SILGAN HOLDINGS INC
Form 10-Q
November 09, 2009

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

FORM 10-Q

(Mark One)
[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

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	06-1269834
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4 Landmark Square Stamford, Connecticut	06901
(Address of principal executive offices)	(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 [X] 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 [ ]

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[ ]   Smaller reporting company[ ]
(Do not check if a 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 October 30, 2009, the number of shares outstanding of the Registrant's common stock, $0.01 par value, was 38,229,426.

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)

	Sept. 30, 2009 (unaudited)	Sept. 30, 2008 (unaudited)
Assets		
Current assets		
Cash and cash equivalents	$ 66,727	$ 290,377
Trade accounts receivable, net	517,124	487,344
Inventories	372,995	399,466
Prepaid expenses and other current assets	23,963	28,417
Total current assets	980,809	1,205,604
Property, plant and equipment, net	889,610	936,371
Goodwill	304,585	302,282
Other intangible assets, net	56,530	59,981
Other assets, net	57,765	67,937
	$2,289,299	$2,572,175
Liabilities and Stockholders' Equity		
Current liabilities		
Revolving loans and current portion of long-term debt	$ 56,529	$ 436,546
Trade accounts payable	207,373	252,570
Accrued payroll and related costs	76,251	75,983
Accrued liabilities	96,336	68,540
Total current liabilities	436,489	833,639
Long-term debt	868,328	866,544
Other liabilities	328,449	279,388
Stockholders' equity		

Common stock	434	432
Paid-in capital	169,839	160,264
Retained earnings	610,594	479,889
Accumulated other comprehensive (loss) income	(64,386)	12,276
Treasury stock	(60,448)	(60,257)
Total stockholders' equity	656,033	592,604
	$2,289,299	$2,572,175

See accompanying notes.

SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the three months ended September 30, 2009 and 2008
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

	2009	2008
Net sales	$1,016,537	$964,299
Cost of goods sold	849,942	822,984
Gross profit	166,595	141,315
Selling, general and administrative expenses	38,612	39,270
Rationalization charges	113	2,408
Income from operations	127,870	99,637
Interest and other debt expense	13,724	15,100
Income before income taxes	114,146	84,537
Provision for income taxes	40,643	31,730
Net income	$ 73,503	$ 52,807
Earnings per share:		
Basic net income per share	$1.92	$1.39
Diluted net income per share	$1.91	$1.38
Dividends per share	$0.19	$0.17
Weighted average number of shares:		

Basic	38,202	37,932
Effect of dilutive securities	302	389
Diluted	38,504	38,321

See accompanying notes.

SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the nine months ended September 30, 2009 and 2008
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

	2009	2008
Net sales	$2,361,475	$2,379,413
Cost of goods sold	1,993,539	2,040,005
Gross profit	367,936	339,408
Selling, general and administrative expenses	119,952	115,185
Rationalization charges	1,491	9,801
Income from operations	246,493	214,422
Interest and other debt expense before loss on early extinguishment of debt	36,389	46,215
Loss on early extinguishment of debt	661	--
Interest and other debt expense	37,050	46,215
Income before income taxes	209,443	168,207
Provision for income taxes	74,578	60,934
Net income	$ 134,865	$ 107,273
Earnings per share:		
Basic net income per share	$3.54	$2.83
Diluted net income per share	$3.51	$2.80
Dividends per share	$0.57	$0.51
Weighted average number of shares:		
Basic	38,146	37,853
Effect of dilutive securities	310	414

Diluted	38,456	38,267

See accompanying notes.

SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2009 and 2008
(Dollars in thousands)
(Unaudited)

	2009	2008
Cash flows provided by (used in) operating activities		
Net income	$ 134,865	$ 107,273
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	109,577	108,330
Rationalization charges	1,491	9,801
Loss on early extinguishment of debt	661	--
Excess tax benefit from stock-based compensation	(1,970)	(2,737)
Other changes that provided (used) cash, net of effects from acquisitions:		
Trade accounts receivable, net	(247,207)	(269,393)
Inventories	6,604	15,810
Trade accounts payable	(40,620)	70,103
Accrued liabilities	52,375	25,192
Other, net	2,942	13,614
Net cash provided by operating activities	18,718	77,993
Cash flows provided by (used in) investing activities		
Purchase of businesses, net of cash acquired	--	(14,542)
Capital expenditures	(72,105)	(87,655)
Proceeds from asset sales	2,877	1,088
Net cash used in investing activities	(69,228)	(101,109)
Cash flows provided by (used in) financing activities		
Borrowings under revolving loans	302,734	703,536
Repayments under revolving loans	(277,555)	(384,114)
Proceeds from issuance of long-term debt	243,200	7,984
Repayments of long-term debt	(237,924)	(3,000)
Debt issuance costs	(5,345)	--
Changes in outstanding checks - principally vendors	(51,790)	(91,557)
Dividends paid on common stock	(22,003)	(19,492)
Proceeds from stock option exercises	1,969	2,236
Excess tax benefit from stock-based compensation	1,970	2,737

Repurchase of treasury shares	(1,025)	(778)
Net cash (used in) provided by financing activities	(45,769)	217,552
Cash and cash equivalents		
Net (decrease) increase	(96,279)	194,436
Balance at beginning of year	163,006	95,941
Balance at end of period	$ 66,727	$ 290,377
Interest paid, net	$ 30,215	$ 42,646
Income taxes paid, net	42,039	27,036

See accompanying notes.

SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the nine months ended September 30, 2009 and 2008
(Dollars and shares in thousands)
(Unaudited)

	Common Stock Shares Outstanding	Common Stock Par Value	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Tr
Balance at December 31, 2007	37,740	$430	$152,629	$392,108	$ 15,064	$(
Comprehensive income:						
Net income	--	--	--	107,273	--	
Changes in net prior service credit and actuarial losses, net of tax provision of $15	--	--	--	--	21	
Change in fair value of derivatives, net of tax provision of $30	--	--	--	--	42	
Foreign currency translation, net of tax provision of $3,507	--	--	--	--	(2,851)	
Comprehensive income						
Dividends declared on common stock	--	--	--	(19,492)	--	

Stock compensation expense	--	--	2,772	--	--	
Stock option exercises, including tax benefit of $3,021	188	2	5,255	--	--	
Net issuance of treasury stock for vested restricted stock units, including tax benefit of $277	35	--	(392)	--	--	
Balance at September 30, 2008	37,963	$432	$160,264	$479,889	$ 12,276	$(
Balance at December 31, 2008	38,026	$433	$162,568	$497,732	$(75,861)	$(
Comprehensive income:						
Net income	--	--	--	134,865	--	
Changes in net prior service credit and actuarial losses, net of tax provision of $2,758	--	--	--	--	4,191	
Change in fair value of derivatives, net of tax benefit of $1,841	--	--	--	--	(2,401)	
Foreign currency translation, net of tax benefit of $113	--	--	--	--	9,685	
Comprehensive income						
Dividends declared on common stock	--	--	--	(22,003)	--	
Stock compensation expense	--	--	3,680	--	--	
Stock option exercises, including tax benefit of $2,233	142	1	4,201	--	--	
Net issuance of treasury stock for vested restricted stock units, including tax benefit of $261	45	--	(610)	--	--	
Balance at September 30, 2009	38,213	$434	$169,839	$610,594	$(64,386)	$(

See accompanying notes.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the three and nine 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.

We have evaluated events subsequent to September 30, 2009 for recognition through November 9, 2009, the issuance date of the accompanying condensed consolidated financial statements.

The Condensed Consolidated Balance Sheet at December 31, 2008 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, 2008.

Goodwill and Other Intangible Assets. We review goodwill and other indefinite-lived intangible assets for impairment as of July 1 each year and more frequently if circumstances indicate a possible impairment. We determined that our goodwill and other indefinite-lived intangible assets were not impaired in our annual 2009 assessment performed during the third quarter.

Recently Adopted Accounting Pronouncements. In June 2009, the Financial Accounting Standards Board, or FASB, confirmed that the FASB Accounting Standards Codification, or the Codification, was the single official source of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. The Codification, which changed the referencing of financial accounting standards and superseded authoritative guidance, was effective for interim and annual financial periods ending after September 15, 2009. The Codification was not intended to change existing GAAP. We have conformed our financial statements and related notes to the Codification beginning with this Quarterly Report.

In September 2006, the FASB issued a standard that establishes a single authoritative definition for fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. As of January 1, 2009, we completed the adoption of this standard which did not have a significant effect on our financial position, results of operations or cash flows. See Note 6 for further information.

Note 1. Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements. (continued)

In December 2007, the FASB issued a standard on business combinations which retains the fundamental requirements in existing GAAP that the purchase method of accounting be used for all business combinations and an acquirer be identified for each business combination. This standard establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed and any non-controlling interest at their fair values at the acquisition date. This standard also requires that acquisition-related costs be recognized separately from the acquisition. This standard applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. In addition, this standard requires that any changes in an acquired deferred tax account or related valuation allowance that occur after January 1, 2009 will be recognized as adjustments to income tax expense. The initial adoption of this standard did not have an effect on our financial position, results of operations or cash flows. However, our unrecognized tax benefit positions will impact our effective tax rate if recognition of such positions is required in future periods.

In March 2008, the FASB issued a standard which requires companies with derivative instruments to disclose information that should enable readers of financial statements to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under existing GAAP and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. This standard was effective for us on January 1, 2009, and the adoption of it did not have an effect on our financial position, results of operations or cash flows. See Note 6 for additional disclosures required under this standard.

In April 2009, the FASB issued a standard which requires disclosures about the fair value of financial instruments for interim reporting periods. This standard was effective for us beginning with our quarter ending June 30, 2009, and the adoption of it did not have an effect on our financial position, results of operations or cash flows. See Note 6 for additional disclosures required under this standard.

Recently Issued Accounting Pronouncement. In December 2008, the FASB issued a standard which requires enhanced disclosures about plan assets in an employer's defined benefit pension and other postretirement plans. These disclosures are intended to provide users of financial statements with a greater understanding of how investment allocation decisions are made, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets and significant concentrations of risk within plan assets. This standard will apply to our plan asset disclosures for the fiscal year ending December 31, 2009. We are currently evaluating the disclosure implications of this standard, however the adoption of it will not have an effect on our financial position, results of operations or cash flows.

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, 2008 is summarized as follows:

	Employee Severance and Benefits	Plant Exit Costs	Total
	(Dollars in thousands)		
Balance at December 31, 2008			
2001 Fairfield Rationalization Plan	$ --	$ 168	$ 168
2006 Rationalization Plans	3,661	--	3,661
2008 Rationalization Plans	949	875	1,824
Balance at December 31, 2008	4,610	1,043	5,653
Activity for the Nine Months Ended September 30, 2009			
2001 Fairfield Rationalization Plan Reserves Established	--	62	62
2001 Fairfield Rationalization Plan Reserves Utilized	--	(155)	(155
2006 Rationalization Plan Reserves Utilized	(171)	--	(171
2008 Rationalization Plan Reserves Established	42	145	187
2008 Rationalization Plan Reserves Utilized	(771)	(460)	(1,231
2009 Rationalization Plan Reserves Established	1,242	--	1,242
2009 Rationalization Plan Reserves Utilized	(353)	--	(353
Total Activity	(11)	(408)	(419
Balance at September 30, 2009			
2001 Fairfield Rationalization Plan	--	75	75
2006 Rationalization Plans	3,490	--	3,490
2008 Rationalization Plans	220	560	780
2009 Rationalization Plan	889	--	889
Balance at September 30, 2009	$4,599	$ 635	$ 5,234

2009 Rationalization Plan

In March 2009, we approved a plan to reduce costs at our Hannover, Germany closures manufacturing facility, which plan included the termination of 14 employees. Total estimated charges related to this plan of $1.3 million for employee severance and benefit costs were recognized through September 2009. Cash payments of $0.4 million were paid as of September 30, 2009. Cash payments of $0.9 million are expected to be paid through the first quarter of 2010.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the three and nine months then ended is unaudited)

Note 2. Rationalization Charges (continued)

2008 Rationalization Plans

In 2008, as part of our ongoing effort to streamline operations and reduce costs, we approved plans to close our metal food container manufacturing facility in Tarrant, Alabama, our plastic container manufacturing facility in Richmond, Virginia and our closures manufacturing facility in Turkey and to consolidate various administrative positions within our European closures operations. Through December 31, 2008, we recognized an aggregate $10.7 million of rationalization costs under these plans and terminated 200 employees. As of December 31, 2008, these plans were substantially completed. During the nine months ended September 30, 2009, we recognized $0.2 million of rationalization costs and made cash payments of $1.2 million related to these plans. We have ceased operations at these three facilities and expect to sell the owned facilities for proceeds at or in excess of their respective net book values. We expect to recognize additional charges under these plans of $0.2 million during 2009. Remaining aggregate cash payments of $1.0 million are expected during the remainder of 2009.

2006 Rationalization Plans

In 2006, we announced plans to exit our St. Paul, Minnesota and Stockton, California metal food container manufacturing facilities. These plans have been fully implemented and substantially all costs have been recognized. We have ceased operations at these facilities. We expect to sell both buildings for estimated proceeds at or in excess of their net book value. Remaining cash payments of $3.5 million are expected in 2009 and thereafter.

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

	Sept. 30, 2009	Sept. 30, 2008	Dec. 31, 2008
	(Dollars in thousands)		
Accrued liabilities	$2,357	$2,826	$2,671
Other liabilities	2,877	3,165	2,982
	$5,234	$5,991	$5,653

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the
three and nine months then ended is unaudited)

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:

	Sept. 30, 2009	Sept. 30, 2008	D
	(Dollars in thousands)		
Foreign currency translation	$ 21,881	$ 29,765	$
Change in fair value of derivatives	(9,561)	1,881	
Unrecognized net periodic pension and other postretirement benefit costs:			
Net prior service credit	6,699	4,147	
Net actuarial loss	(83,405)	(23,517)	
Accumulated other comprehensive (loss) income	$(64,386)	$ 12,276	$

Note 4. Inventories

Inventories consisted of the following:

	Sept. 30, 2009	Sept. 30, 2008	D
	(Dollars in thousands)		
Raw materials	$ 85,715	$ 87,717	$
Work-in-process	76,450	72,058	
Finished goods	254,094	278,577	
Spare parts and other	15,900	15,535	
	432,159	453,887	
Adjustment to value domestic inventory at cost on the LIFO method	(59,164)	(54,421)	
	$372,995	$399,466	$

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the

three and nine months then ended is unaudited)

Note 5. Long-Term Debt

Long-term debt consisted of the following:

	Sept. 30, 2009	Sept. 30, 2008	Dec. 3 2008
	(Dollars in thousands)		
Bank debt			
Bank revolving loans	$ 27,000	$ 315,149	$ --
Bank A term loans	121,765	345,000	284,1
Bank B term loans	40,621	41,477	41,0
Canadian term loans	76,648	86,112	72,1
Euro term loans	185,828	286,020	256,8
Other foreign bank revolving and term loans	29,529	29,332	30,7
Total bank debt	481,391	1,103,090	684,9
7 1/4% Senior Notes, net of unamortized discount	243,466	--	--
6 3/4% Senior Subordinated Notes	200,000	200,000	200,0
Total other debt	443,466	200,000	200,0
Total debt	924,857	1,303,090	884,9
Less current portion	56,529	436,546	158,8
	$868,328	$ 866,544	$726,0

The aggregate annual principal maturities of our term loans under our senior secured credit facility, or the Credit Agreement, 7 1/4% Senior Notes and 6 3/4% Senior Subordinated Notes are as follows (dollars in thousands, non-U.S. dollar debt has been translated into U.S. dollars at exchange rates in effect at the balance sheet date):

2010	$ 14,598
2011	218,081
2012	192,183
2013	200,000
Thereafter	250,000
	$874,862

At September 30, 2009, amounts expected to be repaid within one year consisted of $27.0 million of bank revolving loans related primarily to seasonal working capital needs and $29.5 million of foreign bank revolving and term loans.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the three and nine months then ended is unaudited)

Note 5. Long-Term Debt (continued)

7 1/4% Senior Notes

On May 12, 2009, we issued $250 million aggregate principal amount of 7 1/4% Senior Notes, or the 7 1/4% Notes. The issue price for the 7 1/4% Notes was 97.28 percent of their principal amount. The 7 1/4% 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. The 7 1/4% 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 7 1/4% Notes is payable semi-annually in cash on August 15 and February 15 of each year and the 7 1/4% Notes mature on August 15, 2016. Net proceeds from the issuance of the 7 1/4% Notes of $237.9 million were used to prepay all of the 2009 term loan installment payments and substantially all of the 2010 term loan installment payments due under the Credit Agreement. As a result of these term loan prepayments, we incurred a $0.7 million loss on early extinguishment of debt for the write off of debt issuance costs.

The 7 1/4% Notes are redeemable, at the option of Silgan, in whole or in part, at any time after August 15, 2013 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 August 15, of the years set forth below:

Year	Redemption Price
2013	103.625%
2014	101.813%
2015 and thereafter	100.000%

In addition, prior to August 15, 2012, we may redeem up to 35 percent of the aggregate principal amount of the 7 1/4% Notes from the proceeds of certain equity offerings. We may also redeem the 7 1/4% Notes, in whole or in part, at a redemption price equal to 100 percent of their principal amount plus a make-whole premium as provided in the indenture for the 7 1/4% Notes.

Upon the occurrence of a change of control, as defined in the indenture for the 7 1/4% Notes, Silgan is required to make an offer to purchase the 7 1/4% Notes at a purchase price equal to 101 percent of their principal amount, plus accrued interest to the date of purchase.

The indenture for the 7 1/4% Notes contains covenants which are generally less restrictive than those under the Credit Agreement.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the three and nine months then ended is unaudited)

Note 6. Financial Instruments

The financial instruments recorded in our Condensed Consolidated Balance Sheets include cash and cash equivalents (primarily invested in U.S. Treasury instruments), trade accounts receivable, trade accounts payable, debt obligations and swap agreements. Due to their short-term maturity, the carrying amounts of cash and cash equivalents, 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 September 30, 2009:

	Carrying Amount	Fair Value
	(Dollars in thousands)	
Bank debt	$481,391	$481,391
7 1/4% Notes	243,466	251,875
6 3/4% Senior Subordinated Notes	200,000	199,500
Interest rate swap agreements	15,838	15,838
Natural gas swap agreements	503	503

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 September 30, 2009 consist of our interest rate and natural gas swap agreements. We measured the fair value of these 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.

Financial Instruments Not Measured at Fair Value

Our bank debt, 7 1/4% Notes and 6 3/4% Senior Subordinated Notes are recorded at historical amounts in our Condensed Consolidated Balance Sheets as we have not elected to measure them at fair value. The carrying amounts of our variable rate bank debt approximate their fair values. Fair values of our 7 1/4% Notes and 6

3/4% Senior Subordinated Notes are estimated based on quoted market prices.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the
three and nine months then ended is unaudited)

Note 6. Financial Instruments (continued)

Derivative Instruments and Hedging Activities

Effective January 1, 2009, we adopted the standard which requires expanded disclosure about our derivative instruments and hedging activities. We account for derivative financial instruments under GAAP which requires all derivatives to be 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 nine months of 2009, our hedges were fully effective. The fair value of our outstanding swap agreements in effect at September 30, 2009 was recorded in our Condensed Consolidated Balance Sheet as a liability of $16.3 million, of which $9.2 million was included in accrued liabilities and $7.1 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 nine months ended September 30, 2009 was a loss of $4.3 million, net of income taxes. We estimate that we will reclassify losses of $5.0 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 September 30, 2009 and 2008 and for the three and nine months then ended is unaudited)

Note 6. Financial Instruments (continued)

Interest Rate Swap Agreements

We have entered into U.S. dollar, Euro and Canadian dollar interest rate swap agreements to manage a portion of our exposure to interest rate fluctuations. At September 30, 2009, the aggregate notional principal amount of our outstanding interest rate swap agreements was $281.1 million (non-U.S. dollar agreements have been translated into U.S. dollars at exchange rates in effect at the balance sheet date). In connection with the prepayment of certain installments of Euro term loans as discussed in Note 5, we settled (euro)10 million of notional principal amount of outstanding Euribor interest rate swap agreements.

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 nine months ended September 30, 2009, net payments under our interest rate swap agreements were $5.4 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 September 30, 2009, the aggregate notional principal amount of our natural gas swap agreements was 672,100 MMBtu of natural gas with fixed prices ranging from $4.340 to $8.115 per MMBtu, which hedges approximately 26 percent of our estimated twelve month exposure to fluctuations in natural gas prices. For the nine months ended September 30, 2009, net payments under our natural gas swap agreements were $2.1 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 our 2006 acquisitions of the White Cap closures operations and Cousins-Currie Limited with term loans borrowed under our Credit Agreement denominated in Euros and Canadian dollars, respectively. 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 losses recognized as net investment hedges included in accumulated other comprehensive (loss) income for the nine months ended September 30, 2009 were $0.3 million, net of a deferred tax benefit of $0.1 million.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the
three and nine months then ended is unaudited)

Note 7. Retirement Benefits

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 3 2008
	(Dollars in thousands)			
Service cost	$ 3,734	$ 2,665	$ 10,420	$ 9,45
Interest cost	6,739	6,758	20,712	20,32
Expected return on plan assets	(6,272)	(7,873)	(18,918)	(23,04
Amortization of prior service cost	577	604	1,684	1,72
Amortization of actuarial losses	2,289	155	7,052	31
Curtailment expense	--	83	--	8
Net periodic benefit cost	$ 7,067	$ 2,392	$ 20,950	$ 8,84

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 3 2008
	(Dollars in thousands)			
Service cost	$ 181	$ 170	$ 586	$ 63
Interest cost	656	797	2,188	2,44
Amortization of prior service credit	(644)	(659)	(1,923)	(1,80
Amortization of actuarial (gains) losses	(30)	70	136	21
Curtailment gain	--	(455)	--	(45
Net periodic benefit cost (credit)	$ 163	$ (77)	$ 987	$ 1,02

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, 2008, there are no material minimum required contributions to our pension plans in 2009. Based on our current funded status, we made voluntary contributions of $23.4 million to our pension benefit plans in 2009. To the extent they are tax deductible, we may make additional voluntary contributions to our pension benefit plans during the remainder of 2009.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the three and nine months then ended is unaudited)

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.

Note 9. Dividends

In each of March, June and September of 2009, we paid quarterly cash dividends on our common stock of $0.19 per share, as approved by our Board of Directors. The cash payments related to these dividends totaled $22.0 million.

Note 10. Treasury Stock

During the first nine months of 2009, we issued 65,700 treasury shares which had an average cost of $13.25 per share for restricted stock units that vested during the period. In accordance with the Silgan Holdings Inc. 2004 Stock Incentive Plan, we repurchased 20,827 shares of our common stock at an average cost of $49.18 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 September 30, 2009, 5,218,122 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 nine months of 2009, 133,200 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 $6.5 million, which is being amortized ratably over the five-year vesting period from the grant date. In addition, in the third quarter of 2009, 125,000 restricted stock units were granted to certain of our officers that are subject to forfeiture unless certain performance criteria for the year ended December 31, 2010 is achieved. These restricted stock units vest at the conclusion of the five-year period from the grant date. The fair value of these restricted stock units at the grant date was $6.3 million, which is being amortized ratably over the five-year vesting period from the grant date.

In May 2009, we granted 6,702 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.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the three and nine months then ended is unaudited)

Note 11. Stock-Based Compensation (continued)

At our annual meeting of stockholders held on May 26, 2009, our stockholders approved the Second Amendment to the Silgan Holdings Inc. 2004 Stock Incentive Plan, as amended, or the 2004 Stock Incentive Plan, which, among other things, increased the number of shares of our Common Stock available for awards under the 2004 Stock Incentive Plan by an additional 1,500,000 shares. The total number of shares available for issuance under the 2004 Stock Incentive Plan as of September 30, 2009 was 1,739,016.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2009 and 2008 and for the three and nine months then ended is unaudited)

Note 12. Business Segment Information

Reportable business segment information for the three and nine months ended September 30 is as follows:

	Metal Food Containers	Closures	Plastic Containers	Corporate
	(Dollars in thousands)			

Three Months Ended September 30, 2009				
Net sales	$ 716,527	$166,349	$133,661	$ --
Depreciation and amortization(1)	16,680	7,046	11,634	422
Rationalization charges	--	15	98	--
Segment income from operations	104,193	24,247	2,633	(3,203)
Three Months Ended September 30, 2008				
Net sales	$ 617,369	$184,329	$162,601	$ --
Depreciation and amortization(2)	16,569	7,954	11,586	420
Rationalization (credit) charges	(507)	2,821	94	--
Segment income from operations	76,639	17,110	9,066	(3,178)
Nine Months Ended September 30, 2009				
Net sales	$1,493,499	$463,275	$404,701	$ --
Depreciation and amortization(1)	51,335	21,005	34,554	1,263
Rationalization charges	--	1,341	150	--
Segment income from operations	172,619	60,794	22,994	(9,914)
Nine Months Ended September 30, 2008				
Net sales	$1,346,062	$531,701	$501,650	$ --
Depreciation and amortization(2)	48,599	23,044	34,400	1,263
Rationalization charges	2,783	6,090	928	--
Segment income from operations	134,811	53,388	35,244	(9,021)

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(1) Depreciation and amortization excludes amortization of debt discount and issuance costs of $0.6 million and $1.4 million for the three and nine months ended September 30, 2009, respectively.

(2) Depreciation and amortization excludes amortization of debt issuance costs of $0.3 million and $1.0 million for the three and nine months ended September 30, 2008, respectively.

Note 12. Business Segment Information (continued)

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
	(Dollars in thousands)			
Total segment income from operations	$127,870	$99,637	$246,493	$214,422
Interest and other debt expense	13,724	15,100	37,050	46,215
Income before income taxes	$114,146	$84,537	$209,443	$168,207

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.

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, 2008 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.

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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		Nine Mont
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009
Net sales			
Metal food containers	70.5%	64.0%	63.2%
Closures	16.4	19.1	19.7
Plastic containers	13.1	16.9	17.1
Consolidated	100.0	100.0	100.0
Cost of goods sold	83.6	85.3	84.4
Gross profit	16.4	14.7	15.6
Selling, general and administrative expenses	3.8	4.1	5.1
Rationalization charges	--	0.3	0.1
Income from operations	12.6	10.3	10.4
Interest and other debt expense	1.4	1.5	1.5
Income before income taxes	11.2	8.8	8.9
Provision for income taxes	4.0	3.3	3.2
Net income	7.2%	5.5%	5.7%

Summary unaudited results of operations for the three and nine months ended September 30, 2009 and 2008 are provided below.

Three Months Ended Nine Mont

	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009
		(Dollars in millions)	
Net sales			
Metal food containers	$ 716.5	$617.4	$1,493.5
Closures	166.3	184.3	463.3
Plastic containers	133.7	162.6	404.7
Consolidated	$1,016.5	$964.3	$2,361.5
Income from operations			
Metal food containers (1)	$ 104.2	$ 76.6	$ 172.6
Closures (2)	24.3	17.1	60.8
Plastic containers (3)	2.6	9.1	23.0
Corporate	(3.2)	(3.2)	(9.9)
Consolidated	$ 127.9	$ 99.6	$ 246.5

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(1) Includes a rationalization credit of $0.5 million and rationalization charges of $2.8 million for the three and nine months ended September 30, 2008, respectively.

(2) Includes rationalization charges of $2.8 million for the three months ended September 30, 2008 and rationalization charges of $1.3 million and $6.1 million for the nine months ended September 30, 2009 and 2008, respectively.

(3) Includes rationalization charges of $0.1 million for each of the three months ended September 30, 2009 and 2008 and $0.2 million and $0.9 million for the nine months ended September 30, 2009 and 2008, respectively.

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Three Months Ended September 30, 2009 Compared with Three Months Ended September 30, 2008

Overview. Consolidated net sales were $1,016.5 million in the third quarter of 2009, representing a 5.4 percent increase as compared to the third quarter of 2008 primarily as a result of higher average selling prices in the metal food container business due to the pass through of higher raw material and other manufacturing costs and higher unit volumes in the metal food container business, partially offset by lower average selling prices in the plastic container business largely attributable to the pass through of lower resin prices, lower volumes in the plastic container and closures businesses and the impact of unfavorable foreign currency translation. Income from operations for the third quarter of 2009 of $127.9 million increased by $28.3 million, or 28.4 percent, as compared to the same period in 2008 due to higher unit volumes in the metal food container business, effective cost control and manufacturing efficiencies and lower year-over-year rationalization charges, partially offset by the impact from lower unit volumes in the plastic container and closures businesses, increased pension expense and the unfavorable effect from the lagged pass through of recent resin price increases. Results for 2008 included rationalization charges of $2.4 million. Net income for the third quarter of 2009 was $73.5 million, or $1.91 per diluted share, as compared to $52.8 million, or $1.38 per diluted share, for the same period in 2008.

Net Sales. The $52.2 million increase in consolidated net sales in the third quarter of 2009 as compared to the third quarter of 2008 was the result of higher net sales in the metal food container business, partially offset by lower net sales in the plastic container and closures businesses.

Net sales for the metal food container business increased $99.1 million, or 16.1 percent, in the third quarter of 2009 as compared to the same period in 2008. This increase was primarily attributable to higher average selling prices as a result of the pass through of higher raw material and other manufacturing costs and higher unit volumes principally due to the favorable size and timing of the seasonal fruit and vegetable pack.

Net sales for the closures business decreased $18.0 million, or 9.8 percent, in the third quarter of 2009 as compared to the same period in 2008. This decrease was primarily the result of lower unit volumes largely attributable to continued soft demand in the single-serve beverage markets and unfavorable foreign currency translation of approximately $4.5 million.

Net sales for the plastic container business in the third quarter of 2009 decreased $28.9 million, or 17.8 percent, as compared to the same period in 2008. This decrease was principally due to the impact of lower average selling prices as a result of the pass through of lower raw material costs, a decline in unit volumes as demand for certain products showed some sign of recovery but overall volumes continued to lag prior year levels and the impact of unfavorable foreign currency translation of approximately $1.3 million.

Gross Profit. Gross profit margin increased 1.7 percentage points to 16.4 percent in the third quarter of 2009 as compared to the same period in 2008 for the reasons discussed below in "Income from Operations."

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased $0.7 million to $38.6 million for the third quarter of 2009 as compared to $39.3 million for the same period in 2008. Selling, general and administrative expenses as a percentage of consolidated net sales decreased 0.3 percentage points to 3.8 percent for the third quarter of 2009 as compared to 4.1 percent for the same period in 2008.

Income from Operations. Income from operations for the third quarter of 2009 increased by $28.3 million as compared to the third quarter of 2008, and operating margin increased to 12.6 percent from 10.3 percent over the same periods.

Income from operations of the metal food container business for the third quarter of 2009 increased $27.6 million, or 36.0 percent, as compared to the same period in 2008, and operating margin increased to 14.5 percent from 12.4 percent over the same periods. These increases were primarily the result of higher unit volumes, better manufacturing efficiencies and ongoing improvements in cost controls, partially offset by higher pension expense.

Income from operations of the closures business for the third quarter of 2009 increased $7.2 million, or 42.1 percent, as compared to the same period in 2008, and operating margin increased to 14.6 percent from 9.3 percent over the same periods. These increases were primarily attributable to the benefits of ongoing cost reduction initiatives, improved manufacturing efficiencies and lower rationalization charges, partially offset by lower unit volumes. The third quarter of 2008 included rationalization charges of $2.8 million principally related to the shut down of the Turkey manufacturing facility.

Income from operations of the plastic container business for the third quarter of 2009 decreased $6.5 million, or 71.4 percent, as compared to the same period in 2008, and operating margin decreased to 1.9 percent from 5.6 percent over the same periods. These decreases were primarily attributable to lower unit volumes, the unfavorable effect from the lagged pass through of recent resin price increases, manufacturing inefficiencies created by shorter production runs and challenges in meeting certain increased demand with reduced plant personnel and higher pension expense, partially offset by ongoing cost reductions.

Interest and Other Debt Expense. Interest and other debt expense for the third quarter of 2009 decreased $1.4 million to $13.7 million as compared to the same period in 2008. This decrease was primarily due to lower average debt balances outstanding in the third quarter of 2009 as compared to the same period in 2008, partially offset by slightly higher interest rates largely as a result of the issuance of the 7 1/4% Notes in May 2009.

Provision for Income Taxes. The effective tax rate for the third quarter of 2009 was 35.6 percent as compared to 37.5 percent in the same period of 2008. The effective tax rate for the third quarter of 2008 was negatively impacted by a $1.2 million valuation allowance against tax positions in Turkey related to our decision to close the operating facility.

Nine Months Ended September 30, 2009 Compared with Nine Months Ended September 30, 2008

Overview. Consolidated net sales were $2.36 billion in the first nine months of 2009, representing a 0.8 percent decrease as compared to the first nine months of 2008 primarily due to lower unit volumes in the plastic container and closures businesses, lower average selling prices in the plastic container business largely attributable to the pass through of lower resin prices and unfavorable foreign currency translation, partially offset by higher average selling prices in the metal food container business due to the pass through of higher raw material and other manufacturing costs and higher unit volumes in the metal food container business. Income from operations for the first nine months of 2009 increased by $32.1 million, or 15.0 percent, as compared to the same period in 2008 as a result of higher unit volumes in the metal food container business, improved manufacturing efficiencies and ongoing cost controls across all businesses and lower rationalization charges. This increase was partially offset by lower unit volumes in the plastic container and closures businesses, higher pension expense and the impact of management fee income of approximately $2.0 million recognized in the first quarter of 2008 from the pre-acquisition management of the Brazilian White Cap closures operations. The results for the first nine months of 2009 and 2008 included rationalization charges of $1.5 million and $9.8 million, respectively. Net income for the first nine months of 2009 was $134.9 million, or $3.51 per diluted share, as compared to $107.3 million, or $2.80 per diluted share, for the same period in 2008.

Net Sales. The $17.9 million decrease in consolidated net sales in the first nine months of 2009 as compared to the first nine months of 2008 was due to lower net sales in the plastic container and closures businesses, partially offset by higher net sales in the metal food container business.

Net sales for the metal food container business increased $147.4 million, or 11.0 percent, in the first nine months of 2009 as compared to the same period in 2008. This increase was primarily attributable to higher average selling prices due to the pass through of inflation in raw material and other manufacturing costs and higher unit volumes.

Net sales for the closures business in the first nine months of 2009 decreased $68.4 million, or 12.9 percent, as compared to the same period in 2008. This decrease was primarily the result of a decrease in unit volumes largely attributable to softer demand in the single-serve beverage markets as a result of the current economic environment and the customer buy ahead of metal closures in the fourth quarter of 2008 and unfavorable foreign currency translation of approximately $24.0 million.

Net sales for the plastic container business in the first nine months of 2009 decreased $96.9 million, or 19.3 percent, as compared to the same period in 2008. This decrease was primarily due to lower average selling prices as a result of the pass through of lower resin prices, a decline in unit volumes attributable to the ongoing weakness in demand and the impact of unfavorable foreign currency translation of approximately $12.3 million.

Gross Profit. Gross Profit margin increased 1.3 percentage points to 15.6 percent for the first nine months of 2009 as compared to the same period in 2008 for the reasons discussed below in "Income from Operations."

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $4.7 million to $119.9 million for the nine months ended September 30, 2009 as compared to $115.2 million for the same period in 2008. Selling, general and administrative expenses as a percentage of consolidated net sales increased to 5.1 percent for the first nine months of 2009 as compared to 4.9 percent for the same period in 2008. These increases were primarily due to the recognition in the first quarter of 2008 of management fee income of approximately $2.0 million from the management of the Brazilian White Cap closures operations until it was acquired from Amcor Limited in April 2008 and higher pension expense in 2009.

Income from Operations. Income from operations for the first nine months of 2009 increased by $32.1 million, or 15.0 percent, as compared to the first nine months of 2008, and operating margin increased to 10.4 percent from 9.0 percent over the same periods.

Income from operations of the metal food container business for the first nine months of 2009 increased $37.8 million, or 28.0 percent, as compared to the same period in 2008, and operating margin increased to 11.6 percent from 10.0 percent over the same periods. These increases were primarily the result of improved manufacturing efficiencies and ongoing cost controls, higher unit volumes and lower rationalization charges. These increases were partially offset by the impact of higher pension expense and increased depreciation expense. The first nine months of 2008 included total rationalization charges of $2.8 million related to ongoing costs to exit the St. Paul, Minnesota manufacturing facility as well as costs incurred for the shutdown of the Tarrant, Alabama manufacturing facility.

Income from operations of the closures business for the first nine months of 2009 increased $7.4 million, or 13.9 percent, as compared to the same period in 2008, and operating margin increased to 13.1 percent from 10.0 percent over the same periods. These increases were primarily attributable to the benefits of ongoing cost reduction initiatives, improved manufacturing efficiencies and lower rationalization charges, partially offset by lower unit volumes and the year-over-year impact of the management fee income from the Brazilian White Cap closures operation of approximately $2.0 million recognized in the first quarter of 2008. Rationalization charges of $1.3 million were recognized in the first nine months of 2009 for a reduction in workforce at the operating facility in Germany. The first nine months of 2008 included rationalization charges of $6.1 million principally related to the shut down of the Turkey manufacturing facility and the consolidation of various administrative positions in Europe.

Income from operations of the plastic container business for the first nine months of 2009 decreased $12.2 million, or 34.7 percent, as compared to the same period in 2008, and operating margin decreased to 5.7 percent from 7.0 percent over the same periods. These decreases were primarily attributable to lower unit volumes, a less favorable mix of products sold and higher pension expense, partially offset by the net positive effect in 2009 from the lagged pass through of resin price decreases in the first quarter of 2009 in excess of the lagged pass through of resin price increases in the second and third quarters of 2009, ongoing focus on cost reductions and lower rationalization charges. The first nine months of 2008 included rationalization charges of $0.9 million related to the shutdown of the Richmond, Virginia manufacturing facility.

Interest and Other Debt Expense. Interest and other debt expense for the first nine months of 2009 decreased $9.1 million to $37.1 million as compared to the same period in 2008. This decrease resulted primarily from lower outstanding debt balances, partially offset by the impact of slightly higher interest rates largely due to the issuance of the 7 1/4% Notes in May 2009. The net proceeds from this issuance were utilized to prepay all of the 2009 term loan installment payments and substantially all of the 2010 term loan installment payments due under the Credit Agreement. As a result of these prepayments, we incurred a loss on early extinguishment of debt for the write off of debt issuance costs of $0.7 million.

Provision for Income Taxes. The effective tax rate for the first nine months of 2009 was 35.6 percent as compared to 36.2 percent in the same period of 2008. The decrease in the effective tax rate was primarily a result of lower average statutory rates in 2009.

CAPITAL RESOURCES AND LIQUIDITY

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

On May 12, 2009, we issued $250 million aggregate principal amount of the 7 1/4% Notes. The issue price for the 7 1/4% Notes was 97.28 percent of their principal amount. Interest on the 7 1/4% Notes is payable semi-annually in cash on August 15 and February 15 of each year and the 7 1/4% Notes mature on August 15, 2016. Net proceeds from the issuance of the 7 1/4% Notes of $237.9 million were used to prepay all of the 2009 term loan installment payments and substantially all of the 2010 term loan installment payments due under the Credit Agreement. As a result of these term loan prepayments, we incurred a $0.7 million loss on early extinguishment of debt for the write off of debt issuance costs.

For the nine months ended September 30, 2009, we used cash on hand of $96.3 million, cash from operations of $18.7 million, net borrowings of revolving loans of $25.1 million, proceeds from the issuance of the 7 1/4% Notes of $243.2 million and net proceeds from stock-based compensation issuances of $2.9 million to fund the repayment of term loans of $237.9 million, net capital expenditures of $69.2 million, decreases in outstanding checks of $51.8 million, debt issuance costs of $5.3 million and dividends paid on our common stock of $22.0 million.

For the nine months ended September 30, 2008, we used cash from operations of $78.0 million, net borrowings of revolving loans of $319.4 million, other debt borrowings of $8.0 million and net proceeds from stock-based compensation issuances of $4.2 million to fund net capital expenditures of $86.6 million, our acquisitions of the metal vacuum closures operations of Grup Vemsa 1857, S.L. and the White Cap Brazil operations for $14.5 million, net of cash acquired, decreases in outstanding checks of $91.6 million, the repayment of debt of $3.0 million and dividends paid on our common stock of $19.5 million and to increase cash and cash equivalents by $194.4 million. Our cash and cash equivalents balance at September 30, 2008 of $290.4 million reflected our decision to borrow an additional $200.0 million of revolving loans under our Credit Agreement to ensure access to liquidity during a period of uncertainty in the credit markets.

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 Credit Agreement and cash on hand.

At September 30, 2009, we had $27.0 million of 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 at September 30, 2009 was $395.7 million. We may use the available portion of our revolving loan facility, after taking into account our seasonal needs and outstanding letters of credit, for acquisitions or other permitted purposes.

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. With cash and cash equivalents on hand and cash generated from operations, we believe that we will be able to repay all outstanding term loans under the Credit Agreement as they become due and payable. However, there can be no assurance that we will be able to generate enough cash from operations to repay all such outstanding term loans, in which case we will need to refinance any remaining outstanding term loans. Additionally, we also believe that we will be able to replace our revolving loan facilities under the Credit Agreement before they expire with other loan facilities for our seasonal working capital needs.

There can be no assurance that we will be able to effect any such refinancing, and, if we are able to, we may not be able to do so on the same terms (including interest rates) as under the Credit Agreement. Our ability to effect any such transactions and the terms thereof (including interest rates) will depend on a variety of factors, including the condition of the credit markets, which have experienced substantial disruptions to liquidity and credit availability in recent periods; our future performance, which will be subject to prevailing economic conditions and to financial, business and other factors (including the state of the economy and other factors beyond our control) affecting our business and operations; the timing of such transactions; and the amount of debt to be refinanced.

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 2009 with all of these covenants.

Rationalization Charges

In March 2009, we approved a plan to reduce costs at our Hannover, Germany closures manufacturing facility, which plan included the termination of 14 employees. Total estimated charges related to this plan of $1.3 million for employee severance and benefit costs were recognized through September 2009.

In 2008, as part of our ongoing effort to streamline operations and reduce costs, we approved plans to close our metal food container manufacturing facility in Tarrant, Alabama, our plastic container manufacturing facility in Richmond, Virginia and our closures manufacturing facility in Turkey and to consolidate various administrative positions within our European closures operations. Through December 31, 2008, we recognized an aggregate of $10.7 million of rationalization costs under these plans and terminated 200 employees. As of December 31, 2008, these plans were substantially completed. During the nine months ended September 30, 2009, we recognized $0.2 million of rationalization costs and made cash payments of $1.2 million related to these plans. We have ceased operations at these three facilities and expect to sell the owned facilities for proceeds at or in excess of their respective net book values.

Under our rationalization plans, we made cash payments of $1.9 million and $6.4 million for the nine months ended September 30, 2009 and 2008, respectively. Total future cash spending of $5.4 million is expected for our outstanding rationalization plans.

You should also read Note 2 to our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2009 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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In December 2007, the FASB issued a standard on business combinations which retains the fundamental requirements in existing GAAP that the purchase method of accounting be used for all business combinations and an acquirer be identified for each business combination. This standard establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed and any non-controlling interest at their fair values at the acquisition date. This standard also requires that acquisition-related costs be recognized separately from the acquisition. This standard applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. In addition, this standard requires that any changes in an acquired deferred tax account or related valuation allowance that occur after January 1, 2009 will be recognized as adjustments to income tax expense. The initial adoption of this standard did not have an effect on our financial position, results of operations or cash flows. However, our unrecognized tax benefit positions will impact our effective tax rate if recognition of such positions is required in future periods.

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, 2008. Since such filing, other than the issuance of the 7 1/4% Notes and the prepayment of $237.9 million of variable rate term loan installments under our Credit Agreement with the proceeds from such issuance, 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 nine months ended September 30, 2009 included elsewhere in this Quarterly Report.

Item 4. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, as of the end of the period covered by this Quarterly Report our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be disclosed in this Quarterly Report has been made known to them in a timely fashion.

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

Part II. Other Information

Item 1. Legal Proceedings

Refer to our Quarterly Reports on Form 10-Q for the periods ended March 31, 2009 and June 30, 2009.

Item 6. Exhibits

Exhibit Number	Description
12	Ratio of Earnings to Fixed Charges for the three and nine months ended September 30, 2009 and 2008.
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.

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: November 9, 2009

/s/ Robert B. Lewis

Robert B. Lewis
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

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