                                     | -            | 3,204              | -                    | -   | -                 | 3,204                            |
| Net issuance of treasury<br>stock for<br>vested restricted stock<br>units,<br>including tax benefit of<br>\$1,652 | 210                                   | -            | (614 )             | -                    | -   | (2,553 )          | (3,167 )                         |
| Balance at March 31,<br>2011  | 70,086                                | \$ 873       | \$ 186,114         | \$ 759,237           | \$ (47,204 )  | \$ (311,248)      | \$ 587,772                       |
| Balance at December 31,<br>2011   | 69,884                                | \$ 875       | \$ 196,626         | \$ 902,987           | \$ (115,282 )   | \$ (327,212)      | \$ 657,994                       |
| Net income  | -                                     | -            | -                  | 32,750               | -   | -                 | 32,750                           |
| Other comprehensive<br>income   | -                                     | -            | -                  | -                    | 15,394  | -                 | 15,394                           |
| Dividends declared on<br>common stock   | -                                     | -            | -                  | (8,487 )             | -   | -                 | (8,487 )                         |
|   | -                                     | -            | 1,727              | -                    | -   | -                 | 1,727                            |

|  |        |        |            |            |              |              |            |
|--|--------|--------|------------|------------|--------------|--------------|------------|
| Stock compensation expense   |        |        |            |            |              |              |            |
| Stock option exercises, including tax benefit of \$485   | 30     | 1      | 639        | -          | -            | -            | 640        |
| Net issuance of treasury stock for vested restricted stock units, including tax benefit of \$829 | 74     | -      | 76         | -          | -            | (939 )       | (863 )     |
| Repurchases of common stock  | (114 ) | -      | -          | -          | -            | (5,015 )     | (5,015 )   |
| Balance at March 31, 2012  | 69,874 | \$ 876 | \$ 199,068 | \$ 927,250 | \$ (99,888 ) | \$ (333,166) | \$ 694,140 |

See accompanying notes.

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three 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, 2011 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.

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, 2011.

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

**Recently Adopted Accounting Pronouncement.** In June 2011, the Financial Accounting Standards Board, or FASB, issued an accounting standards update, or ASU, which amends the guidance for presenting comprehensive income. This amendment required us to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements effective January 1, 2012 with retrospective application required. We have elected to present two consecutive statements. Our adoption of this amendment did not have an effect on our financial position, results of operations or cash flows.

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

Note 2. Acquisitions

In March 2012, we paid the deferred portion of the purchase price under our agreement to acquire the metal container operations of Vogel & Noot Holding AG, or VN, of €36.4 million (\$47.6 million translated at the U.S. dollar exchange rate at the date of payment).

Note 3. 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, 2011 is summarized as follows:

|  | Employee<br>Severance<br>and<br>Benefits | Plant<br>Exit<br>Costs | Non-Cash<br>Asset<br>Write-Down | Total    |
|--|--|------------------------|---------------------------------|----------|
|  | (Dollars in thousands)                   |                        |                                 |          |
| Balance at December 31, 2011                           | \$4,385                                  | \$211                  | \$ -                            | \$4,596  |
| Activity for the three months ended March 31, 2012     |  |                        |                                 |          |
| Prior years' rationalization plan reserves established | 525                                      | -                      | -                               | 525      |
| Prior years' rationalization plan reserves utilized    | (1,794 )                                 | -                      | -                               | (1,794 ) |
| 2012 rationalization plan reserves established         | 2,314                                    | 559                    | 205                             | 3,078    |
| 2012 rationalization plan reserves utilized            | (334 )                                   | (559 )                 | (205 )                          | (1,098 ) |
| Currency translation                                   | 69                                       | -                      | -                               | 69       |
| Total activity   | 780                                      | -                      | -                               | 780      |
| Balance at March 31, 2012                              | \$5,165                                  | \$211                  | \$ -                            | \$5,376  |

Rationalization reserves as of March 31, 2012 and December 31, 2011 are included in the Condensed Consolidated Balance Sheets as accrued liabilities.

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

Note 3. Rationalization Charges (continued)

2012 Rationalization Plans

In the first quarter of 2012, we announced a plan to exit our Breinigsville (Allentown), PA plastic container manufacturing facility. Our plan included the termination of approximately 32 employees and other related plant exit costs. The total costs for the rationalization of this facility of \$2.8 million consist of \$0.3 million for employee severance and benefits, \$1.9 million for plant exit costs and \$0.6 million for the non-cash write-down in carrying value of assets. Through March 31, 2012, we recognized a total of \$1.0 million of costs, which consisted of \$0.2 million of employee severance and benefits, \$0.6 million for plant exit costs and \$0.2 million for the non-cash write-down in carrying value of assets. Remaining expenses and cash expenditures of \$1.8 million and \$2.2 million, respectively, are expected primarily in 2012.

In the first quarter of 2012, we announced plans to reduce costs in the U.S. corporate office and European manufacturing facilities of our closures business through the termination of approximately 49 employees, with total estimated costs of \$3.8 million for employee severance and benefits. Through March 31, 2012, we recognized a total of \$2.1 million of costs and made cash payments of \$0.3 million. Remaining expenses and cash expenditures of \$1.7 million and \$3.5 million, respectively, are expected primarily in 2012.

Note 4. Inventories

Inventories consisted of the following:

|   | March 31,<br>2012      | March 31,<br>2011 | Dec. 31,<br>2011 |
|---|------------------------|-------------------|------------------|
|   | (Dollars in thousands) |                   |                  |
| Raw materials   | \$ 181,546             | \$ 164,263        | \$ 191,590       |
| Work-in-process   | 129,396                | 118,024           | 116,790          |
| Finished goods  | 458,987                | 428,008           | 327,810          |
| Other   | 13,931                 | 13,137            | 13,781           |
|   | 783,860                | 723,432           | 649,971          |
| Adjustment to value inventory<br>at cost on the LIFO method | (95,937 )              | (68,949 )         | (95,823 )        |
|   | \$ 687,923             | \$ 654,483        | \$ 554,148       |

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

Note 5. Long-Term Debt

Long-term debt consisted of the following:

|   | March 31,<br>2012 | March 31,<br>2011 | Dec. 31,<br>2011 |
|---|-------------------|-------------------|------------------|
| (Dollars in thousands)                        |                   |                   |                  |
| Bank debt                                     |                   |                   |                  |
| Bank revolving loans                          | \$ -              | \$440,163         | \$ -             |
| U.S. term loans                               | 520,000           | 400,000           | 520,000          |
| Canadian term loans                           | 80,943            | 83,130            | 79,323           |
| Euro term loans                               | 444,713           | 176,413           | 433,825          |
| Other foreign bank revolving and term loans   | 120,685           | 98,684            | 97,874           |
| Total bank debt                               | 1,166,341         | 1,198,390         | 1,131,022        |
| 7¼% Senior Notes, net of unamortized discount | 245,454           | 244,612           | 245,237          |
| 5% Senior Notes                               | 500,000           | -                 | -                |
| Total debt                                    | 1,911,795         | 1,443,002         | 1,376,259        |
| Less current portion                          | 331,008           | 520,285           | 87,776           |
|   | \$ 1,580,787      | \$ 922,717        | \$ 1,288,483     |

At March 31, 2012, amounts expected to be repaid within one year consisted of \$245.5 million of our 7¼% Senior Notes due 2016, or the 7¼% Notes, and \$85.5 million of foreign bank revolving and term loans.

5% Senior Notes

On March 23, 2012, we issued \$500 million aggregate principal amount of our 5% Senior Notes due 2020, or the 5% Notes, at 100 percent of their principal amount. The 5% Notes are general unsecured obligations of Silgan, ranking equal in right of payment with Silgan's unsecured unsubordinated indebtedness and ahead of Silgan's subordinated debt, if any. The 5% Notes are effectively subordinated to Silgan's secured debt to the extent of the assets securing such debt and effectively subordinated to all obligations of the subsidiaries of Silgan. Interest on the 5% Notes is payable semi-annually in cash on April 1 and October 1 of each year, and the 5% Notes mature on April 1, 2020. Proceeds from the issuance of the 5% Notes were used in April 2012 to redeem all of the outstanding 7¼% Notes, to pay the applicable premium for such redemption, to pay related fees and expenses and for general corporate purposes.



SILGAN HOLDINGS INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Information at March 31, 2012 and 2011 and for the  
 three months then ended is unaudited)

Note 5. Long-Term Debt (continued)

5% Senior Notes (continued)

The 5% Notes are redeemable, at the option of Silgan, in whole or in part, at any time after April 1, 2016 at the following redemption prices (expressed in percentages of principal amount) plus accrued and unpaid interest thereon to the redemption date if redeemed during the twelve month period commencing April 1, of the years set forth below:

| Year                | Redemption Price |
|---------------------|------------------|
| 2016                | 102.500%         |
| 2017                | 101.250%         |
| 2018 and thereafter | 100.000%         |

In addition, prior to April 1, 2015, we may redeem up to 35 percent of the aggregate principal amount of the 5% Notes from the proceeds of certain equity offerings at a redemption price of 105 percent of their principal amount, plus accrued and unpaid interest to the date of redemption. We may also redeem the 5% Notes, in whole or in part, prior to April 1, 2016 at a redemption price equal to 100 percent of their principal amount plus a make-whole premium as provided in the indenture for the 5% Notes.

Upon the occurrence of a change of control, as defined in the indenture for the 5% Notes, Silgan is required to make an offer to purchase the 5% Notes at a purchase price equal to 101 percent of their principal amount, plus accrued and unpaid interest to the date of purchase.

The indenture for the 5% Notes contains covenants which are generally less restrictive than those under our senior secured credit facility, or the Credit Agreement.

7¼% Senior Notes

On April 9, 2012, we redeemed all \$250 million aggregate principal amount of our outstanding 7¼% Notes at a redemption price of 112.3715 percent of their principal amount, or \$280.9 million, plus accrued and unpaid interest up to the redemption date. As a result, during the second quarter of 2012, we will record a loss on early extinguishment of debt of \$38.7 million for the premium paid in connection with this redemption and for the write-off of unamortized debt issuance costs and discount.

## SILGAN HOLDINGS INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

## 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 March 31, 2012:

|                               | Carrying<br>Amount     | Fair<br>Value |
|-------------------------------|------------------------|---------------|
|                               | (Dollars in thousands) |               |
| Assets:                       |                        |               |
| Cash and cash equivalents     | \$ 648,479             | \$ 648,479    |
| Liabilities:                  |                        |               |
| Bank debt                     | 1,166,341              | 1,166,341     |
| 7¼% Notes                     | 245,454                | 280,938       |
| 5% Notes                      | 500,000                | 498,440       |
| Interest rate swap agreements | 11,532                 | 11,532        |
| Natural gas swap agreements   | 838                    | 838           |

## Fair Value Measurements

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.

## Financial Instruments Measured at Fair Value

The financial assets and liabilities that are measured on a recurring basis at March 31, 2012 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.



SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

Note 6. Financial Instruments (continued)

Financial Instruments Not Measured at Fair Value

Our bank debt, 7¼% Notes and 5% Notes are recorded at historical amounts in our Condensed Consolidated Balance Sheets, as we have not elected to record them at fair value. For purposes of the table above, we measured the fair value of our variable rate bank debt using Level 2 inputs and the fair values of our 7¼% Notes and 5% Notes using Level 1 inputs.

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 three months of 2012, our hedges were fully effective. The fair value of our outstanding swap agreements in effect at March 31, 2012 was recorded in our Condensed Consolidated Balance Sheet as a liability of \$12.4 million, of which \$5.4 million was included in accrued liabilities and \$7.0 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 three months ended March 31, 2012 was a loss of \$0.8 million, net of income taxes. We estimate that we will reclassify losses of \$2.9 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.

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

Note 6. Financial Instruments (continued)

Interest Rate Swap Agreements

We have entered into Euro interest rate swap agreements to manage a portion of our exposure to interest rate fluctuations. At March 31, 2012, the aggregate notional principal amount of our outstanding interest rate swap agreements was €105.0 million. 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 three months ended March 31, 2012, net payments under our interest rate swap agreements were \$1.0 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 March 31, 2012, the aggregate notional principal amount of our natural gas swap agreements was 707,000 MMBtu of natural gas with fixed prices ranging from \$2.587 to \$4.814 per MMBtu, which hedges approximately 16 percent of our estimated twelve month exposure to fluctuations in natural gas prices. The difference between amounts to be paid or received on our natural gas swap agreements is recorded in cost of goods sold in our Condensed Consolidated Statements of Income. For the three months ended March 31, 2012, net payments under our natural gas swap agreements were \$0.5 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 initially financed acquisitions of foreign operations primarily with loans borrowed under the 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. We have designated substantially all of our Euro denominated borrowings under our Credit Agreement as net investment hedges. Foreign currency losses related to our net investment hedges included in accumulated other comprehensive (loss) income for the three months ended March 31, 2012 were \$10.4 million.

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

Note 7. Retirement Benefits

The components of the net periodic benefit costs for the three months ended March 31 are as follows:

|   | Pension Benefits       |           | Other<br>Postretirement Benefits |        |
|---|------------------------|-----------|----------------------------------|--------|
|   | 2012                   | 2011      | 2012                             | 2011   |
|   | (Dollars in thousands) |           |                                  |        |
| Service cost                                | \$3,724                | \$3,770   | \$227                            | \$259  |
| Interest cost                               | 6,909                  | 7,170     | 569                              | 657    |
| Expected return on plan assets              | (10,512 )              | (10,214 ) | -                                | -      |
| Amortization of prior service cost (credit) | 476                    | 511       | (654 )                           | (642 ) |
| Amortization of actuarial losses            | 3,088                  | 1,992     | 89                               | 142    |
| Net periodic benefit cost                   | \$3,685                | \$3,229   | \$231                            | \$416  |

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, 2011, there are no significant minimum required contributions to our pension plans in 2012. In March and April 2012, we made voluntary contributions to our domestic pension benefit plans of \$30.0 million and \$46.0 million, respectively.

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, 2010. 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.

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

Note 9. Dividends

On March 26, 2012, we paid a quarterly cash dividend on our common stock of \$0.12 per share, as approved by our Board of Directors. The aggregate cash payment related to this dividend totaled \$8.5 million.

On May 10, 2012, our Board of Directors declared a quarterly cash dividend on our common stock of \$0.12 per share, payable on June 15, 2012 to holders of record of our common stock on June 1, 2012. The cash payment related to this dividend is expected to be \$8.5 million.

Note 10. Treasury Stock

On August 5, 2011, our Board of Directors authorized the repurchase of up to \$300 million of our common stock, inclusive of prior authorizations, from time to time through and including December 31, 2014. Pursuant to this authorization, we repurchased 114,199 shares of our common stock at an average price per share of \$43.92, for a total purchase price of \$5.0 million, during the quarter ended March 31, 2012.

During the first three months of 2012, we issued 113,720 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 39,510 shares of our common stock at an average cost of \$42.83 to satisfy minimum 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 March 31, 2012, 17,675,896 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 quarter of 2012, 188,900 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 \$8.1 million, which is being amortized ratably over the five-year vesting period from the grant date.

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

Note 12. Business Segment Information

Reportable business segment information for the three months ended March 31 is as follows:

|                                   | Metal<br>Containers    | Closures  | Plastic<br>Containers | Corporate | Total     |
|-----------------------------------|------------------------|-----------|-----------------------|-----------|-----------|
|                                   | (Dollars in thousands) |           |                       |           |           |
| 2012                              |                        |           |                       |           |           |
| Net sales                         | \$444,885              | \$162,965 | \$160,507             | \$-       | \$768,357 |
| Depreciation and amortization(1)  | 21,661                 | 8,271     | 10,521                | 418       | 40,871    |
| Rationalization charges           | -                      | 2,141     | 1,462                 | -         | 3,603     |
| Segment income from operations    | 42,017                 | 18,020    | 8,919                 | (3,194 )  | 65,762    |
| 2011                              |                        |           |                       |           |           |
| Net sales                         | \$390,483              | \$160,042 | \$152,562             | \$-       | \$703,087 |
| Depreciation and amortization(1)  | 17,823                 | 8,116     | 11,117                | 422       | 37,478    |
| Rationalization charges           | -                      | 1,076     | 656                   | -         | 1,732     |
| Segment income from operations(2) | 38,363                 | 15,816    | 6,316                 | (6,853 )  | 53,642    |

(1) Depreciation and amortization excludes amortization of debt discount and issuance costs of \$1.3 million and \$0.8 million for the three months ended March 31, 2012 and 2011, respectively.

(2) Income from operations for corporate includes costs attributable to announced acquisitions of \$1.8 million.



## SILGAN HOLDINGS INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Information at March 31, 2012 and 2011 and for the  
three months then ended is unaudited)

## Note 12. Business Segment Information (continued)

Total segment income from operations is reconciled to income before income taxes for the three months ended March 31 as follows:

|                                      | 2012                   | 2011      |
|--------------------------------------|------------------------|-----------|
|                                      | (Dollars in thousands) |           |
| Total segment income from operations | \$ 65,762              | \$ 53,642 |
| Interest and other debt expense      | 15,588                 | 13,940    |
| Income before income taxes           | \$ 50,174              | \$ 39,702 |

Sales and income from operations of our metal container and closures businesses are dependent, in part, upon the vegetable and fruit harvests in the United States and, to a lesser extent, in a variety of national growing regions in Europe. 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 April 9, 2012, we redeemed all of our outstanding 7¼% Notes with proceeds from the 5% Notes. 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, 2011 and in 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 rigid packaging for consumer goods products. We currently produce steel and aluminum containers for human and pet food and general line products; metal, composite and plastic vacuum closures for food and beverage products and plastic closures for the dairy and juice markets; 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 a leading manufacturer of metal containers in North America and Europe, 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.

## RESULTS OF OPERATIONS

The following table sets forth certain unaudited income statement data expressed as a percentage of net sales for the three months ended March 31:

|  | 2012  |   | 2011  |   |
|--|-------|---|-------|---|
| Net sales                                    |       |   |       |   |
| Metal containers                             | 57.9  | % | 55.5  | % |
| Closures                                     | 21.2  |   | 22.8  |   |
| Plastic containers                           | 20.9  |   | 21.7  |   |
| Consolidated                                 | 100.0 |   | 100.0 |   |
| Cost of goods sold                           | 85.2  |   | 85.5  |   |
| Gross profit                                 | 14.8  |   | 14.5  |   |
| Selling, general and administrative expenses | 5.8   |   | 6.6   |   |
| Rationalization charges                      | 0.4   |   | 0.3   |   |
| Income from operations                       | 8.6   |   | 7.6   |   |
| Interest and other debt expense              | 2.0   |   | 2.0   |   |
| Income before income taxes                   | 6.6   |   | 5.6   |   |
| Provision for income taxes                   | 2.3   |   | 1.9   |   |
| Net income                                   | 4.3   | % | 3.7   | % |

Summary unaudited results of operations for the three months ended March 31 are provided below.

|                        | 2012                  |   | 2011    |   |
|------------------------|-----------------------|---|---------|---|
|                        | (Dollars in millions) |   |         |   |
| Net sales              |                       |   |         |   |
| Metal containers       | \$444.9               |   | \$390.5 |   |
| Closures               | 163.0                 |   | 160.0   |   |
| Plastic containers     | 160.5                 |   | 152.6   |   |
| Consolidated           | \$768.4               |   | \$703.1 |   |
| Income from operations |                       |   |         |   |
| Metal containers       | \$42.0                |   | \$38.4  |   |
| Closures (1)           | 18.0                  |   | 15.8    |   |
| Plastic containers (2) | 8.9                   |   | 6.3     |   |
| Corporate (3)          | (3.1                  | ) | (6.9    | ) |
| Consolidated           | \$65.8                |   | \$53.6  |   |

(1) Includes rationalization charges of \$2.1 million and \$1.1 million recorded in 2012 and 2011, respectively.

(2) Includes rationalization charges of \$1.5 million and \$0.6 million recorded in 2012 and 2011, respectively.

(3) Includes costs attributable to announced acquisitions of \$1.8 million recorded in 2011.

Three Months Ended March 31, 2012 Compared with Three Months Ended March 31, 2011

**Overview.** Consolidated net sales were \$768.4 million in the first quarter of 2012, representing a 9.3 percent increase as compared to the first quarter of 2011 primarily as a result of the inclusion of a full quarter from acquisitions completed in 2011, higher average selling prices across each business due to the pass through of higher raw material costs, and higher unit volumes in the closures business, partially offset by the impact of unfavorable foreign currency translation. Income from operations for the first quarter of 2012 of \$65.8 million increased by \$12.2 million, or 22.8 percent, as compared to the same period in 2011 primarily due to the inclusion of a full quarter from acquisitions completed in 2011, the favorable impact of the lagged pass through of declines in resin costs in our plastic container business, continued improvement in manufacturing efficiencies, operating cost savings and benefits from cost reduction initiatives, a decrease in expenses associated with corporate development activities and higher unit volumes in the closures business, partially offset by increases in rationalization charges and depreciation expense. Results for 2012 included rationalization charges of \$3.6 million, while results for 2011 included rationalization charges of \$1.7 million. Net income for the first quarter of 2012 was \$32.8 million as compared to \$26.1 million for the same period in 2011. Net income per diluted share was \$0.47 as compared to \$0.37 for the same period in 2011.

**Net Sales.** The \$65.3 million increase in consolidated net sales in the first quarter of 2012 as compared to the first quarter of 2011 was the result of higher net sales across all businesses.

Net sales for the metal container business increased \$54.4 million, or 13.9 percent, in the first quarter of 2012 as compared to the same period in 2011. This increase was primarily attributable to the inclusion of a full quarter of net sales from the VN and the Nestlé Purina PetCare steel can operations acquired in 2011 and higher average selling prices as a result of the pass through of higher raw material costs, partially offset by the impact of unfavorable foreign currency translation of \$1.3 million.

Net sales for the closures business increased \$3.0 million, or 1.9 percent, in the first quarter of 2012 as compared to the same period in 2011. This increase was primarily the result of higher unit volumes and an increase in average selling prices due to the pass through of higher raw material costs, partially offset by the impact of unfavorable foreign currency translation of \$2.9 million.

Net sales for the plastic container business in the first quarter of 2012 increased \$7.9 million, or 5.2 percent, as compared to the same period in 2011. This increase was primarily due to higher average selling prices as a result of the pass through of higher resin costs.

**Gross Profit.** Gross profit margin increased 0.3 percentage points to 14.8 percent in the first quarter of 2012 as compared to the same period in 2011 for the reasons discussed below in “Income from Operations.”

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses as a percentage of consolidated net sales decreased 0.8 percentage points to 5.8 percent for the first quarter of 2012 as compared to 6.6 percent for the same period in 2011. Selling, general and administrative expenses decreased \$1.9 million to \$44.7 million for the first quarter of 2012 as compared to \$46.6 million for the same period in 2011. These decreases were primarily due to lower expenses associated with corporate development activities and the benefits from cost reduction initiatives, partially offset by higher costs from the inclusion of a full quarter of expenses from operations acquired in 2011.

**Income from Operations.** Income from operations for the first quarter of 2012 increased by \$12.2 million as compared to the first quarter of 2011, and operating margin increased to 8.6 percent from 7.6 percent over the same periods.

Income from operations of the metal container business for the first quarter of 2012 increased \$3.6 million, or 9.4 percent, as compared to the same period in 2011, while operating margin decreased to 9.4 percent from 9.8 percent over the same periods. The increase in income from operations was primarily the result of the impact from acquisitions completed in 2011 and continued improvement in manufacturing efficiencies, partially offset by an increase in depreciation expense.

Income from operations of the closures business for the first quarter of 2012 increased \$2.2 million, or 13.9 percent, as compared to the same period in 2011, and operating margin increased to 11.0 percent from 9.9 percent over the same periods. These increases were primarily attributable to higher unit volumes, continued improvement in manufacturing efficiencies and operating cost savings, partially offset by an increase in rationalization charges. Rationalization charges were \$2.1 million in the first quarter of 2012, primarily as a result of the recently announced headcount reductions in European manufacturing facilities and the corporate office in the U.S. Rationalization charges of \$1.1 million were recognized in the first quarter of 2011.

Income from operations of the plastic container business for the first quarter of 2012 increased \$2.6 million, or 41.3 percent as compared to the same period in 2011, and operating margin increased to 5.5 percent from 4.1 percent over the same periods. These increases were primarily attributable to the favorable comparison of the year-over-year resin pass through lag effect which benefited the first quarter of 2012, the benefits from cost reduction initiatives and slightly better operating performance. Rationalization charges were \$1.5 million in the first quarter of 2012, primarily as a result of the recently announced shut down of the Breinigsville (Allentown), Pennsylvania manufacturing facility. Rationalization charges were \$0.6 million in the first quarter of 2011.

**Interest and Other Debt Expense.** Interest and other debt expense for the first quarter of 2012 increased \$1.7 million to \$15.6 million as compared to the same period in 2011. This increase was primarily due to higher average outstanding borrowings principally as a result of the incurrence of Euro borrowings to fund the VN acquisition in March 2011, the refinancing of our senior secured credit facility in July 2011 and the recent issuance of the 5% Notes, partially offset by lower average interest rates.

**Provision for Income Taxes.** The effective tax rate for the first quarter of 2012 was 34.7 percent as compared to 34.2 percent in the same period of 2011.

## 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 March 23, 2012, we issued \$500 million aggregate principal amount of our 5% Notes at 100 percent of their principal amount. Interest on the 5% Notes is payable semi-annually in cash on April 1 and October 1 of each year, and the 5% Notes mature on April 1, 2020. Proceeds from the issuance of the 5% Notes were used to redeem all of the outstanding \$250 million aggregate principal amount of our 7¼% Notes in April 2012, to pay the applicable premium for such redemption, to pay related fees and expenses, and for general corporate purposes. As a result of this redemption, we will incur a \$38.7 million loss on early extinguishment of debt for the premium paid in connection

with this redemption and the write-off of unamortized debt issuance costs and discount in the second quarter of 2012.

- 23 -

---

You should also read Note 5 to our Condensed Consolidated Financial Statements for the three months ended March 31, 2012 included elsewhere in this Quarterly Report.

For the three months ended March 31, 2012, we used proceeds from the issuance of long-term debt of \$526.6 million to fund cash used in operations of \$105.5 million (including contributions of \$30.0 million to our domestic pension benefit plans), decreases in outstanding checks of \$63.2 million, deferred payments of purchase price for acquisitions of \$51.0 million, net capital expenditures of \$26.2 million, debt issuance costs of \$9.6 million related to the 5% Notes, dividends paid on our common stock of \$8.5 million, net payments of revolving loans of \$5.9 million, repurchases of our common stock of \$5.0 million and net payments for stock-based compensation issuances of \$0.3 million and to increase cash and cash equivalents by \$251.4 million.

For the three months ended March 31, 2011, we used net borrowings of long-term debt and revolving loans of \$429.2 million and cash and cash equivalents of \$39.4 million to fund the acquisitions of VN and the twist-off metal closures operations of DGS S.A. in Poland for \$264.4 million, cash used in operations of \$58.9 million, decreases in outstanding checks of \$101.1 million, net capital expenditures of \$33.3 million, net payments for stock-based compensation issuances of \$3.1 million and dividends paid on our common stock of \$7.8 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 seasonal working capital requirements have peaked at approximately \$300 million, which were funded through a combination of revolving loans under our senior secured credit facility and cash on hand. We may use the available portion of revolving loans, after taking into account our seasonal needs and outstanding letters of credit, for other general corporate purposes including acquisitions, dividends, stock repurchases and to refinance or repurchase other debt.

At March 31, 2012, we had no revolving loans outstanding under the Credit Agreement. After taking into account outstanding letters of credit, the available portion of revolving loans under the Credit Agreement at March 31, 2012 was \$770.7 million.

On May 10, 2012, our Board of Directors declared a quarterly cash dividend on our common stock of \$0.12 per share, payable on June 15, 2012 to holders of record of our common stock on June 1, 2012. The cash payment related to this dividend is expected to be \$8.5 million.

We believe that cash generated from operations and funds from borrowings available under the Credit Agreement will be sufficient to meet our expected operating needs, planned capital expenditures, debt service, tax obligations, pension benefit plan contributions, share repurchases 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 2012 with all of these covenants.

## Rationalization Charges

In the first quarter of 2012, we announced a plan to exit our Breinigsville (Allentown), PA plastic container manufacturing facility. Our plan included the termination of approximately 32 employees and other related plant exit costs. The total costs for the rationalization of this facility of \$2.8 million consist of \$0.3 million for employee severance and benefits, \$1.9 million for plant exit costs and \$0.6 million for the non-cash write-down in carrying value of assets. Through March 31, 2012, we recognized a total of \$1.0 million of costs, which consisted of \$0.2 million of employee severance and benefits, \$0.6 million for plant exit costs and \$0.2 million for the non-cash write-down in carrying value of assets. Remaining expenses and cash expenditures of \$1.8 million and \$2.2 million, respectively, are expected primarily in 2012.

In the first quarter of 2012, we announced plans to reduce costs in the U.S. corporate office and European manufacturing facilities of our closures business through the termination of approximately 49 employees, with total estimated costs of \$3.8 million for employee severance and benefits. Through March 31, 2012, we recognized a total of \$2.1 million of costs and made cash payments of \$0.3 million. Remaining expenses and cash expenditures of \$1.7 million and \$3.5 million, respectively, are expected primarily in 2012.

Under our rationalization plans, we made cash payments of \$2.7 million and \$2.5 million for the three months ended March 31, 2012 and 2011, respectively. Total future cash spending of \$14.8 million is expected for our outstanding rationalization plans in the current year and thereafter.

You should also read Note 3 to our Condensed Consolidated Financial Statements for the three months ended March 31, 2012 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 metal container and 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, 2011. Since such filing, other than the changes discussed in Note 5 to our Condensed Consolidated Financial Statements for the three months ended March 31, 2012 included elsewhere in this Quarterly Report, 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 months ended March 31, 2012 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. We are currently in the process of integrating the internal controls and procedures of VN into our internal controls over financial reporting. As provided under the Sarbanes-Oxley Act of 2002 and the applicable rules and regulations of the Securities and Exchange Commission, we will include the internal controls and procedures of VN in our annual assessment of the effectiveness of our internal control over financial reporting for our 2012 fiscal year.

## Part II. Other Information

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## (c) Purchases of Equity Securities By the Issuer and Affiliated Purchasers

The following table provides information about shares of our common stock that we repurchased during the first quarter of 2012 pursuant to the authorization of our Board of Directors to repurchase up to \$300 million of our common stock, inclusive of prior authorizations, from time to time through and including December 31, 2014:

## ISSUER PURCHASES OF EQUITY SECURITIES (i)

|                     | (a)                        | (b)                  | (c)   | (d)  |
|---------------------|----------------------------|----------------------|---|--|
|                     | Total                      | Average              | Total Number of Shares Purchased                | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) |
|                     | Number of Shares Purchased | Price Paid per Share | as Part of Publicly Announced Plans or Programs |  |
| January 1-31, 2012  | -                          | -                    | -   | \$284.2  |
| February 1-29, 2012 | -                          | -                    | -   | \$284.2  |
| March 1-31, 2012    | 114,199                    | \$43.92              | 114,199   | \$279.2  |
| <b>Total</b>        | <b>114,199</b>             | <b>\$43.92</b>       | <b>114,199</b>                                  | <b>\$279.2</b>   |

(i) On August 5, 2011, our Board of Directors authorized the repurchase of up to \$300 million of our common stock, inclusive of prior authorizations, from time to time through and including December 31, 2014.

Item 6. Exhibits

| Exhibit Number | Description   |
|----------------|---|
| 12             | Ratio of Earnings to Fixed Charges for the three months ended March 31, 2012 and 2011.          |
| 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: May 10, 2012

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

- 29 -

---

EXHIBIT INDEX

EXHIBIT

EXHIBIT NO.

|          |   |
|----------|---|
| 12       | Ratio of Earnings to Fixed Charges for the three months ended March 31, 2012 and 2011.          |
| 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.