

SILGAN HOLDINGS INC  
Form 10-Q  
November 09, 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 September 30, 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  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company

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

As of October 31, 2012, the number of shares outstanding of the Registrant’s common stock, \$0.01 par value, was 69,203,967.

---

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 September 30, 2012 and 2011 and December 31, 2011</u>	3
<u>Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2012 and 2011</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011</u>	6
<u>Condensed Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 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>	21
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	31
<u>Item 4. Controls and Procedures</u>	31
<u>Part II. Other Information</u>	32
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	32
<u>Item 5. Other Information</u>	33
<u>Item 6. Exhibits</u>	34
<u>Signatures</u>	35
<u>Exhibit Index</u>	36



Part I. Financial Information  
Item 1. Financial Statements

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

	Sept. 30, 2012 (unaudited)	Sept. 30, 2011 (unaudited)	Dec. 31, 2011
Assets			
Current assets:			
Cash and cash equivalents	\$422,525	\$140,465	\$397,101
Trade accounts receivable, net	597,678	579,515	339,909
Inventories	561,511	580,425	554,148
Prepaid expenses and other current assets	51,628	45,234	42,565
Total current assets	1,633,342	1,345,639	1,333,723
Property, plant and equipment, net	1,092,610	1,071,367	1,064,708
Goodwill	503,240	395,449	389,922
Other intangible assets, net	173,916	99,376	96,442
Other assets, net	138,848	107,753	94,292
	\$3,541,956	\$3,019,584	\$2,979,087
Liabilities and Stockholders' Equity			
Current liabilities:			
Revolving loans and current portion of long-term debt	\$423,274	\$118,155	\$87,776
Trade accounts payable	254,565	278,914	319,339
Accrued payroll and related costs	71,013	64,308	58,429
Accrued liabilities	81,762	160,536	129,945
Total current liabilities	830,614	621,913	595,489
Long-term debt	1,566,427	1,312,795	1,288,483
Other liabilities	408,575	417,365	437,121
Stockholders' equity:			
Common stock	876	874	875
Paid-in capital	202,707	192,049	196,626
Retained earnings	999,603	873,637	902,987
Accumulated other comprehensive loss	(104,780 )	(71,880 )	(115,282 )
Treasury stock	(362,066 )	(327,169 )	(327,212 )
Total stockholders' equity	736,340	667,511	657,994
	\$3,541,956	\$3,019,584	\$2,979,087

See accompanying notes.



SILGAN HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Dollars and shares in thousands, except per share amounts)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
Net sales	\$1,139,547	\$1,148,008	\$2,729,516	\$2,673,318
Cost of goods sold	960,776	965,054	2,321,371	2,271,508
Gross profit	178,771	182,954	408,145	401,810
Selling, general and administrative expenses	44,291	46,221	135,503	112,872
Rationalization charges	2,048	682	5,809	4,782
Income from operations	132,432	136,051	266,833	284,156
Interest and other debt expense before loss on early extinguishment of debt	16,005	16,292	47,622	46,678
Loss on early extinguishment of debt	-	976	38,704	976
Interest and other debt expense	16,005	17,268	86,326	47,654
Income before income taxes	116,427	118,783	180,507	236,502
Provision for income taxes	37,770	40,027	58,520	80,427
Net income	\$78,657	\$78,756	\$121,987	\$156,075
<b>Earnings per share:</b>				
Basic net income per share	\$1.13	\$1.13	\$1.75	\$2.23
Diluted net income per share	\$1.13	\$1.12	\$1.74	\$2.22
<b>Dividends per share</b>				
	\$0.12	\$0.11	\$0.36	\$0.33
<b>Weighted average number of shares:</b>				
Basic	69,375	69,981	69,679	70,036
Effect of dilutive securities	310	339	305	408
Diluted	69,685	70,320	69,984	70,444

See accompanying notes.

SILGAN HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Dollars in thousands)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
Net income	\$ 78,657	\$ 78,756	\$ 121,987	\$ 156,075
Other comprehensive income (loss), net of tax:				
Changes in net prior service credit and actuarial losses	1,557	1,102	5,259	3,581
Change in fair value of derivatives	(587 )	(1,545 )	(965 )	(62 )
Foreign currency translation	15,728	(26,519 )	6,208	(12,373 )
Other comprehensive income (loss)	16,698	(26,962 )	10,502	(8,854 )
Comprehensive income	\$ 95,355	\$ 51,794	\$ 132,489	\$ 147,221

See accompanying notes.



SILGAN HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the nine months ended September 30, 2012 and 2011  
(Dollars in thousands)  
(Unaudited)

	2012	2011
Cash flows provided by (used in) operating activities:		
Net income	\$ 121,987	\$ 156,075
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	125,161	120,893
Loss on early extinguishment of debt	38,704	976
Rationalization charges	5,809	4,782
Excess tax benefit from stock-based compensation	(1,429 )	(1,856 )
Other changes that provided (used) cash, net of effects from acquisitions:		
Trade accounts receivable, net	(239,154 )	(286,666 )
Inventories	10,841	(47,204 )
Trade accounts payable	(7,308 )	45,712
Accrued liabilities	4,874	41,492
Contributions to domestic pension benefit plans	(76,000 )	-
Other, net	10,552	41,951
Net cash (used in) provided by operating activities	(5,963 )	76,155
Cash flows provided by (used in) investing activities:		
Purchases of businesses, net of cash acquired	(317,546 )	(289,367 )
Capital expenditures	(84,739 )	(123,265 )
Proceeds from asset sales	1,456	3,440
Net cash used in investing activities	(400,829 )	(409,192 )
Cash flows provided by (used in) financing activities:		
Borrowings under revolving loans	651,299	982,177
Repayments under revolving loans	(325,922 )	(935,908 )
Proceeds from issuance of long-term debt	526,550	1,088,823
Repayments of long-term debt	(284,204 )	(689,631 )
Debt issuance costs	(9,847 )	(12,943 )
Changes in outstanding checks - principally vendors	(66,178 )	(92,928 )
Dividends paid on common stock	(25,371 )	(23,361 )
Proceeds from stock option exercises	195	1,116
Excess tax benefit from stock-based compensation	1,429	1,856
Repurchase of common stock under stock plan	(1,872 )	(5,128 )
Repurchase of common stock under share repurchase authorization	(33,863 )	(15,797 )
Net cash provided by financing activities	432,216	298,276
Cash and cash equivalents:		
Net increase (decrease)	25,424	(34,761 )

Edgar Filing: SILGAN HOLDINGS INC - Form 10-Q

Balance at beginning of year	397,101	175,226
Balance at end of period	\$422,525	\$140,465
Interest paid, net	\$38,457	\$46,158
Income taxes paid, net	55,858	4,373

See accompanying notes.

SILGAN HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF  
STOCKHOLDERS' EQUITY  
For the nine months ended September 30, 2012 and 2011  
(Dollars and shares in thousands)  
(Unaudited)

	Common Stock Shares Outstanding	Par Value	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2010	69,876	\$ 873	\$ 183,524	\$ 740,923	\$ (63,026 )	\$ (308,695)	\$ 553,599
Net income	-	-	-	156,075	-	-	156,075
Other comprehensive loss	-	-	-	-	(8,854 )	-	(8,854 )
Dividends declared on common stock	-	-	-	(23,361 )	-	-	(23,361 )
Stock compensation expense	-	-	6,251	-	-	-	6,251
Stock option exercises, including tax benefit of \$1,754	136	1	2,869	-	-	-	2,870
Net issuance of treasury stock for vested restricted stock units, including tax benefit of \$1,856	229	-	(595 )	-	-	(2,677 )	(3,272 )
Repurchases of common stock	(441 )	-	-	-	-	(15,797 )	(15,797 )
Balance at September 30, 2011	69,800	\$ 874	\$ 192,049	\$ 873,637	\$ (71,880 )	\$ (327,169)	\$ 667,511
Balance at December 31, 2011	69,884	\$ 875	\$ 196,626	\$ 902,987	\$ (115,282 )	\$ (327,212)	\$ 657,994
Net income	-	-	-	121,987	-	-	121,987
	-	-	-	-	10,502	-	10,502

Edgar Filing: SILGAN HOLDINGS INC - Form 10-Q

Other comprehensive income								
Dividends declared on common stock	-	-	-	(25,371 )	-	-	(25,371 )	
Stock compensation expense	-	-	5,283	-	-	-	5,283	
Stock option exercises, including tax benefit of \$580	36	1	774	-	-	-	775	
Net issuance of treasury stock for vested restricted stock units, including tax benefit of \$905	89	-	24	-	-	(991 )	(967 )	
Repurchases of common stock	(799 )	-	-	-	-	(33,863 )	(33,863 )	
Balance at September 30, 2012	69,210	\$ 876	\$ 202,707	\$ 999,603	\$ (104,780 )	\$ (362,066 )	\$ 736,340	

See accompanying notes.

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at September 30, 2012 and 2011 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.

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.

**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 2012 assessment performed during the third quarter.

**Recently Adopted Accounting Pronouncements.** 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.

In July 2012, the FASB issued an ASU which amends the guidance for testing indefinite-lived intangible assets for impairment. This amendment allows us, at our option, to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. The result of this qualitative assessment dictates if we need to calculate the fair value of an indefinite-lived intangible asset, compare that value with its carrying amount and record an impairment charge, if any. This amendment is effective for us on January 1, 2013, with early adoption permitted. We adopted this amendment as a part of our annual impairment test performed in the third quarter of 2012. 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 September 30, 2012 and 2011 and for the  
three and nine months then ended is unaudited)

Note 2. Acquisitions

Plastic food containers

On August 30, 2012, we acquired the plastic thermoformed food business of Rexam PLC for an aggregate purchase price of \$248.1 million which was funded from cash on hand. This business, with sales of approximately \$90.0 million for the year ended December 31, 2011, provides thermoformed packaging solutions such as retortable bowls and barrier trays to many of the world's leading packaged food and ready-meal companies. The acquired operations will operate under the name Silgan Plastic Food Containers, or PFC. The results of operations of PFC have been reported in our plastic container segment and were not significant since the acquisition date.

For this acquisition, we applied the acquisition method of accounting and recognized assets acquired and liabilities assumed at fair value as of the acquisition date using valuation techniques including the cost, market and income approaches. We recognized goodwill of \$108.5 million, most of which is expected to be deductible for tax purposes, and definite-lived intangible assets of \$78.0 million consisting of customer relationships and technology know-how. The purchase price allocation is preliminary and subject to change pending a final determination of the purchase price and a final valuation of the assets and liabilities, including property, plant and equipment and intangible assets, and the related tax impact of any adjustments to such valuations.

Öntaş

On July 10, 2012, we acquired Öntaş Öner Teneke Ambalaj Sanayii Ve Tikaret A.S., or Öntaş, in Izmir, Turkey. The purchase price of \$18.2 million, net of cash acquired, was funded from cash on hand. We applied the acquisition method of accounting and recognized assets acquired and liabilities assumed at fair value as of the acquisition date. For this acquisition, we recognized goodwill of \$4.7 million and a customer relationship intangible asset of \$2.6 million. Öntaş' results of operations have been included in our metal container business since the acquisition date and were not significant since such date.

Vogel & Noot

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).

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at September 30, 2012 and 2011 and for the  
three and nine months then ended is unaudited)

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 Severance and Benefits	Plant Exit Costs	Non-Cash Asset Write-Down	Total
	(Dollars in thousands)			
Balance at December 31, 2011	\$ 4,385	\$ 211	\$ -	\$ 4,596
Activity for the nine months ended September 30, 2012				
Prior years' rationalization plan reserves established	1,100	(1,027 )	39	112
Prior years' rationalization plan reserves utilized	(3,731 )	1,027	(39 )	(2,743 )
2012 rationalization plan reserves established	3,524	1,001	1,172	5,697
2012 rationalization plan reserves utilized	(946 )	(1,001 )	(1,172 )	(3,119 )
Total activity	(53 )	-	-	(53 )
Balance at September 30, 2012	\$ 4,332	\$ 211	\$ -	\$ 4,543

Rationalization reserves as of September 30, 2012 and December 31, 2011 are included in the Condensed Consolidated Balance Sheets as accrued liabilities.

2012 Rationalization Plans

In the third quarter of 2012, we announced a plan to exit our Kingsburg, California metal container manufacturing facility. Our plan included the termination of approximately 50 employees and other related plant exit costs. The total estimated costs for the rationalization of this facility of \$2.4 million consist of \$1.5 million for employee severance and benefits, \$0.2 million for plant exit costs and \$0.7 million for the non-cash write-down in carrying value of assets. Through September 30, 2012, we recognized a total of \$1.7 million of costs, which consisted of \$1.5 million of employee severance and benefits and \$0.2 million for the non-cash write-down in carrying value of assets. Remaining expenses of \$0.7 million are expected primarily in 2012. Remaining cash expenditures of \$1.7 million are expected in 2012 and thereafter.



SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at September 30, 2012 and 2011 and for the  
three and nine months then ended is unaudited)

Note 3. Rationalization Charges (continued)

2012 Rationalization Plans (continued)

In the first quarter of 2012, we announced a plan to exit our Breinigsville (Allentown), Pennsylvania plastic container manufacturing facility. Our plan included the termination of approximately 32 employees and other related plant exit costs. The total estimated costs for the rationalization of this facility of \$2.7 million consist of \$0.2 million for employee severance and benefits, \$1.6 million for plant exit costs and \$0.9 million for the non-cash write-down in carrying value of assets. Through September 30, 2012, we recognized a total of \$2.1 million of costs, which consisted of \$0.2 million of employee severance and benefits, \$1.0 million for plant exit costs and \$0.9 million for the non-cash write-down in carrying value of assets. The plant has ceased operations. Remaining expenses of \$0.6 million are expected primarily in 2012. Remaining cash expenditures of \$0.6 million are expected in 2012 and thereafter.

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 \$3.0 million for employee severance and benefits. Through September 30, 2012, we recognized a total of \$1.9 million of costs and made cash payments of \$0.8 million. Remaining expenses of \$1.1 million are expected primarily in 2012. Remaining cash expenditures of \$2.2 million are expected in 2012 and thereafter.

Note 4. Inventories

Inventories consisted of the following:

	Sept. 30, 2012	Sept. 30, 2011	Dec. 31, 2011
	(Dollars in thousands)		
Raw materials	\$ 170,350	\$ 174,895	\$ 191,590
Work-in-process	115,282	114,306	116,790
Finished goods	358,319	346,594	327,810
Other	13,497	13,579	13,781
	657,448	649,374	649,971
Adjustment to value inventory at cost on the LIFO method	(95,937 )	(68,949 )	(95,823 )
	\$561,511	\$580,425	\$554,148

SILGAN HOLDINGS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Information at September 30, 2012 and 2011 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, 2012	Sept. 30, 2011	Dec. 31, 2011
	(Dollars in thousands)		
Bank debt			
Bank revolving loans	\$320,000	\$15,000	\$ -
U.S. term loans	520,000	520,000	520,000
Canadian term loans	82,571	79,194	79,323
Euro term loans	432,686	456,035	433,825
Other foreign bank revolving and term loans	134,444	115,696	97,874
Total bank debt	1,489,701	1,185,925	1,131,022
5% Senior Notes	500,000	-	-
7¼% Senior Notes, net of unamortized discount	-	245,025	245,237
Total debt	1,989,701	1,430,950	1,376,259
Less current portion	423,274	118,155	87,776
	\$1,566,427	\$1,312,795	\$1,288,483

At September 30, 2012, amounts expected to be repaid within one year consisted of \$320.0 million of bank revolving loans and \$103.3 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 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% Senior Notes due 2016, or the 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 September 30, 2012 and 2011 and for the  
 three and nine 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% 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 recorded 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