

SILGAN HOLDINGS INC
Form 10-K
February 29, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007

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)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.01 per share

(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the Registrant's Common Stock held by non-affiliates, computed by reference to the price at which the Registrant's Common Stock was last sold as of June 29, 2007, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$1.388 billion. Common Stock of the Registrant held by executive officers and directors of the Registrant has been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

As of February 1, 2008, the number of shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, was 37,742,329.

Documents Incorporated by Reference:

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Portions of the Registrant's Proxy Statement, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, for its Annual Meeting of Stockholders to be held in 2008 are incorporated by reference in Part III of this Annual Report on Form 10-K.

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PART I

ITEM 1. BUSINESS.

GENERAL

We are a leading manufacturer of metal and plastic consumer goods packaging products. We had consolidated net sales of approximately \$2.92 billion in 2007. Our products are used for a wide variety of end markets and we operate 69 manufacturing plants in North America, Europe, Asia and South America. Our products include:

steel and aluminum containers for human and pet food;

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; and

metal, composite and plastic vacuum closures for food and beverage products.

We are the largest manufacturer of metal food containers in North America, with a unit volume market share in the United States in 2007 of approximately half of the market. Our leadership in this market is driven by our high levels of quality, service and technological support, our low cost producer position, our strong long-term customer relationships and our proximity to customers through our widespread geographic presence. We believe that we have the most comprehensive equipment capabilities in the industry throughout North America. For 2007, our metal food container business had net sales of \$1.68 billion (approximately 58 percent of our consolidated net sales) and income from operations of \$151.3 million (approximately 56 percent of our consolidated income from operations excluding corporate expense).

We are also 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 pet care markets. Our success in the plastic packaging market is largely due to our demonstrated ability to provide our customers with high levels of quality, service and technological support, along with our value-added design-focused products and our extensive geographic presence. We produce plastic containers from a full range of resin materials and offer a comprehensive array of molding and decorating capabilities. In December 2006, we acquired substantially all of the assets of Cousins-Currie Limited, or Cousins-Currie, a leading manufacturer in Canada of larger-size custom designed plastic containers for the agricultural, institutional food and industrial markets, to further complement our plastic container business. For 2007, our plastic container business had net sales of \$627.4 million (approximately 21 percent of our consolidated net sales) and income from operations of \$50.2 million (approximately 19 percent of our consolidated income from operations excluding corporate expense).

Additionally, we are a leading worldwide manufacturer of metal, composite and plastic vacuum closures for food and beverage products. We acquired the White Cap closures operations, or White Cap, from Amcor Limited, or Amcor, in Europe and Asia in 2006 and in Venezuela, South America in early 2007, and reunited these operations with the former White Cap closures operations in the United States that we had previously acquired in 2003 to form our global closures business, Silgan White Cap. In February 2008, consistent with our strategy to pursue consolidation opportunities in the international vacuum closures market, we acquired the metal vacuum closures operations, or Vem, of Grup Vemsa 1857, S.L., strengthening our position in the growing Southern European and Asian markets. Our leadership position in vacuum closures is a result of our ability to provide customers with high levels of quality, service and technological support. Our closures business provides customers with an extensive variety of proprietary metal, composite and plastic vacuum closures that ensure closure quality and safety, as well as state-of-the-art capping/sealing equipment and detection systems to complement our closure product

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offering. We have 14 manufacturing facilities located in North America, Europe, Asia and South America, from which we serve over 70 countries throughout the world. In addition, we license our technology to seven other manufacturers for various markets we do not serve directly. For 2007, our closures business had net sales of \$615.2 million (approximately 21 percent of our consolidated net sales) and income from operations of \$66.2 million (approximately 25 percent of our consolidated income from operations excluding corporate expense).

Our customer base includes some of the world's best-known branded consumer products companies. Our philosophy has been to develop long-term customer relationships by acting in partnership with our customers by providing reliable quality, service and technological support and utilizing our low cost producer position. The strength of our customer relationships is evidenced by our large number of multi-year supply arrangements, our high retention of customers' business and our continued recognition from customers, as demonstrated by the many quality and service awards we have received. We estimate that in 2008 approximately 90 percent of our projected metal food container sales, a majority of our projected plastic container sales and a majority of our projected closures sales in the United States will be under multi-year customer supply arrangements.

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 believe that we will accomplish this goal because of our leading market positions and management expertise in acquiring, financing, integrating and efficiently operating consumer goods packaging businesses.

OUR HISTORY

We were founded in 1987 by our Non-Executive Co-Chairmen of the Board, R. Philip Silver and D. Greg Horrigan. Since our inception, we have acquired twenty-three businesses. As a result of the benefits of acquisitions and organic growth, we have increased our overall share of the U.S. metal food container market from approximately 10 percent in 1987 to approximately half of the market in 2007. We have also grown our market position in the plastic container business since 1987, with net sales increasing sevenfold to \$627.4 million in 2007. With our acquisition of White Cap, we have become a leading worldwide manufacturer of vacuum closures for food and beverage products, with net sales of \$615.2 million in 2007. The following chart shows our acquisitions since our inception:

Acquired Business	Year	Products
Nestlé Food Company's metal container manufacturing division	1987	Metal food containers
Monsanto Company's plastic container business	1987	Plastic containers
Fort Madison Can Company of The Dial Corporation	1988	Metal food containers
Seaboard Carton Division of Nestlé Food Company	1988	Paperboard containers
Aim Packaging, Inc.	1989	Plastic containers
Fortune Plastics Inc.	1989	Plastic containers
Express Plastic Containers Limited	1989	Plastic containers
Amoco Container Company	1989	Plastic containers
Del Monte Corporation's U.S. can manufacturing operations	1993	Metal food containers
Food Metal and Specialty business of American National Can Company	1995	Metal food containers, steel closures and Omni plastic containers

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Acquired Business	Year	Products
Finger Lakes Packaging Company, Inc., a subsidiary of Birds Eye Foods, Inc.	1996	Metal food containers
Alcoa Inc.'s North American aluminum roll-on closure business	1997	Aluminum roll-on closures
Rexam plc's North American plastic container business	1997	Plastic containers and closures
Winn Packaging Co.	1998	Plastic containers
Campbell Soup Company's steel container manufacturing business	1998	Metal food containers
Clearpass Containers, Inc.	1998	Plastic containers
RXI Holdings, Inc.	2000	Plastic containers and plastic closures, caps, sifters and fitments
Thatcher Tubes LLC	2003	Plastic tubes
Ancor White Cap, LLC (Silgan White Cap Americas LLC)	2003	Metal, composite and plastic vacuum closures
Pacific Coast Producers' can manufacturing operations	2003	Metal food containers
Ancor White Cap (Europe, Asia and Venezuela)	2006 - 2007	Metal, composite and plastic vacuum closures
Cousins-Currie Limited	2006	Plastic containers
Grup Vemsa 1857, S.L.'s metal vacuum closures operations in Spain and China	2008	Metal vacuum closures

In February 2008, consistent with our strategy to pursue consolidation opportunities in the international vacuum closures market, we acquired Vem, the metal vacuum closures operations of Grup Vemsa 1857, S.L., strengthening our position in the growing Southern European and Asian markets. Vem had sales of approximately \$29 million for the latest twelve months, with manufacturing operations in Torello, Spain and Dongguan, China. We expect to continue the manufacturing operations in Torello, Spain and will move the assets of the China operation into our existing closures manufacturing facility in China.

In June 2006, we acquired the White Cap operations in Europe from Ancor. Additionally, we acquired the White Cap operations in Turkey in July 2006, in the Philippines and China in December 2006 and in Venezuela in January 2007. With this acquisition, we reunited these operations with the former White Cap operations in the United States that we had acquired in 2003 to create our global closures business, a leading worldwide manufacturer of metal, composite and plastic vacuum closures for food and beverage products, with leadership positions in the North American and European markets. Additionally, as part of this acquisition, we may acquire the White Cap operations in Brazil, provided that certain conditions are satisfied.

In December 2006, we acquired Cousins-Currie, which in combination with our existing Canadian plastic container operations solidifies our position as a leading manufacturer in Canada of custom designed plastic containers.

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OUR STRATEGY

We intend to enhance our position as a leading manufacturer of consumer goods packaging products by continuing to aggressively pursue a strategy designed to achieve future growth and increase shareholder value by focusing on the following key elements:

SUPPLY BEST VALUE PACKAGING PRODUCTS WITH HIGH LEVELS OF QUALITY, SERVICE AND TECHNOLOGICAL SUPPORT

Since our inception, we have been, and intend to continue to be, devoted to consistently supplying our products with the combination of quality, price and service that our customers consider to be best value. In our metal food container business, we focus on providing high quality and high levels of service and utilizing our low cost producer position. We have made and are continuing to make significant capital investments to offer our customers value-added features such as our family of Quick Top® easy-open ends for our metal food containers. In our plastic container business, we provide high levels of quality and service and focus on value-added, custom designed plastic containers to meet changing product and packaging demands of our customers. We believe that we are one of the few plastic packaging businesses that can custom design and manufacture a wide variety of plastic containers and plastic tubes, providing the customer with the ability to satisfy more of its plastic packaging needs through one supplier. We will continue to supply customized products that can be delivered quickly to our customers with superior levels of design, development and technological support. In our closures business, we emphasize high levels of quality, service and technological support. We believe our closures business is the premier innovative closures solutions provider to the food and beverage industry by offering customers an extensive variety of metal, composite and plastic vacuum closures as well as proprietary equipment solutions such as cap feeders, cappers and detection systems to ensure high quality package safety.

MAINTAIN LOW COST PRODUCER POSITION

We will continue pursuing opportunities to strengthen our low cost position in our business by:

maintaining a flat, efficient organizational structure, resulting in low selling, general and administrative expenses as a percentage of consolidated net sales;

achieving and maintaining economies of scale;

prudently investing in new technologies to increase manufacturing and production efficiency;

rationalizing our existing plant structure; and

serving our customers from our strategically located plants.

Through our metal food container facilities, we believe that we provide the most comprehensive manufacturing capabilities in the industry throughout North America. Through our plastic container facilities, we have the capacity to manufacture customized products across the entire spectrum of resin materials, decorating techniques and molding processes required by our customers. Through our closures business, we manufacture an extensive variety of metal, composite and plastic vacuum closures for the food and beverage industry throughout the world utilizing state-of-the-art technology and equipment, and we provide our customers with state-of-the-art capping/sealing equipment and detection systems. We intend to leverage our manufacturing, design and engineering capabilities to continue to create cost-effective manufacturing systems that will drive our improvements in product quality, operating efficiency and customer support.

MAINTAIN AN OPTIMAL CAPITAL STRUCTURE TO SUPPORT GROWTH AND INCREASE SHAREHOLDER VALUE

Our financial strategy is to use reasonable leverage to support our growth and increase shareholder returns. Our stable and predictable cash flow, generated largely as a result of our long-term customer

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relationships and generally recession resistant business, supports our financial strategy. We intend to continue using reasonable leverage, supported by our stable cash flows, to make value enhancing acquisitions. In determining reasonable leverage, we evaluate our cost of capital and manage our level of debt to maintain an optimal cost of capital based on current market conditions. Consistent with this financial strategy, we incurred and assumed debt of \$314.5 million to finance the aggregate purchase price for our acquisitions of White Cap and Cousins-Currie in 2006. However, as a result of the ability of our business to generate cash, we repaid \$71.8 million of term loan debt by year end 2006. In 2007, we retained a significant amount of cash, increasing cash balances at year end to \$95.9 million. 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.

EXPAND THROUGH ACQUISITIONS AND INTERNAL GROWTH

We intend to continue to increase our market share in our current business lines through acquisitions and internal growth. We use a disciplined approach to make acquisitions that generate attractive cash returns. As a result, we expect to continue to expand and diversify our customer base, geographic presence and product lines. This strategy has enabled us to increase our net sales and income from operations, which have grown at compounded annual growth rates of 6.6 percent and 7.6 percent, respectively, over the last ten years.

During the past twenty years, the metal food container market has experienced significant consolidation primarily due to the desire by food processors to reduce costs and focus resources on their core operations rather than self-manufacture their metal food containers. Our acquisitions of the metal food container manufacturing operations of Nestlé Food Company, or Nestlé, The Dial Corporation, or Dial, Del Monte Corporation, or Del Monte, Birds Eye Foods, Inc., or Birds Eye, Campbell Soup Company, or Campbell, and Pacific Coast Producers, or Pacific Coast, reflect this trend. We estimate that approximately 7 percent of the market for metal food containers is still served by self-manufacturers.

While we have increased our market share of metal food containers in the United States primarily through acquisitions, we have also made over the last few years, and are continuing to make, significant capital investment in our metal food container business to enhance our business and offer our customers value-added features, such as our family of Quick Top® easy-open ends. In 2007, 62 percent of our metal food containers sold had a Quick Top® easy-open end, representing an increase in unit sales of this value-added feature of 39 percent since 2002.

We have grown our market position for our plastic container business since 1987, with net sales increasing sevenfold to \$627.4 million in 2007. We achieved this improvement primarily through strategic acquisitions as well as through internal growth. The plastic container segment of the consumer goods packaging industry is highly fragmented, and we intend to pursue further consolidation opportunities in this market. In December 2006, we acquired Cousins-Currie to complement our Canadian plastic container operations and solidify our position as a leading manufacturer in Canada of custom designed plastic containers. Over the long term, we also expect to continue to generate internal growth in our plastic container business. As with acquisitions, we use a disciplined approach to pursue internal growth in order to generate attractive cash returns. Through a combination of these efforts, we intend to continue to expand our customer base in the markets that we serve, such as the personal care, health care, pharmaceutical, household and industrial chemical, food, pet care, agricultural chemical, automotive and marine chemical markets.

With our acquisition in March 2003 of Silgan White Cap Americas LLC, our former closures joint venture with Amcor in which we held a minority position, we became a leading manufacturer of metal, composite and plastic vacuum closures in North America for food and beverage products. Prior to our acquisition in

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March 2003, this business was the North American business of the worldwide White Cap business. With our acquisition of White Cap, we reunited these businesses and reestablished it as a leading worldwide manufacturer of metal, composite and plastic vacuum closures for food and beverage products, with leadership positions in the North American and European markets. We may pursue further consolidation in these markets. In particular, the closures segment of the consumer goods packaging industry in Europe is highly fragmented, and we intend to pursue further consolidation opportunities in this market. In February 2008, consistent with our strategy, we acquired Vem, the metal vacuum closures operations of Grup Vemsa 1857, S.L., strengthening our position in the growing Southern European and Asian markets. Additionally, we expect to continue to generate internal growth in our closures business, particularly in plastic vacuum closures. We have recently made additional investments in plastic vacuum closure lines in the United States and will evaluate opportunities to grow plastic vacuum closures in other markets. In making investments for internal growth, we use a disciplined approach to pursue internal growth in order to generate attractive cash returns.

ENHANCE PROFITABILITY THROUGH PRODUCTIVITY IMPROVEMENTS AND COST REDUCTIONS

We intend to continue to enhance profitability through productivity and cost reduction opportunities. The additional sales and production capacity provided through acquisitions have enabled us to rationalize plant operations and decrease overhead costs through plant closings and downsizings. In 2006, we announced the closing of two metal food container manufacturing facilities and one plastic container manufacturing facility in connection with our continuing efforts to streamline our plant operations, reduce operating costs and better match supply with geographic demand. These plant closings began to generate positive cash-on-cash returns for us beginning in 2007.

We would expect that most future acquisitions will continue to enable us to realize manufacturing efficiencies as a result of optimizing production scheduling and other benefits from economies of scale and the elimination of redundant selling and administrative functions. In addition to the benefits realized through the integration of acquired businesses, we have improved and expect to continue to improve the operating performance of our plant facilities by investing capital for productivity improvements and manufacturing cost reductions. While we have made some of these investments in certain of our plants, more opportunities still exist throughout our system. We will continue to use a disciplined approach to identify these opportunities to generate attractive cash returns.

BUSINESS SEGMENTS

We are a holding company that conducts our business through various operating subsidiaries. We operate three businesses, our metal food container business, our plastic container business and our closures business.

METAL FOOD CONTAINERS 58 PERCENT OF OUR CONSOLIDATED NET SALES IN 2007

We are the largest manufacturer of metal food containers in North America, with a unit volume market share in the United States in 2007 of approximately half of the market. Our metal food container business is engaged in the manufacture and sale of steel and aluminum containers that are used primarily by processors and packagers for food products, such as soup, vegetables, fruit, meat, tomato based products, coffee, seafood, adult nutritional drinks, pet food and other miscellaneous food products. For 2007, our metal food container business had net sales of \$1.68 billion (approximately 58 percent of our consolidated net sales) and income from operations of \$151.3 million (approximately 56 percent of our consolidated income from operations excluding corporate expense). We estimate that approximately 90 percent of our projected metal food container sales in 2008 will be pursuant to multi-year customer supply arrangements.

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Although metal containers face competition from plastic, paper, glass and composite containers, we believe metal containers are superior to plastic, paper and composite containers in applications where the contents are processed at high temperatures, or packaged in larger consumer or institutional quantities, or where the long-term storage of the product is desirable while maintaining the product's quality. We also believe that metal containers are generally more desirable than glass containers because metal containers are more durable and less costly to transport. Additionally, while the market for metal food containers in the United States has experienced little or no growth over the last ten years, we have increased our market share of metal food containers in the United States primarily through acquisitions, and have enhanced our business by focusing on providing customers with high quality and high levels of service and value-added features such as our family of Quick Top® easy-open ends.

PLASTIC CONTAINERS 21 PERCENT OF OUR CONSOLIDATED NET SALES IN 2007

We produce plastic containers from a full range of resin materials and offer a comprehensive array of molding and decorating capabilities. We are one of the leading manufacturers of custom designed high density polyethylene, or HDPE, and polyethylene terephthalate, or PET, containers for the personal care market in North America. For 2007, our plastic container business had net sales of \$627.4 million (approximately 21 percent of our consolidated net sales) and income from operations of \$50.2 million (approximately 19 percent of our consolidated income from operations excluding corporate expense). Since 1987, we have improved our market position for our plastic container business, with net sales increasing sevenfold.

We manufacture custom designed and stock HDPE containers for personal care and health care products, including containers for shampoos, conditioners, hand creams, lotions, cosmetics and toiletries; household and industrial chemical products, including containers for scouring cleaners, cleaning agents and lawn, garden and agricultural chemicals; and pharmaceutical products, including containers for tablets, antacids and eye cleaning solutions. We manufacture custom designed and stock PET containers for mouthwash, shampoos, conditioners, respiratory and gastrointestinal products, liquid soap, skin care lotions, peanut butter, salad dressings, condiments and liquor. Additionally, we manufacture plastic tubes primarily for personal care products such as skin lotions and hair treatment products. We also manufacture plastic containers, closures, caps, sifters and fitments for food, household and pet care products, including salad dressings, peanut butter, spices, liquid margarine, powdered drink mixes, arts and crafts supplies and kitty litter, as well as thermoformed plastic tubs for personal care and household products, including soft fabric wipes, and our innovative Omni plastic container (a multi-layer microwaveable and retortable plastic bowl) for food products.

Our leading position in the plastic container market is largely driven by our rapid response to our customers' design, development and technology support needs and our value-added, diverse product line. This product line is the result of our ability to produce plastic containers from a full range of resin materials using a broad array of manufacturing, molding and decorating capabilities. We also have the ability to manufacture decorated plastic tubes for our customers, providing our customers with the ability to satisfy more of their plastic packaging needs through one supplier. We benefit from our large scale and nationwide presence, as significant consolidation is occurring in many of our customers' markets. Through these capabilities, we are well-positioned to serve our customers, who demand customized solutions as they continue to seek innovative means to differentiate their products in the marketplace using packaging.

CLOSURES 21 PERCENT OF OUR CONSOLIDATED NET SALES IN 2007

We are a leading worldwide manufacturer of metal, composite and plastic vacuum closures for food and beverage products. In 2003, we acquired the remaining 65 percent interest that we did not own in our closures joint venture in the United States from Amcor, our joint venture partner, which operations were the North American operations of White Cap. We acquired the White Cap operations in Europe and Asia in 2006 and in Venezuela in early 2007, and reunited these operations with the former White Cap operations in the United States to form our worldwide closures business. In February 2008, consistent with our strategy to pursue

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consolidation opportunities in the international vacuum closures market, we acquired Vem, the metal vacuum closures operations of Grup Vemsa 1857, S.L., strengthening our position in the growing Southern European and Asian markets. Our closures business provides customers with an extensive variety of proprietary metal, composite and plastic vacuum closures that ensure closure quality and safety, as well as state-of-the-art capping/sealing equipment and detection systems to complement our closure product offering. We have 14 manufacturing facilities located in North America, Europe, Asia and South America, from which we serve over 70 countries throughout the world. In addition, we license our technology to seven other manufacturers for various markets we do not serve. For 2007, our closures business had net sales of \$615.2 million (approximately 21 percent of our consolidated net sales) and income from operations of \$66.2 million (approximately 25 percent of our consolidated income from operations excluding corporate expense).

Through Silgan White Cap, we manufacture metal, composite and plastic vacuum closures for food and beverage products, such as juices and juice drinks, ready-to-drink teas, sports and energy drinks, ketchup, salsa, pickles, tomato sauce, soup, cooking sauces, gravies, fruits, vegetables, preserves, baby food, baby juices, infant formula and dairy products. We provide customers of our closures business with custom formulations of sealing/lining materials, designed to minimize removal torques and to enhance openability of our closures while meeting applicable regulatory requirements. We offer our customers an extensive range of printing options for our closures. We also provide customers with sealing/capping equipment and detection systems to complement our closure product offering for food and beverage products. As a result of our extensive range of metal, composite and plastic vacuum closures, our geographic presence and our focus on providing high levels of quality, service and technological support, we believe that we are uniquely positioned to serve food and beverage product companies for their closure needs.

MANUFACTURING AND PRODUCTION

As is the practice in the industry, most of our customers provide us with quarterly or annual estimates of products and quantities pursuant to which periodic commitments are given. These estimates enable us to effectively manage production and control working capital requirements. We schedule our production to meet customers' requirements. Because the production time for our products is short, the backlog of customer orders in relation to our sales is not material.

As of February 29, 2008, we operated a total of 69 manufacturing facilities in ten different countries throughout the world that serve the needs of our customers.

METAL FOOD CONTAINER BUSINESS

The manufacturing operations of our metal food container business include cutting, coating, lithographing, fabricating, assembling and packaging finished cans. We use three basic processes to produce cans. The traditional three-piece method requires three pieces of flat metal to form a cylindrical body with a welded side seam, a bottom and a top. High integrity of the side seam is assured by the use of sophisticated electronic weld monitors and organic coatings that are thermally cured by induction and convection processes. The other two methods of producing cans start by forming a shallow cup that is then formed into the desired height using either the draw and iron process or the draw and redraw process. Using the draw and redraw process, we manufacture steel and aluminum two-piece cans, the height of which generally does not exceed the diameter. For cans the height of which is greater than the diameter, we manufacture steel two-piece cans by using a drawing and ironing process. Quality and stackability of these cans are comparable to that of the shallow two-piece cans described above. We manufacture can bodies and ends from thin, high-strength aluminum alloys and steels by utilizing proprietary tool and die designs and selected can making equipment. We also manufacture our Quick Top® easy-open ends from both steel and aluminum alloys in a sophisticated precision progressive die process. We regularly review our Quick Top® easy-open end designs for improvements for optimum consumer preference through consumer studies and feedback.

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PLASTIC CONTAINER BUSINESS

We utilize two basic processes to produce plastic containers. In the extrusion blowmolding process, pellets of plastic resin are heated and extruded into a tube of plastic. A two-piece metal mold is then closed around the plastic tube and high pressure air is blown into it causing a bottle to form in the mold's shape. In the injection and injection stretch blowmolding processes, pellets of plastic resin are heated and injected into a mold, forming a plastic preform. The plastic preform is then blown into a bottle-shaped metal mold, creating a plastic bottle.

In our proprietary plastic tube manufacturing process, we continually extrude a plastic tube in various diameters from pellets of plastic resin. A neck finish is then compression molded onto the plastic tube. The plastic tube is then decorated, and a cap or closure is put on the decorated plastic tube before it is shipped to the customer. Our process permits us to produce multi-layer tubes with barrier in the neck.

We also manufacture plastic closures, caps, sifters and fitments using runnerless injection molding technology. In this process, pellets of plastic resin are melted and forced under pressure into a mold, where they take the mold's shape. Our thermoformed plastic tubs are manufactured by melting pellets of plastic resin into a plastic sheet. The plastic sheets are then stamped by hot molds to form plastic tubs. Our Omni plastic containers are manufactured using a plastic injection blowmolding process where dissimilar pellets of plastic are heated and co-injected in a proprietary process to form a five-layer preform, which is immediately transferred to a blowmold for final shaping. We designed the equipment for this manufacturing process, and the equipment utilizes a variety of proprietary processes to make rigid plastic containers capable of holding processed foods for extended shelf lives in aesthetically pleasing contoured designs, such as for Campbell's Soup at Hand product.

We have state-of-the-art decorating equipment, including several of the largest sophisticated decorating facilities in the country. Our decorating methods for plastic containers are in-mold labeling, which applies a plastic film label to the bottle during the blowing process, and post-mold decoration. For plastic tubes, we offer all commercially available post-mold decoration technologies. Post-mold decoration includes:

silk screen decoration which enables the applications of images in multiple colors to the bottle;

pressure sensitive decoration which uses a plastic film or paper label with an adhesive;

heat transfer decoration which uses a plastic coated label applied by heat;

hot stamping decoration which transfers images from a die using metallic foils; and

shrink sleeve labeling.

CLOSURES BUSINESS

The manufacturing operations for metal closures include cutting, coating, lithographing, fabricating and lining. We manufacture twist-off, lug style and press-on, twist-off steel closures and aluminum roll-on closures for glass, metal and plastic containers, ranging in size from 18 to 110 millimeters in diameter. We employ state-of-the-art multi-die presses to manufacture metal closures, offering a low-cost, high quality means of production. We also provide customers of our closures business with custom formulations of sealing/lining materials, designed to minimize torque removal and enhance the openability of our closures while meeting applicable regulatory requirements.

We utilize two basic processes to produce plastic closures. In the injection molded process, pellets of plastic resin are heated and injected into a mold, forming a plastic closure shell. The shell is then lined with a custom formulated, compression molded sealing system and printed depending on its end use. In the compression molded process, pellets of plastic resin are heated and extruded, and then compressed to form a plastic closure shell. The shell is then lined with a custom formulated, compression molded sealing

system, slit and printed depending on its end use.

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For composite closures, a metal panel is manufactured using the same manufacturing process for metal closures, including the use of custom formulations of sealing/lining materials, and then it is inserted into a plastic closure shell.

RAW MATERIALS

Based upon our existing arrangements with suppliers and our current and anticipated requirements, we believe that we have made adequate provisions for acquiring our raw materials. As a result of significant consolidation of suppliers, we are, however, dependent upon a limited number of suppliers for our steel, aluminum, coatings and compound raw materials. Increases in the prices of raw materials have generally been passed along to our customers in accordance with our multi-year customer supply arrangements and through general price increases.

METAL FOOD CONTAINER BUSINESS

We use tin plated and chromium plated steel, aluminum, copper wire, organic coatings, lining compound and inks in the manufacture and decoration of our metal food container products. Although there has been significant consolidation of suppliers, we believe that we have made adequate provisions to purchase sufficient quantities of these raw materials for the foreseeable future.

Over the last few years, there has been significant consolidation of suppliers of steel. Additionally, tariffs and court cases in the United States have negatively impacted the ability of certain foreign steel suppliers to competitively supply steel in the United States. In recent years, the steel industry in the United States announced significant price increases for steel. Our metal food container supply arrangements with our customers provide for the pass through of changes in our metal costs. For our non-contract customers, we also increased prices to pass through increases in our metal costs. Additionally, in 2004 the steel industry experienced raw material supply difficulties and increased worldwide demand which resulted in a tighter than normal supply situation and adversely affected their ability to timely deliver steel. Nevertheless, as a result of our contracts and other arrangements with steel suppliers, we were able to obtain sufficient quantities of steel in 2004 to timely meet all of our customers requirements. Although no assurances can be given, we expect to be able to purchase sufficient quantities of steel to timely meet all of our customers requirements in 2008.

Our material requirements are supplied through agreements and purchase orders with suppliers with whom we have long-term relationships. If our suppliers fail to deliver under their arrangements, we would be forced to purchase raw materials on the open market, and no assurances can be given that we would be able to purchase such raw materials or, if we are so able, that we would be able to purchase such raw materials at comparable prices or terms.

PLASTIC CONTAINER BUSINESS

The raw materials we use in our plastic container business are primarily resins in pellet form such as virgin HDPE, virgin PET, recycled HDPE, recycled PET, polypropylene and, to a lesser extent, polystyrene, low density polyethylene, polyethylene terephthalate glycol, polyvinyl chloride and medium density polyethylene. Our resin requirements are acquired through multi-year arrangements for specific quantities of resins with several major suppliers of resins. The price that we pay for resin raw materials is not fixed and is subject to market pricing, which has increased significantly in the past few years. Our plastic container business has passed along to our customers changes in the prices of our resin raw materials in accordance with customer supply arrangements.

In the second half of 2005, the Gulf Coast experienced unforeseen hurricane activity which disrupted resin supply. Consequently, many resin suppliers, including many of our resin suppliers, declared force

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majeure under their supply arrangements and implemented sales volume control initiatives. Despite these challenges, our plastic container business was able to procure sufficient quantities of resins to meet substantially all of its customer needs, although at higher prices.

We believe that we have made adequate provisions to purchase sufficient quantities of resins for the foreseeable future, absent unforeseen events such as what happened in 2005.

CLOSURES BUSINESS

We use tin plated and chromium plated steel, aluminum, organic coatings, low-metallic inks and pulpboard, plastic and organic lining materials in the manufacture of metal closures.

We use resins in pellet form, such as homopolymer polypropylene, copolymer polypropylene and HDPE, thermoplastic elastomer lining materials, processing additives and colorants in the manufacture of plastic closures.

Our domestic closures operations have generally passed along to customers changes in the prices of metal and resin raw materials in accordance with supply arrangements. For non-contract customers, our domestic closures operations have also increased prices to pass through changes in our metal and resin costs. Although no assurances can be given, we believe we have made adequate provisions to purchase sufficient quantities of these raw materials for the foreseeable future, despite the significant consolidation of suppliers.

SALES AND MARKETING

Our philosophy has been to develop long-term customer relationships by acting in partnership with our customers, providing reliable quality and service. We market our products primarily by a direct sales force and for our plastic container business, in part, through a network of distributors. Because of the high cost of transporting empty containers, our metal food business generally sells to customers within a 300 mile radius of its manufacturing plants.

In 2007, 2006, and 2005, approximately 12 percent, 13 percent and 12 percent, respectively, of our consolidated net sales were to Campbell; approximately 11 percent of our consolidated net sales each year were to Nestlé; and approximately 7 percent, 8 percent and 11 percent, respectively, of our consolidated net sales were to Del Monte. No other customer accounted for more than 10 percent of our total consolidated net sales during those years.

METAL FOOD CONTAINER BUSINESS

We are the largest manufacturer of metal food containers in North America, with a unit volume market share in the United States in 2007 of approximately half of the market. Our largest customers for these products include Campbell, Del Monte, General Mills, Inc., Hormel Foods Corp., or Hormel, Nestlé, Pacific Coast, Pinnacle Foods Group LLC, Seneca Foods L.L.C., Treehouse Foods, Inc. and Unilever Best Foods (a unit of Unilever, N.V.).

We have entered into multi-year supply arrangements with many of our customers, including Nestlé, Del Monte, Campbell and other food producers. We estimate that approximately 90 percent of our projected metal food container sales in 2008 will be pursuant to multi-year customer supply arrangements. Historically, we have been successful in continuing these multi-year customer supply arrangements.

Since our inception in 1987, we have supplied Nestlé with substantially all of its U.S. metal food container requirements purchased from third party manufacturers. Our net sales of metal food containers to

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Nestlé in 2007 were \$286.1 million. In 2007, we extended the term of our supply agreement with Nestlé that covers approximately eighty percent of the metal food containers that we supply to Nestlé until December 2013. This supply agreement provides for certain prices and specifies that those prices will be increased or decreased based upon cost change formulas. This supply agreement contains provisions that require us to maintain levels of product quality, service and delivery in order to retain the business. In addition, we continue to supply the remaining metal food containers that we supply to Nestlé under agreed upon terms.

In connection with our acquisition of Del Monte's U.S. metal food container manufacturing operations in December 1993, we entered into a long-term supply agreement with Del Monte. The term of this supply agreement has been extended until the end of 2011. Under this supply agreement, we supply Del Monte with a significant majority of its U.S. metal container requirements for food and beverage products. In 2007, our net sales of metal food containers to Del Monte were \$215.4 million.

In connection with our June 1998 acquisition of the steel container manufacturing business of Campbell, we entered into a ten-year supply agreement with Campbell to supply substantially all of Campbell's steel container requirements to be used for the packaging of foods and beverages in the United States. In 2004, we extended the term of this supply agreement to the end of 2013. In April 2005, Campbell exercised its right to expand our supply agreement to include Campbell's steel container requirements in Canada. In 2007, our net sales of metal food containers to Campbell were \$323.0 million.

The Campbell agreement provides certain prices for containers supplied by us to Campbell and specifies that those prices will be increased or decreased based upon specified cost change formulas. The Campbell agreement permits Campbell to receive proposals from independent commercial can manufacturers for the supply of containers of a type and quality similar to the metal containers that we supply to Campbell. The proposals must be for the remainder of the term of the Campbell agreement and for 100 percent of the annual volume of containers at one or more of Campbell's food processing plants. We have the right to retain the business subject to the terms and conditions of the competitive proposal. Upon any material breach by us, Campbell has the right to terminate this agreement. In addition, Campbell has the right, at the end of the term of the Campbell agreement or upon the occurrence of specified material defaults under other agreements with Campbell, to purchase from us the assets located at the former Campbell facilities that are used to manufacture containers for Campbell. We lease these former Campbell facilities from Campbell. The purchase price for the assets would be determined at the time of purchase in accordance with an agreed upon formula that is related to the net book value of the assets.

Our metal food container business's sales and income from operations are dependent, in part, upon the vegetable and fruit harvests in the midwest and western regions of the United States. The size and quality of these harvests varies from year to year, depending in large part upon the weather conditions in those 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.

PLASTIC CONTAINER BUSINESS

We are one of the leading manufacturers of custom designed and stock HDPE and PET containers sold in North America. We market our plastic containers, tubes and closures in most areas of North America through a direct sales force, through a large network of distributors and, more recently, through e-commerce.

We are a leading manufacturer of plastic containers in North America for personal care products. Our largest customers for these products include Alberto Culver USA, Inc., Avon Products Inc., Dial Corporation, L'Oréal, Johnson & Johnson, The Procter & Gamble Company, Schering-Plough Corporation, Unilever Home and Personal Care North America (a unit of Unilever, N.V.) and Vi-Jon Inc. We also manufacture decorated

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plastic tubes, primarily for personal care products. Customers for these products include Alberto Culver USA, Inc., Alticor Inc., Guthy-Renker Corporation and Johnson & Johnson.

We manufacture plastic containers for food and beverage, pet care and household and industrial chemical products. Customers for these product lines include The Clorox Company, Diageo, E.D. Smith & Sons LTD., Kraft Foods Inc., or Kraft, McCormick & Company, Incorporated, Nestlé s Purina Pet Care, The Procter & Gamble Company, Ralcorp Holdings, Inc. and The Scotts Miracle-Gro Company. In addition, we manufacture plastic closures, caps, sifters and fitments for food, household and pet care products, as well as thermoformed plastic tubs for personal care and household products and Omni plastic bowls for microwaveable prepared foods. Customers for these product lines include Campbell, Hormel, Nestlé s Nesquik, Nice-Pak Products, Inc. and Unilever Best Foods (a unit of Unilever, N.V.).

We have arrangements to sell some of our plastic containers and closures to distributors, who in turn resell those products primarily to regional customers. Plastic containers sold to distributors are manufactured by using generic and custom molds with decoration added to meet the end users requirements. The distributors warehouses and their sales personnel enable us to market and inventory a wide range of such products to a variety of customers.

We have written purchase orders or contracts for the supply of containers with the majority of our customers. In general, these purchase orders and contracts are for containers made from proprietary molds and are for a duration of one to five years.

CLOSURES BUSINESS

We are a leading worldwide manufacturer of metal, composite and plastic vacuum closures for food and beverage products. We have 14 manufacturing facilities located in North America, Europe, Asia and South America, from which we serve over 70 countries throughout the world.

Our largest customers of our closures business include Campbell, Cadbury Schweppes plc, The Coca-Cola Company, Danone Group, Heinz Group, Hipp GmbH & CoKG, Nestle Group, PepsiCo Inc., Treehouse Foods, Inc. and Unilever N.V. We have multi-year supply arrangements with many of our customers in the United States. Outside of the United States, the closures business has had long-term relationships with most of its customers, although as is common many supply arrangements are negotiated on a year-by-year basis.

In addition, we license our technology to seven other manufacturers who supply products in Australia, China, India, Israel, Japan, Korea, Malaysia, Maldives, South Africa, New Zealand, Papua New Guinea, Sri Lanka, Taiwan and Thailand.

COMPETITION

The packaging industry is highly competitive. We compete in this industry with manufacturers of similar and other types of packaging, as well as fillers, food processors and packers who manufacture containers for their own use and for sale to others. We attempt to compete effectively through the quality of our products, competitive pricing and our ability to meet customer requirements for delivery, performance and technical assistance.

Because of the high cost of transporting empty containers, our metal food container business generally sells to customers within a 300 mile radius of its manufacturing plants. Strategically located existing plants give us an advantage over competitors from other areas, but we could be potentially disadvantaged by the relocation of a major customer.

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METAL FOOD CONTAINER BUSINESS

Of the commercial metal food container manufacturers, Ball Corporation and Crown Holdings, Inc. are our most significant national competitors. As an alternative to purchasing containers from commercial can manufacturers, customers have the ability to invest in equipment to self-manufacture their containers.

Although metal containers face competition from plastic, paper, glass and composite containers, we believe that metal containers are superior to plastic, composite and paper containers in applications, where the contents are processed at high temperatures or packaged in larger consumer or institutional quantities or where long-term storage of the product is desirable while maintaining the product's quality. We also believe that metal containers are more desirable generally than glass containers because metal containers are more durable and less costly to transport.

PLASTIC CONTAINER BUSINESS

Our plastic container business competes with a number of large national producers of 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. These competitors include Alpha-Werke Alwin Lehner GmbH & Co., Amcor PET Packaging, Berry Plastics Corporation, CCL Industries Inc., Cebal Americas, Consolidated Container Company LLC, Constar International, Inc., Graham Packaging Company L.P., Plastipak Packaging Inc., Rexam PLC and Sonoco Products Company. To compete effectively in the constantly changing market for plastic containers, tubes and closures, we must remain current with, and to some extent anticipate, innovations in resin composition and applications and changes in the technology for the manufacturing of plastic containers, tubes and closures.

CLOSURES BUSINESS

Our closures business competes primarily with Berry Plastics Corporation, Crown Holdings, Inc., Groupe Massilly, Rank Group Plc, Rexam PLC, Tecnocap S.p.a., TOKK Company and Vogel & Noot Holding AG. With our ability to manufacture an extensive range of metal, composite and plastic vacuum closures as well as state-of-the-art capping/sealing equipment and detection systems and our geographic presence, we believe we are uniquely positioned to serve food and beverage product companies for their closure needs.

EMPLOYEES

As of December 31, 2007, we employed approximately 2,100 salaried and 6,300 hourly employees on a full-time basis. Approximately 50 percent of our hourly plant employees in the United States and Canada as of that date were represented by a variety of unions, and most of our hourly employees in Europe, Asia and South America were represented by a variety of unions or other labor organizations. In addition, as of December 31, 2007, Campbell provided us with approximately 135 hourly employees on a full-time basis at one of the facilities that we lease from Campbell.

Our labor contracts expire at various times between 2008 and 2012. As of December 31, 2007, contracts covering approximately 20 percent of our hourly employees in the United States and Canada will expire during 2008. We expect no significant changes in our relations with these unions.

ENVIRONMENTAL AND OTHER REGULATIONS

We are subject to federal, foreign, state and local environmental laws and regulations. In general, these laws and regulations limit the discharge of pollutants into the environment and establish standards for the treatment, storage, and disposal of solid and hazardous waste. We believe that we are either in

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compliance in all material respects with all presently applicable environmental laws and regulations or are operating in accordance with appropriate variances, delayed compliance orders or similar arrangements.

In addition to costs associated with regulatory compliance, we may be held liable for alleged environmental damage associated with the past disposal of hazardous substances. Those that generate hazardous substances that are disposed of at sites at which environmental problems are alleged to exist, as well as the owners of those sites and other classes of persons, are subject to claims under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, or CERCLA, regardless of fault or the legality of the original disposal. CERCLA and many similar state and foreign statutes may hold a responsible party liable for the entire cleanup cost at a particular site even though that party may not have caused the entire problem. Other state statutes may impose proportionate rather than joint and several liability. The federal Environmental Protection Agency or a state or foreign agency may also issue orders requiring responsible parties to undertake removal or remedial actions at sites.

We are also subject to the Occupational Safety and Health Act and other federal, foreign, state and local laws regulating noise exposure levels and other safety and health concerns in the production areas of our plants.

While management does not believe that any of the regulatory matters described above, individually or in the aggregate, will have a material effect on our capital expenditures, earnings, financial position or competitive position, we cannot assure you that a material environmental or other regulatory claim will not arise in the future.

RESEARCH AND PRODUCT DEVELOPMENT

Our research, product development and product engineering efforts relating to our metal food container business are conducted at our research facilities in Oconomowoc, Wisconsin. Our research, product development and product engineering efforts with respect to our plastic container business are performed by our manufacturing and engineering personnel located at our Norcross, Georgia facility. Our research, product development and product engineering efforts relating to our metal, composite and plastic vacuum closures business for food and beverage products are conducted at our research facilities in Downers Grove, Illinois and Hannover, Germany. In addition to research, product development and product engineering, these sites also provide technical support to our customers. The amounts we have spent on research and development during the last three fiscal years are not material.

FINANCIAL INFORMATION ABOUT SEGMENTS AND GEOGRAPHIC AREAS

Financial and other information by segment and relating to geographic areas for the fiscal years ending December 31, 2007, December 31, 2006 and December 31, 2005 is set forth in Note 16 to our Consolidated Financial Statements for the year ended December 31, 2007 included elsewhere in this Annual Report.

AVAILABLE INFORMATION

We file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that issuers (including the Company) file electronically with the SEC. The internet address of the SEC's website is <http://www.sec.gov>.

We maintain a website, the internet address of which is www.silganholdings.com. Information contained on our website is not part of this Annual Report. We make available free of charge on or through

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our website our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (or any amendments to those reports) and Forms 3, 4 and 5 filed on behalf of our directors and executive officers as soon as reasonably practicable after such documents are electronically filed or furnished to the SEC.

ITEM 1A. RISK FACTORS.

The following are certain risk factors that could materially and adversely affect our business, financial condition or results of operations.

OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR CASH FLOW.

At December 31, 2007, we had \$992.5 million of total consolidated indebtedness. We incurred much of this indebtedness as a result of financing acquisitions. In addition, at December 31, 2007, after taking into account letters of credit of \$43.0 million, we had \$395.0 million and Cdn \$14.0 million of revolving loans available to be borrowed under our senior secured credit facility, or the Credit Agreement. Under our Credit Agreement, we also have available to us an uncommitted incremental loan facility in an amount of up to an additional \$350 million, and we may incur additional indebtedness as permitted by our Credit Agreement and our other instruments governing our indebtedness.

A significant portion of our cash flow must be used to service our indebtedness and is therefore not available to be used in our business. In 2007, we paid \$66.7 million in interest on our indebtedness. Our ability to generate cash flow is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control. In addition, a substantial portion of our indebtedness bears interest at floating rates, and therefore a substantial increase in interest rates could adversely impact our results of operations. Based on the average outstanding amount of our variable rate indebtedness in 2007, a one percentage point change in the interest rates for our variable rate indebtedness would have impacted our 2007 interest expense by an aggregate of approximately \$4.7 million, after taking into account the average outstanding notional amount of our interest rate swap agreements during 2007.

Our indebtedness could have important consequences. For example, it could:

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, acquisitions and capital expenditures, and for other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

restrict us from making strategic acquisitions or exploiting business opportunities; and

limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

DESPITE OUR CURRENT LEVELS OF INDEBTEDNESS, WE MAY INCUR ADDITIONAL DEBT IN THE FUTURE, WHICH COULD INCREASE THE RISKS ASSOCIATED WITH OUR LEVERAGE.

We are continually evaluating and pursuing acquisition opportunities in the consumer goods packaging market and may incur additional indebtedness, including indebtedness under our Credit Agreement, to finance any such acquisitions and to fund any resulting increased operating needs. In 2006, for example, we incurred additional indebtedness to finance the purchase prices for our acquisitions of White Cap and Cousins-Currie. We also incurred additional debt to fund the operating needs of these

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acquired businesses. If new debt is added to our current debt levels, the related risks we now face could increase. We will have to effect any new financing in compliance with the agreements governing our then existing indebtedness.

THE TERMS OF OUR DEBT INSTRUMENTS RESTRICT THE MANNER IN WHICH WE CONDUCT OUR BUSINESS AND MAY LIMIT OUR ABILITY TO IMPLEMENT ELEMENTS OF OUR GROWTH STRATEGY.

The instruments and agreements governing our indebtedness contain numerous covenants, including financial and operating covenants, some of which are quite restrictive. These covenants affect, and in many respects limit, among other things, our ability to:

incur additional indebtedness;

create liens;

consolidate, merge or sell assets;

make certain capital expenditures;

make certain advances, investments and loans;

enter into certain transactions with affiliates;

engage in any business other than the packaging business and certain related businesses;

pay dividends; and

repurchase stock.

These covenants could restrict us in the pursuit of our growth strategy.

WE FACE COMPETITION FROM MANY COMPANIES AND WE MAY LOSE SALES OR EXPERIENCE LOWER MARGINS ON SALES AS A RESULT OF SUCH COMPETITION.

The manufacture and sale of metal and plastic containers and closures is highly competitive. We compete with other manufacturers of metal and plastic containers and closures and manufacturers of other packaging products, as well as packaged goods companies who manufacture containers and closures for their own use and for sale to others. We compete primarily on the basis of price, quality and service. To the extent that any of our competitors is able to offer better prices, quality and/or services, we could lose customers and our sales may decline.

Approximately 90 percent of our metal food container sales, a majority of sales of our plastic container business and a majority of sales of our domestic closures operations in 2007 were pursuant to multi-year supply arrangements. In general, many of these arrangements provide that during the term the customer may receive competitive proposals for all or up to a portion of the products we furnish to the customer. We have the right to retain the business subject to the terms and conditions of the competitive proposal.

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If we match a competitive proposal, it may result in reduced sales prices for the products that are the subject of the proposal. If we choose not to match a competitive proposal, we may lose the sales that were the subject of the proposal.

DEMAND FOR OUR PRODUCTS COULD BE AFFECTED BY CHANGES IN LAWS AND REGULATIONS APPLICABLE TO FOOD AND BEVERAGES AND CHANGES IN CONSUMER PREFERENCES.

We manufacture and sell consumer goods packaging products. Many of our products are used to package food and beverages, and therefore they come into direct contact with these products. Accordingly,

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such products must comply with various laws and regulations for food and beverages applicable to our customers. Changes in such laws and regulations could negatively impact our customers' demand for our products as they comply with such changes and/or require us to make changes to our products, such as changes to coatings and compounds that we use, possibly resulting in the incurrence by us of additional costs. Additionally, because our products are used to package consumer goods, we are subject to a variety of risks that could influence consumer behavior and negatively impact demand for our products, including changes in consumer preferences driven by various health-related concerns and perceptions.

OUR FINANCIAL RESULTS COULD BE ADVERSELY AFFECTED IF WE ARE NOT ABLE TO OBTAIN SUFFICIENT QUANTITIES OF RAW MATERIALS OR MAINTAIN OUR ABILITY TO PASS RAW MATERIAL PRICE INCREASES THROUGH TO OUR CUSTOMERS.

We purchase steel, aluminum, plastic resins and other raw materials from various suppliers. Sufficient quantities of these raw materials may not be available in the future. In addition, such materials are subject to price fluctuations due to a number of factors, including increases in demand for the same raw materials, the availability of other substitute materials and general economic conditions that are beyond our control.

Over the last few years, there has been significant consolidation of suppliers of steel. Additionally, tariffs and court cases in the United States have negatively impacted the ability and desire of certain foreign steel suppliers to competitively supply steel in the United States. In recent years, the steel industry in the United States announced significant price increases for steel. Our metal food container supply arrangements with our customers provide for the pass through of changes in our metal costs. For our non-contract customers, we also increased prices to pass through increases in our metal costs. In 2004, the steel industry experienced raw material supply difficulties and increased worldwide demand which resulted in a tighter than normal supply situation and adversely affected their ability to timely deliver steel. Nevertheless, as a result of our contracts and other arrangements with steel suppliers, we were able to obtain sufficient quantities of steel in 2004 to timely meet all of our customers requirements.

In the second half of 2005, the Gulf Coast experienced unforeseen hurricane activity which disrupted resin supply. Consequently, many resin suppliers, including many of our resin suppliers, declared force majeure under their supply arrangements and implemented sales volume control initiatives. Despite these challenges, our plastic container business was able to procure sufficient quantities of resins to meet substantially all of its customer needs, although at higher prices.

Although no assurances can be given, we expect to be able to purchase sufficient quantities of raw materials to timely meet all of our customers' requirements in 2008. Additionally, although no assurances can be given, we generally have been able to pass raw material price increases through to our customers. The loss of our ability to pass those price increases through to our customers or the inability of our suppliers to meet our raw material requirements, however, could have a materially adverse impact on our business, financial condition or results of operations.

A SUBSTANTIALLY LOWER THAN NORMAL CROP YIELD MAY REDUCE DEMAND FOR OUR METAL FOOD CONTAINERS AND CLOSURES.

Our metal food container business' sales and income from operations 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 the 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, and our results of operations could be impacted accordingly. Our sales, income from operations and net income could be materially adversely affected in a year in which crop yields are substantially lower than normal in both of the prime agricultural regions of the United States in which we operate.

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THE SEASONALITY OF THE FRUIT AND VEGETABLE PACKING INDUSTRY CAUSES US TO INCUR SHORT TERM DEBT.

We sell metal containers and closures used in the fruit and vegetable packing process which is a seasonal industry. As a result, we have historically generated a disproportionate amount of our annual income from operations in our third quarter. Additionally, as is common in the packaging industry, we must access 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, we incur short-term indebtedness to finance our working capital requirements.

THE COST OF PRODUCING OUR PRODUCTS MAY BE ADVERSELY AFFECTED BY INCREASES TO THE PRICE OF ENERGY.

The cost of producing our products is sensitive to our energy costs such as natural gas and electricity. We have, from time to time, entered into contracts to hedge a portion of our natural gas costs. Energy prices, in particular oil and natural gas, have increased in recent years, with a corresponding effect on our production costs.

WE MAY NOT BE ABLE TO PURSUE OUR GROWTH STRATEGY BY ACQUISITION.

Historically, we have grown predominantly through acquisitions. Our future growth will depend in large part on additional acquisitions of consumer goods packaging businesses. We may not be able to locate or acquire other suitable acquisition candidates consistent with our strategy, and we may not be able to fund future acquisitions because of limitations relating to our indebtedness or otherwise.

FUTURE ACQUISITIONS MAY CREATE RISKS AND UNCERTAINTIES THAT COULD ADVERSELY AFFECT OUR OPERATING RESULTS AND DIVERT OUR MANAGEMENT'S ATTENTION.

In pursuing our strategy of growth through acquisitions, we will face risks commonly encountered with an acquisition strategy. These risks include:

failing to identify material problems and liabilities in our due diligence review of acquisition targets;

failing to obtain sufficient indemnification rights to fully offset possible liabilities associated with acquired businesses;

failing to assimilate the operations and personnel of the acquired businesses;

disrupting our ongoing business;

diluting our limited management resources;

operating in new geographic regions; and

impairing relationships with employees and customers of the acquired business as a result of changes in ownership and management.

Through our experience integrating our acquisitions, we have learned that, depending upon the size of the acquisition, it can take us up to two to three years to completely integrate an acquired business into our operations and systems and realize the full benefit of the integration. During the early part of this integration period, the operating results of an acquired business may decrease from results attained prior to the acquisition due to costs, delays or other problems in integrating the acquired business. Moreover, additional indebtedness incurred to fund acquisitions could adversely affect our liquidity and financial stability.

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IF WE ARE UNABLE TO RETAIN KEY MANAGEMENT, WE MAY BE ADVERSELY AFFECTED.

We believe that our future success depends, in large part, on our experienced management team. Losing the services of key members of our current management team could make it difficult for us to manage our business and meet our objectives.

PROLONGED WORK STOPPAGES AT OUR FACILITIES WITH UNIONIZED LABOR COULD JEOPARDIZE OUR FINANCIAL CONDITION.

As of December 31, 2007, we employed approximately 6,300 hourly employees on a full-time basis. Approximately 50 percent of our hourly plant employees in the United States and Canada as of that date were represented by a variety of unions, and most of our hourly employees in Europe, Asia and South America were represented by a variety of unions or other labor organizations. Our labor contracts expire at various times between 2008 and 2012. Prolonged work stoppages at our facilities could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot assure you that, upon expiration of existing collective bargaining agreements, new agreements will be reached without union action or that any such new agreements will be on terms no less favorable than current agreements.

WE ARE SUBJECT TO COSTS AND LIABILITIES RELATED TO ENVIRONMENTAL AND HEALTH AND SAFETY LAWS AND REGULATIONS.

We continually review our compliance with environmental and other laws, such as the Occupational Safety and Health Act and other laws regulating noise exposure levels and other safety and health concerns in the production areas of our plants in the U.S. and environmental protection, health and safety laws and regulations abroad. We may incur liabilities for noncompliance, or substantial expenditures to achieve compliance, with environmental and other laws or changes thereto in the future or as a result of the application of additional laws and regulations to our business. In addition, stricter regulations, or stricter interpretations of existing laws or regulations, may impose new liabilities on us, and we may become obligated in the future to incur costs associated with the investigation and/or remediation of contamination at our facilities or other locations. Additionally, many of our products come into contact with the food and beverages that they package, and therefore we may be subject to risks and liabilities related to health and safety matters in connection with our products. Such liabilities and costs could have a material adverse effect on our capital expenditures, results of operations, financial condition or competitive position.

OUR INTERNATIONAL OPERATIONS ARE SUBJECT TO VARIOUS RISKS THAT MAY ADVERSELY AFFECT OUR FINANCIAL RESULTS.

As a result of our acquisition of White Cap in Europe, Asia and South America, our business has become more international in scope. As of February 29, 2008, we have a total of nine manufacturing facilities in a total of eight countries in Europe, Asia and South America, serving customers in over 70 countries worldwide. Our closures operations in Europe, Asia and South America generate a significant amount of our consolidated net sales. In 2007, these operations generated approximately \$313.4 million of our consolidated net sales. Our business strategy may include continued expansion of international activities. Accordingly, the risks associated with operating in foreign countries, including countries located in Europe, Asia and South America, may have a negative impact on our liquidity and net income. Risks associated with operating in foreign countries include, but are not limited to:

political, social and economic instability;

inconsistent product regulation or policy changes by foreign agencies or governments;

war, civil disturbance or acts of terrorism;

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compliance with and changes in applicable foreign laws;

loss or non-renewal of treaties or similar agreements with foreign tax authorities;

difficulties in enforcement of contractual obligations and intellectual property rights;

high social benefits for labor;

national and regional labor strikes;

imposition of limitations on conversions of foreign currencies into dollars or payment of dividends and other payments by non-U.S. subsidiaries;

foreign exchange rate risks;

hyperinflation and currency devaluation in certain foreign countries;

duties, taxes or government royalties, including the imposition or increase of withholding and other taxes on remittances and other payments by non-U.S. subsidiaries;

customs, import/export and other trade compliance regulations;

non-tariff barriers and higher duty rates;

difficulty in collecting international accounts receivable and potentially longer payment cycles;

increased costs in maintaining international manufacturing and marketing efforts; and

taking of property by nationalization or expropriation without fair compensation.

WE ARE SUBJECT TO THE EFFECTS OF FLUCTUATIONS IN FOREIGN EXCHANGE RATES.

Our reporting currency is the U.S. dollar. As a result of our international closures operations and our Canadian plastic container operations, a portion of our consolidated net sales, and some of our costs, assets and liabilities, are denominated in currencies other than the U.S. dollar. As a result, we must translate local currency financial results into U.S. dollars based on average exchange rates prevailing during a reporting period for the preparation of our consolidated financial statements. Consequently, changes in exchange rates may unpredictably and adversely affect our consolidated operating results. For example, during times of a strengthening U.S. dollar, our reported international revenue and earnings will be reduced because the local currency will translate into fewer U.S. dollars. Conversely, a weakening U.S. dollar will effectively increase the dollar-equivalent of our expenses denominated in foreign currencies. Although we may use currency exchange rate protection agreements from time to time to

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reduce our exposure to currency exchange rate fluctuations in some cases, these hedges may not eliminate or reduce the effect of currency fluctuations.

IF THE INVESTMENTS IN OUR PENSION PLANS DO NOT PERFORM AS EXPECTED, WE MAY HAVE TO CONTRIBUTE ADDITIONAL AMOUNTS TO THESE PLANS, WHICH WOULD OTHERWISE BE AVAILABLE TO COVER OPERATING AND OTHER EXPENSES.

We maintain noncontributory, defined benefit pension plans covering a substantial number of our employees, which we fund based on certain actuarial assumptions. The plans' assets consist primarily of common stocks and fixed income securities. If the investments in the plans do not perform at expected levels, then we will have to contribute additional funds to ensure that the plans will be able to pay out benefits as scheduled. Such an increase in funding could result in a decrease in our available cash flow.

IF WE WERE REQUIRED TO WRITE-DOWN ALL OR PART OF OUR GOODWILL OR TRADE NAMES, OUR NET INCOME AND NET WORTH COULD BE MATERIALLY ADVERSELY AFFECTED.

As a result of our acquisitions, we have \$310.7 million of goodwill and \$32.1 million of trade names recorded on our consolidated balance sheet at December 31, 2007. We are required to periodically

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determine if our goodwill and trade names have become impaired, in which case we would write-down the impaired portion. If we were required to write-down all or part of our goodwill or trade names, our net income and net worth could be materially adversely affected.

OUR PRINCIPAL STOCKHOLDERS HAVE SUBSTANTIAL INFLUENCE OVER US AND THEIR EXERCISE OF THAT INFLUENCE COULD BE ADVERSE TO YOUR INTERESTS.

As of December 31, 2007, Messrs. Silver and Horrigan beneficially owned an aggregate of 12,269,670 shares of our common stock, or approximately 33 percent of our outstanding common stock. Accordingly, if they act together, they will be able to exercise substantial influence over all matters submitted to the stockholders for a vote, including the election of directors. In addition, we and Messrs. Silver and Horrigan have entered into an amended and restated principal stockholders agreement, or the Stockholders Agreement, that provides for certain director nomination rights. Under the Stockholders Agreement, the Group (as defined in the Stockholders Agreement) has the right to nominate for election all of our directors until the Group holds less than one-half of the number of shares of our common stock held by it in the aggregate on February 14, 1997. The Group generally includes Messrs. Silver and Horrigan and their affiliates and related family transferees and estates. At least one of the Group's nominees must be either Mr. Silver or Mr. Horrigan. On February 14, 1997, the Group held 14,306,180 shares of our common stock in the aggregate (as adjusted for our two-for-one stock split in 2005). Additionally, the Group has the right to nominate for election either Mr. Silver or Mr. Horrigan as a member of our Board of Directors when the Group no longer holds at least one-half of the number of shares of our common stock held by it in the aggregate on February 14, 1997 but beneficially owns 5 percent of our common stock. The Stockholders Agreement continues until the death or disability of both of Messrs. Silver and Horrigan. The provisions of the Stockholders Agreement could have the effect of delaying, deferring or preventing a change of control of Silgan Holdings Inc. and preventing our stockholders from receiving a premium for their shares of our common stock in any proposed acquisition of Silgan Holdings Inc.

ANTI-TAKEOVER PROVISIONS IN OUR CREDIT AGREEMENT, OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION AND OUR AMENDED AND RESTATED BY-LAWS COULD HAVE THE EFFECT OF DISCOURAGING, DELAYING OR PREVENTING A MERGER OR ACQUISITION. ANY OF THESE EFFECTS COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK.

Provisions of our amended and restated certificate of incorporation and our amended and restated by-laws may have the effect of delaying or preventing transactions involving a change of control of Silgan Holdings Inc., including transactions in which stockholders might otherwise receive a substantial premium for their shares over then current market prices, and may limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

In particular, our amended and restated certificate of incorporation provides that:

the board of directors is authorized to issue one or more classes of preferred stock having such designations, rights and preferences as may be determined by the board;

the board of directors is divided into three classes, and each year approximately one third of the directors are elected for a term of three years;

the board of directors is fixed at seven members; and

action taken by the holders of common stock must be taken at a meeting and may not be taken by consent in writing. Additionally, our amended and restated by-laws provide that a special meeting of the stockholders may only be called by either of our Co-Chairmen of the Board on their own initiative or at the request of a majority of the board of directors, and may not be called by the holders of common stock.

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Under our Credit Agreement, the occurrence of a change of control (as defined in the Credit Agreement) constitutes an event of default, permitting, among other things, the acceleration of amounts owed thereunder. Additionally, upon the occurrence of a change of control as defined in the indenture governing our 6^{3/4}% Senior Subordinated Notes due 2013, or 6^{3/4}% Notes, the holders thereof have the right to require the repurchase of the 6^{3/4}% Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued interest to the date of purchase.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

Table of Contents**ITEM 2. PROPERTIES.**

Our principal executive offices are located at 4 Landmark Square, Suite 400, Stamford, Connecticut 06901. The administrative headquarters and principal place of business for our metal food container business is located at 21800 Oxnard Street, Woodland Hills, California 91367; the administrative headquarters and principal place of business for our plastic container business is located at 14515 N. Outer Forty, Chesterfield, Missouri 63017; the administrative headquarters and principal places of business for our closures business are located at 1140 31st Street, Downers Grove, Illinois 60515 and Hansastrasse 4, 30419 Hannover, Germany. We lease all of these offices.

We own and lease properties for use in the ordinary course of business. The properties consist primarily of 31 operating facilities for the metal food container business, 24 operating facilities for the plastic container business and 14 operating facilities for the closures business. We own 32 of these facilities and lease 37. The leases expire at various times through 2020. Some of these leases provide renewal options as well as various purchase options.

Below is a list of our operating facilities, including attached warehouses, as of February 29, 2008 for our metal food container business:

Location	Approximate Building Area (square feet)
Tarrant, AL	89,100
Antioch, CA	144,500 (leased)
Kingsburg, CA	54,000 (leased)
Modesto, CA	37,800 (leased)
Modesto, CA	128,000 (leased)
Modesto, CA	150,000 (leased)
Riverbank, CA	167,000
Sacramento, CA	284,900 (leased)
Hoopeston, IL	323,000
Rochelle, IL	220,000
Waukegan, IL	74,200 (leased)
Hammond, IN	158,000 (leased)
Laporte, IN	144,000 (leased)
Ft. Dodge, IA	226,500 (leased)
Fort Madison, IA	150,700 (56,000 leased)
Savage, MN	160,000
St. Paul, MN	470,000
Mt. Vernon, MO	100,000
St. Joseph, MO	206,500
Maxton, NC	231,800 (leased)
Edison, NJ	265,500
Lyons, NY	149,700
Napoleon, OH	302,100 (leased)
Crystal City, TX	26,000 (leased)
Paris, TX	266,300 (leased)
Toppenish, WA	105,000
Menomonee Falls, WI	116,000
Menomonie, WI	129,400 (leased)
Oconomowoc, WI	114,600
Plover, WI	91,400 (leased)
Waupun, WI	212,000

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Below is a list of our operating facilities, including attached warehouses, as of February 29, 2008 for our plastic container business:

Location	Approximate Building Area (square feet)
Deep River, CT	140,000
Monroe, GA	139,600
Flora, IL	56,400
Woodstock, IL	186,700 (leased)
Woodstock, IL	129,800 (leased)
Ligonier, IN	469,000 (276,000 leased)
Plainfield, IN	105,700 (leased)
Seymour, IN	401,200
Franklin, KY	122,000 (leased)
Cape Girardeau, MO	96,700 (leased)
Penn Yan, NY	100,000
Ottawa, OH	267,000
Port Clinton, OH	401,400 (leased)
Breinigsville, PA	70,000 (leased)
Langhorne, PA	172,600 (leased)
Houston, TX	335,200
Richmond, VA	70,000 (leased)
Triadelphia, WV	168,400
Mississauga, Ontario	75,000 (leased)
Scarborough, Ontario	117,000
Woodbridge, Ontario	147,500 (leased)
Woodbridge, Ontario	97,600 (leased)
Lachine, Quebec	113,300 (leased)
Lachine, Quebec	77,800 (leased)

Below is a list of our operating facilities, including attached warehouses, as of February 29, 2008 for our closures business:

Location	Approximate Building Area (square feet)
Athens, GA	113,000 (leased)
Champaign, IL	184,900 (leased)
Evansville, IN	186,000
Richmond, IN	462,700
West Hazleton, PA	151,500 (leased)
Hannover, Germany	549,000 (leased)
Battipaglia, Italy	155,500
Niepolomice, Poland	170,100
Niepolomice, Poland	21,500
Torello, Spain	71,900 (leased)
Dudullu (Istanbul), Turkey	81,700 (leased)
Shanghai, China	49,400
Calamba (Manila), Philippines	38,800
Valencia, Venezuela	87,800

We lease our research facilities in Oconomowoc, Wisconsin, Norcross, Georgia, Downers Grove, Illinois and Hannover, Germany. We also own and lease other warehouse facilities that are detached from our manufacturing facilities. Additionally, we sublease other facilities that we previously operated.

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We believe that our plants, warehouses and other facilities are in good operating condition, adequately maintained, and suitable to meet our present needs and future plans. We believe that we have sufficient capacity to satisfy the demand for our products in the foreseeable future. To the extent that we need additional capacity, we believe that we can convert certain facilities to continuous operation or make the appropriate capital expenditures to increase capacity.

ITEM 3. LEGAL PROCEEDINGS.

We are a party to routine legal proceedings arising in the ordinary course of our business. We are not a party to, and none of our properties are subject to, any pending legal proceedings which could have a material adverse effect on our business or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

Our common stock is quoted on the Nasdaq Global Select Market System under the symbol SLGN. As of January 31, 2008, we had approximately 47 holders of record of our common stock.

On August 15, 2005, our Board of Directors declared a two-for-one stock split of our issued common stock, which was effected in the form of a stock dividend. Our stockholders of record at the close of business on September 1, 2005 were issued one additional share of our common stock for each share of our common stock held by them on that date. Such additional shares were issued on September 15, 2005.

We began paying quarterly cash dividends on our common stock of \$0.08 per share in the second quarter of 2004. In February 2005, our Board of Directors increased the amount of our quarterly cash dividend to \$0.10 per share and in each quarter of 2005 declared a cash dividend on our common stock of \$0.10 per share. In March 2006, our Board of Directors increased the amount of our quarterly cash dividend payable on our common stock to \$0.12 per share and in each quarter of 2006 declared a cash dividend on our common stock of \$0.12 per share. In February 2007, our Board of Directors increased the amount of our quarterly cash dividend payable on our common stock to \$0.16 per share and in each quarter of 2007 declared a cash dividend on our common stock of \$0.16 per share. In February 2008, our Board of Directors increased the amount of our quarterly cash dividend payable on our common stock to \$0.17 per share. The payment of future dividends is at the discretion of our Board of Directors and will be dependent upon our consolidated results of operations and financial condition, federal tax policies and other factors deemed relevant by our Board of Directors. Additionally, we are allowed to pay cash dividends on our common stock up to specified limits under the Credit Agreement and our indenture for our 6³/₄% Notes. Such limits are materially higher than our current dividend amount.

The table below sets forth the high and low closing sales prices of our common stock as reported by the Nasdaq Global Select Market System for the periods indicated below and the cash dividends paid per share of our common stock in the periods indicated below.

	Closing Sales Prices		Cash Dividends Per Share
	High	Low	
2007			
First Quarter	\$51.54	\$42.95	\$0.16
Second Quarter	58.80	50.73	0.16
Third Quarter	61.10	48.48	0.16
Fourth Quarter	58.20	50.59	0.16

	Closing Sales Prices		Cash Dividends Per Share
	High	Low	
2006			
First Quarter	\$40.89	\$35.17	\$0.12
Second Quarter	40.06	35.88	0.12
Third Quarter	38.95	33.85	0.12
Fourth Quarter	44.58	37.72	0.12

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In the table that follows, we provide you with selected financial data of Silgan Holdings Inc. We have derived this data from our consolidated financial statements for the five years ended December 31, 2007. Our consolidated financial statements for the five years ended December 31, 2007 have been audited by Ernst & Young LLP, our independent registered public accounting firm.

You should read this selected financial data along with the consolidated financial statements and accompanying notes included elsewhere in this Annual Report, as well as the section of this Annual Report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Selected Financial Data

	Year Ended December 31,				
	2007(a)	2006(b)	2005	2004	2003
	(Dollars in millions, except per share data)				
Operating Data:					
Net sales	\$ 2,923.0	\$ 2,667.5	\$ 2,495.6	\$ 2,420.5	\$ 2,312.2
Cost of goods sold	2,509.3	2,305.1	2,171.6	2,110.1	2,026.7
Gross profit	413.7	362.4	324.0	310.4	285.5
Selling, general and administrative expenses	148.8	131.4	114.7	108.7	108.4
Rationalization charges	5.7	16.4	0.3	2.1	9.0
Income from operations	259.2	214.6	209.0	199.6	168.1
Interest and other debt expense	66.0	59.2	49.4	55.6	78.8
Loss on early extinguishment of debt		0.2	11.2	1.6	19.2
Interest and other debt expense	66.0	59.4	60.6	57.2	98.0
Income before income taxes and equity in losses of affiliates	193.2	155.2	148.4	142.4	70.1
Provision for income taxes	70.4	51.2	60.8	58.2	27.8
Income before equity in losses of affiliates	122.8	104.0	87.6	84.2	42.3
Equity in losses of affiliates					(0.3)
Net income	\$ 122.8	\$ 104.0	\$ 87.6	\$ 84.2	\$ 42.0
Per Share Data: (c)					
Basic net income per share	\$ 3.26	\$ 2.78	\$ 2.36	\$ 2.29	\$ 1.15
Diluted net income per share	\$ 3.22	\$ 2.74	\$ 2.33	\$ 2.26	\$ 1.14
Dividends per share	\$ 0.64	\$ 0.48	\$ 0.40	\$ 0.23	\$
Selected Segment Data:					
Net sales:					
Metal food containers	\$ 1,680.4	\$ 1,624.9	\$ 1,609.8	\$ 1,589.7	\$ 1,542.7
Plastic containers	627.4	592.3	610.1	578.4	561.7
Closures	615.2	450.3	275.7	252.4	207.8
Income from operations:					
Metal food containers (d)	151.3	133.4	151.4	138.0	126.8
Plastic containers (e)	50.2	42.5	40.8	52.1	48.0
Closures (f)	66.2	49.8	27.3	16.7	(0.8)

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	2007(a)	Year Ended December 31,			2003
		2006(b)	2005	2004	
(Dollars in millions, except per share data)					
Other Data:					
Capital expenditures	\$ 155.0	\$ 121.7	\$ 89.1	\$ 102.9	\$ 105.9
Depreciation and amortization (g)	138.0	126.2	121.2	118.5	111.3
Net cash provided by operating activities	279.7	221.6	209.1	277.7	223.8
Net cash used in investing activities	(158.9)	(438.4)	(86.0)	(92.9)	(310.0)
Net cash (used in) provided by financing activities	(41.6)	213.1	(138.1)	(161.5)	39.9

Balance Sheet Data (at end of period):

Goodwill	\$ 310.7	\$ 304.4	\$ 201.2	\$ 198.3	\$ 202.4
Total assets	2,140.0	2,008.4	1,530.6	1,597.2	1,621.1
Total debt	992.5	955.6	700.4	841.7	1,002.6
Stockholders' equity	500.1	366.5	273.4	207.4	120.8

Notes to Selected Financial Data

- (a) In January 2007, we acquired majority ownership of the White Cap closures operations in Venezuela.
- (b) In June 2006, we acquired the White Cap closures operations in Europe. In July 2006, we acquired the White Cap closures operations in Turkey, and in December 2006 we acquired the White Cap closures operations in China and the Philippines. In December 2006, we acquired Cousins-Currie.
- (c) Per share amounts have been restated for the two-for-one stock split of our common stock that occurred on September 15, 2005.
- (d) Income from operations of the metal food container business includes rationalization charges of \$5.5 million, \$12.1 million and \$0.8 million in 2007, 2006 and 2004, respectively.
- (e) Income from operations of the plastic container business includes rationalization charges of \$0.2 million, \$4.3 million, \$0.3 million, \$0.3 million and \$7.8 million in 2007, 2006, 2005, 2004 and 2003, respectively.
- (f) Income from operations of the closures business includes rationalization charges of \$1.0 million and \$1.2 million in 2004 and 2003, respectively.
- (g) Depreciation and amortization excludes amortization of debt issuance costs.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis is intended to assist you in understanding our consolidated financial condition and results of operations for the three-year period ended December 31, 2007. Our consolidated financial statements and the accompanying notes included elsewhere in this Annual Report contain detailed information that you should refer to in conjunction with the following discussion and analysis.

GENERAL

We are a leading manufacturer of metal and plastic consumer goods packaging products. We currently produce steel and aluminum containers for human and pet food; 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; and metal, composite and plastic vacuum closures for food and beverage products. We are the largest manufacturer of metal food containers in North America, with a unit volume market share for the year ended December 31, 2007 of approximately half of the market in the United States, 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 pet care markets, and a leading worldwide manufacturer of metal, composite and plastic vacuum closures for food and beverage products.

Our objective is to increase shareholder value by efficiently deploying capital and management resources to grow our business, reduce operating costs, 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 at compounded annual rates of 6.6 percent and 7.6 percent, respectively, over the past ten years, largely through acquisitions but also through internal growth, and we continue to evaluate acquisition opportunities in the consumer goods packaging market.

ACQUISITIONS

We acquired the White Cap closures operations from Amcor in Europe in June 2006, in Turkey in July 2006 and in China and the Philippines in December 2006. In January 2007, we acquired majority ownership of the White Cap closures operations in Venezuela from Amcor. The acquisition of the remaining White Cap operations in Brazil is subject to the satisfaction of certain conditions. White Cap is a leading supplier of an extensive range of vacuum closures to consumer goods packaging companies in the food and beverage industries. White Cap has been recombined with our previously acquired White Cap closures operations in the United States to create a global leader in vacuum closures for hot filled and retortable food and beverage products. At the respective closings, we paid an aggregate of \$284.3 million for White Cap, including acquisition fees, net of cash actually acquired of \$5.3 million, financed primarily through Euro borrowings under our Credit Agreement. As part of the acquisitions, we assumed \$18.7 million of indebtedness.

In December 2006, we acquired substantially all of the assets of Cousins-Currie, a leading manufacturer in Canada of larger-size custom designed plastic containers. The purchase price of \$41.8 million was financed primarily with Canadian dollar borrowings under our Credit Agreement.

In February 2008, consistent with our strategy to pursue consolidation opportunities in the international vacuum closures market, we acquired Vem, the metal vacuum closures operations of Grup Vemsa 1857, S.L., for an aggregate purchase price of approximately \$10 million, strengthening our position in the growing Southern European and Asian markets.

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SALES GROWTH

We have increased net sales and market share in our metal food container, plastic container and closures businesses through both acquisitions and internal growth. As a result, we have expanded and diversified our customer base, geographic presence and product lines.

During the past twenty years, the metal food container market has experienced significant consolidation primarily due to the desire by food processors to reduce costs and focus resources on their core operations rather than self-manufacture their metal food containers. Our acquisitions of the metal food container manufacturing operations of Nestlé, Dial, Del Monte, Birds Eye, Campbell and Pacific Coast reflect this trend. We estimate that approximately 7 percent of the market for metal food containers is still served by self-manufacturers.

The metal food container market in North America was relatively flat during this period, despite losing market share as a result of more dining out, fresh produce and competing materials. However, we increased our share of the market for metal food containers in the United States primarily through acquisitions, and we have enhanced our business by focusing on providing customers with high levels of quality and service and value-added features such as our Quick Top® easy-open ends. We anticipate that the market will be relatively flat in the future, but will continue to increase in areas of consumer convenience products such as single-serve sizes and easy-open ends. In 2007, 62 percent of our metal food containers sold had a Quick Top® easy-open end, representing an increase in unit sales of this value-added feature of 39 percent since 2002.

We have improved the market position of our plastic container business since 1987, with net sales increasing sevenfold to \$627.4 million in 2007. We achieved this improved market position primarily through strategic acquisitions as well as through internal growth. The plastic container market of the consumer goods packaging industry is highly fragmented, with growth rates in excess of population expansion due to substitution of plastic for other materials. We have focused on the segment of this market where custom design and decoration allows customers to differentiate their products such as in personal care. We intend to pursue further acquisition opportunities in markets where we believe that we can successfully apply our acquisition and value-added operating expertise and strategy.

With our acquisition in March 2003 of Silgan White Cap Americas LLC, our former closures joint venture with Amcor in which we held a minority position, we became a leading manufacturer of metal, composite and plastic vacuum closures in North America for food and beverage products. Prior to our acquisition in March 2003, this business was the North American business of the worldwide White Cap business. With our acquisition of White Cap, we reunited these businesses and reestablished it as a leading worldwide manufacturer of metal, composite and plastic vacuum closures for food and beverage products, with leadership positions in the North American and European markets.

OPERATING PERFORMANCE

We operate in a competitive industry where it is necessary to realize cost reduction opportunities to offset continued competitive pricing pressure. We have improved the operating performance of our plant facilities through the investment of capital for productivity improvements and manufacturing cost reductions. Our acquisitions have enabled us to rationalize plant operations and decrease overhead costs through plant closings and downsizings and to realize manufacturing efficiencies as a result of optimizing production scheduling. In 2006, we announced the closing of two metal food container manufacturing facilities and one plastic container manufacturing facility in connection with our continuing efforts to streamline our plant operations, reduce operating costs and better match supply with geographic demand.

We have also invested substantial capital in the past few years for new market opportunities and value-added products such as new Quick Top® easy-open ends for metal food containers. Over the past five years, we have invested \$574.6 million in capital to invest in new market opportunities, maintain our market position, improve our productivity and reduce our manufacturing costs.

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Historically, we have been successful in renewing our multi-year supply arrangements with our customers such as our metal food container supply agreements with our three largest customers, Nestlé (through 2013 for approximately 80 percent of our sales to Nestlé), Del Monte (through 2011) and Campbell (through 2013). We estimate that in 2008 approximately 90 percent of our projected metal food container sales, a majority of our projected plastic container sales and a majority of our projected closures sales in the United States will be under multi-year arrangements.

Many of our multi-year customer supply arrangements generally provide for the pass through of changes in raw material, labor and other manufacturing costs, thereby significantly reducing the exposure of our results of operations to the volatility of these costs. In recent years, the steel industry in the United States announced significant price increases for steel. Under our supply arrangements, we were able to increase prices to pass through higher steel costs. For our non-contract customers, we also increased prices to pass through higher steel costs. Resin prices have also increased significantly in the past few years, and we have been able to increase prices to pass through increased resin costs in accordance with our supply arrangements.

Our metal food container business sales and income from operations 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.

USE OF CAPITAL

Historically, we have used leverage to support our growth and increase shareholder returns. Our stable and predictable cash flow, generated largely as a result of our long-term customer relationships and generally recession resistant business, supports our financial strategy. We intend to continue using reasonable leverage, supported by our stable cash flows, to make value enhancing acquisitions. In determining reasonable leverage, we evaluate our cost of capital and manage our level of debt to maintain an optimal cost of capital based on current market conditions. In 2007, we retained a significant amount of cash, increasing cash balances at year end to \$95.9 million. 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 uses.

During 2006, we borrowed 200 million and Cdn \$45 million of term loans under our Credit Agreement to finance our acquisitions of White Cap and Cousins-Currie, respectively. In addition, our Credit Agreement allows for an incremental loan facility of \$350 million, which may be borrowed in the form of term loans or, for up to \$200 million, in the form of revolving loans. From 2004 through 2006, we utilized available cash flow to pay down \$374 million of borrowings under our Credit Agreement.

To the extent we utilize debt for acquisitions or other permitted purposes in future periods, our interest expense may increase. Further, since the revolving loan and term loan borrowings under the Credit Agreement bear interest at floating rates, our interest expense is sensitive to changes in prevailing rates of interest and, accordingly, our interest expense may vary from period to period. After taking into account interest rate swap agreements that we entered into to mitigate the effect of interest rate fluctuations, at December 31, 2007 we had \$353.5 million of indebtedness, or 36 percent of our total outstanding indebtedness, which bore interest at floating rates. You should read Note 8 to our Consolidated Financial Statements for the year ended December 31, 2007 included elsewhere in this Annual Report for information regarding our interest rate swap agreements.

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In light of our strategy to use leverage to support our growth and optimize shareholder returns, we have incurred and will continue to incur significant interest expense. For 2007, 2006 and 2005, our aggregate interest and other debt expense before the loss on early extinguishment of debt as a percentage of our income from operations was 25.5 percent, 27.6 percent and 23.6 percent, respectively.

RESULTS OF OPERATIONS

The following table sets forth certain income statement data expressed as a percentage of net sales for each of the periods presented. You should read this table in conjunction with our Consolidated Financial Statements for the year ended December 31, 2007 and the accompanying notes included elsewhere in this Annual Report.

	Year Ended December 31,		
	2007	2006	2005
Operating Data:			
Net sales:			
Metal food containers	57.5%	60.9%	64.5%
Plastic containers	21.5	22.2	24.4
Closures	21.0	16.9	11.1
Consolidated	100.0	100.0	100.0
Cost of goods sold	85.8	86.4	87.0
Gross profit	14.2	13.6	13.0
Selling, general and administrative expenses	5.1	5.0	4.6
Rationalization charges	0.2	0.6	
Income from operations	8.9	8.0	8.4
Interest and other debt expense	2.3	2.2	2.0
Loss on early extinguishment of debt			0.5
Interest and other debt expense	2.3	2.2	2.5
Income before income taxes	6.6	5.8	5.9
Provision for income taxes	2.4	1.9	2.4
Net income	4.2%	3.9%	3.5%

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Summary results for our business segments for the years ended December 31, 2007, 2006 and 2005 are provided below.

	Year Ended December 31,		
	2007	2006	2005
	(Dollars in millions)		
Net sales:			
Metal food containers	\$ 1,680.4	\$ 1,624.9	\$ 1,609.8
Plastic containers	627.4	592.3	610.1
Closures	615.2	450.3	275.7
Consolidated	\$ 2,923.0	\$ 2,667.5	\$ 2,495.6
Income from operations:			
Metal food containers ⁽¹⁾	\$ 151.3	\$ 133.4	\$ 151.4
Plastic containers ⁽²⁾	50.2	42.5	40.8
Closures	66.2	49.8	27.3
Corporate	(8.5)	(11.1)	(10.5)
Consolidated	\$ 259.2	\$ 214.6	\$ 209.0

(1) Includes rationalization charges of \$5.5 million and \$12.1 million in 2007 and 2006, respectively. You should also read Note 3 to our Consolidated Financial Statements for the year ended December 31, 2007 included elsewhere in this Annual Report.

(2) Includes rationalization charges of \$0.2 million, \$4.3 million and \$0.3 million in 2007, 2006 and 2005, respectively. You should also read Note 3 to our Consolidated Financial Statements for the year ended December 31, 2007 included elsewhere in this Annual Report.

YEAR ENDED DECEMBER 31, 2007 COMPARED WITH YEAR ENDED DECEMBER 31, 2006

Overview. Consolidated net sales were \$2.923 billion in 2007, representing a 9.6 percent increase as compared to 2006 principally due to the full year impact from the acquisitions of the international closures operations and Cousins-Currie, higher average selling prices across all businesses primarily as a result of the pass through of higher raw material and other manufacturing costs, improved volumes in each business and favorable foreign currency translation. Income from operations in 2007 increased by \$44.6 million, or 20.8 percent, as compared to 2006. The increase in income from operations was due to stronger results across all three businesses and the impact of \$10.7 million lower rationalization charges versus 2006. Net income in 2007 increased \$18.8 million to \$122.8 million. Our 2007 results included rationalization charges of \$0.10 per diluted share, net of tax. Our 2006 results included a tax benefit net of fees of \$0.15 per diluted share, as well as rationalization charges of \$0.29 per diluted share, net of tax.

Net Sales. The \$255.5 million increase in consolidated net sales in 2007 as compared to 2006 was the result of higher net sales across all businesses.

Net sales for the metal food container business increased \$55.5 million, or 3.4 percent, in 2007 as compared to 2006. This increase was primarily attributable to higher average selling prices due to the pass through of higher raw material and other manufacturing costs as well as slightly higher unit volumes.

Net sales for the plastic container business in 2007 increased \$35.1 million, or 5.9 percent, as compared to 2006. This increase was principally a result of the Cousins-Currie acquisition, improved unit volumes and higher average selling prices as a result of the pass through of higher raw material costs, partially offset by a less favorable mix of products sold.

Net sales for the closures business in 2007 increased \$164.9 million, or 36.6 percent, as compared to 2006. This increase was primarily the result of the full year impact from the acquisition of the international

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closures operations, favorable foreign currency translation of \$14.8 million, strong unit volume increases and higher average selling prices due to the pass through of higher raw material costs.

Gross Profit. Gross profit margin increased to 14.2 percent in 2007 as compared to 13.6 percent in 2006 for the reasons discussed below in Income from Operations.

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of consolidated net sales increased 0.1 percentage points to 5.1 percent in 2007 as compared to 5.0 percent in 2006, due primarily to the inclusion for the full year of the international closures operations which incur such expenses at a higher percentage of its sales than our other operations. Selling, general and administrative expenses for 2006 included the incurrence of \$1.5 million of tax professional fees for research and development tax initiatives.

Income from Operations. Income from operations for 2007 increased by \$44.6 million as compared to 2006, and operating margin increased to 8.9 percent from 8.0 percent over the same periods. We recorded rationalization charges totaling \$5.7 million and \$16.4 million in 2007 and 2006, respectively.

Income from operations of the metal food container business for 2007 increased \$17.9 million, or 13.4 percent, as compared to 2006, and operating margin increased to 9.0 percent from 8.2 percent over the same periods. These increases were the result of \$6.6 million lower rationalization charges in 2007, benefits derived from ongoing cost reduction initiatives including from plant closings completed during the year, slightly higher unit volumes and improved manufacturing performance. These benefits were partially offset by the negative cost impact in 2007 attributable to the reduction of provisional inventory as compared to the benefits of building this inventory in 2006 in anticipation of certain union negotiations which were completed in 2007.

Income from operations of the plastic container business for 2007 increased \$7.7 million, or 18.1 percent, as compared to 2006, and operating margin increased to 8.0 percent from 7.2 percent over the same periods. Income from operations and operating margin increased primarily as a result of the impact of the Cousins-Currie acquisition, a \$4.1 million reduction in rationalization charges in 2007, improved volumes and the benefits of productivity improvements and cost reductions. These benefits were partially offset by the negative effect of resin cost increases and the timing of the corresponding customer price pass through and a less favorable mix of products sold.

Income from operations of the closures business for 2007 increased \$16.4 million, or 32.9 percent, as compared to 2006, while operating margin decreased to 10.8 percent from 11.1 percent over the same periods. The increase in income from operations was primarily attributable to the full year effect of the international closures acquisition, improved volumes and continued cost reductions across the closures business. The decrease in operating margin was due primarily to the inclusion for the full year of the international operations which generally incur selling, general and administrative expenses at a higher percentage of sales as compared to the domestic operations.

Interest and Other Debt Expense. Interest and other debt expense for 2007 increased \$6.6 million to \$66.0 million as compared to 2006. This increase was primarily due to the full year impact of the 2006 acquisition borrowings.

Provision for Income Taxes. The effective tax rate for 2007 was 36.5 percent as compared to 33.0 percent in 2006. The increase in the effective tax rate was primarily attributable to the cumulative prior year benefits of tax initiatives related to research and development tax credits recorded in 2006, partly offset by lower statutory rates associated with the acquired international operations.

Table of Contents**YEAR ENDED DECEMBER 31, 2006 COMPARED WITH YEAR ENDED DECEMBER 31, 2005**

Overview. Consolidated net sales were \$2.668 billion in 2006, representing a 6.9 percent increase as compared to 2005 principally due to the acquisition of the international closures operations and higher average selling prices across all businesses primarily as a result of the pass through of higher raw material costs, partially offset by lower volumes in the metal food and plastic container businesses. Income from operations in 2006 increased by \$5.6 million, or 2.7 percent, as compared to 2005. The increase in income from operations was primarily due to the acquisition of the international closures operations and strong operating performance in the domestic closures operations, partially offset by the impact of rationalization charges of \$16.4 million and lower unit volumes in the metal food and plastic container businesses. Net income in 2006 increased \$16.4 million to \$104.0 million. Our 2006 results included a tax benefit net of fees of \$0.15 per diluted share attributable to tax initiatives implemented during the year, as well as rationalization charges of \$0.29 per diluted share, net of tax.

Net Sales. The \$171.9 million increase in consolidated net sales in 2006 as compared to 2005 was the result of an increase in sales in our closures and metal food container businesses, partially offset by a decrease in sales in our plastic container business.

Net sales for the metal food container business increased \$15.1 million, or 0.9 percent, in 2006 as compared to 2005. This increase was primarily attributable to higher average selling prices due to the pass through of higher raw material and other inflationary costs, partially offset by lower food can volumes. These volume declines were primarily due to poor growing conditions in California.

Net sales for the plastic container business in 2006 decreased \$17.8 million, or 2.9 percent, as compared to 2005. This decrease was principally a result of lower unit volumes, primarily as a result of the shutdown of our Valencia, California manufacturing facility and inventory reductions at certain retailers. This decrease was partially offset by higher average selling prices due to the pass through of higher raw material costs.

Net sales for the closures business in 2006 increased \$174.6 million, or 63.3 percent, as compared to 2005. This increase was attributable to the acquisition of the international closures operations and higher average selling prices due to the pass through of higher raw material costs.

Gross Profit. Gross profit margin increased to 13.6 percent in 2006 as compared to 13.0 percent in 2005 for the reasons discussed below in Income from Operations.

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of consolidated net sales increased 0.4 percentage points to 5.0 percent in 2006 as compared to 4.6 percent in 2005, due primarily to the inclusion of the international closures operations which incur such expenses at a higher percentage of its sales than our other operations. Selling, general and administrative expenses included \$1.5 million and \$1.2 million of tax professional fees for research and development and repatriation tax initiatives in 2006 and 2005, respectively.

Income from Operations. Income from operations for 2006 increased by \$5.6 million as compared to 2005, while operating margin decreased to 8.0 percent from 8.4 percent over the same periods. We recorded rationalization charges totaling \$16.4 million and \$0.3 million in 2006 and 2005, respectively.

Income from operations of the metal food container business for 2006 decreased \$18.0 million, or 11.9 percent, as compared to 2005, and operating margin decreased to 8.2 percent from 9.4 percent over the same periods. These decreases were principally due to the inclusion of rationalization charges recorded in 2006 for the exiting of the St. Paul, Minnesota and Stockton, California manufacturing facilities, a decline in unit volumes as a result of poor growing conditions in California and inflation in certain other manufacturing costs.

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Income from operations of the plastic container business for 2006 increased \$1.7 million, or 4.2 percent, as compared to 2005, and operating margin increased to 7.2 percent from 6.7 percent over the same periods. Income from operations and operating margin increased primarily as a result of the benefits of productivity improvements and headcount reductions and the benefit of declining resin costs during the first quarter of 2006 due to the timing of raw material cost pass throughs. These improvements were partially offset by lower unit volumes and the inclusion of rationalization charges recorded in 2006 for the shut down of the Valencia, California manufacturing facility.

Income from operations of the closures business for 2006 increased \$22.5 million, or 82.4 percent, as compared to 2005, and operating margin increased to 11.1 percent from 9.9 percent over the same periods. These increases were primarily due to the inclusion of seven months of operations of the European portion of the international closures acquisition and continued cost reductions in the domestic closures operations, offset by inflation in certain other manufacturing costs and higher selling, general and administrative expenses as a percentage of sales because the international operations incur such expenses at a higher rate as compared to the domestic operations.

Interest and Other Debt Expense. Interest and other debt expense before the loss on early extinguishment of debt for 2006 increased \$9.8 million to \$59.2 million as compared to 2005. This increase resulted primarily from higher outstanding borrowings which were used to fund the acquisitions completed in 2006 and the effects of higher market interest rates. In addition, in 2005 we incurred a non-cash, pre-tax charge of \$11.2 million for the loss on early extinguishment of debt primarily as a result of the refinancing of our previous senior secured credit facility in June 2005.

Provision for Income Taxes. The effective tax rate for 2006 was 33.0 percent as compared to 41.0 percent in 2005. The 2006 effective tax rate was impacted by the cumulative prior year benefits of tax initiatives related to research and development credits completed during the year, manufacturing credits available as a result of the American Jobs Creation Act and the overall impact of a lower effective tax rate associated with the international operations.

CAPITAL RESOURCES AND LIQUIDITY

Our principal sources of liquidity have been net cash from operating activities and borrowings under our debt instruments, including our 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 June 30, 2005, we completed the refinancing of our \$850 million previous senior secured credit facility by entering into our new \$1.0 billion Credit Agreement. The Credit Agreement provided us with \$425 million of A term loans and \$125 million of B term loans, and provides us with up to \$438 million and Cdn \$14 million of revolving loans. Under the Credit Agreement, we may use revolving loans for working capital and other general corporate purposes, including acquisitions. The Credit Agreement also provides us with an uncommitted incremental loan facility of up to an additional \$350 million, which may be used to finance acquisitions and for other permitted purposes. You should also read Note 7 to our Consolidated Financial Statements for the year ended December 31, 2007 included elsewhere in this Annual Report.

In 2005, we borrowed Cdn \$45 million of term loans under the Credit Agreement primarily to repatriate earnings of our Canadian subsidiaries in connection with the American Jobs Creation Act. In 2006, we borrowed 200 million and Cdn \$45 million of term loans under the Credit Agreement to fund our acquisitions of White Cap and Cousins-Currie, respectively.

Term loans under our Credit Agreement are repayable in scheduled amounts through June 30, 2012. In addition to our mandatory repayments, we made voluntary prepayments of our term loans of \$71.0 million and \$90.0 million, respectively, in 2006 and 2005.

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In 2007, we used cash from operations of \$279.7 million and net proceeds from stock-based compensation issuances of \$2.7 million to fund our acquisition of the White Cap operations in Venezuela for \$7.8 million, net of cash acquired, net capital expenditures of \$151.0 million, decreases in outstanding checks of \$7.2 million, net payments of debt of \$12.9 million and dividends paid on our common stock of \$24.3 million and to increase cash balances by \$79.2 million.

In 2007, changes in working capital generated cash of \$7.1 million as compared to using cash of \$30.5 million and \$21.6 million in 2006 and 2005, respectively, due primarily to the use of provisional inventory built in 2006 in anticipation of certain union negotiations which were completed in 2007 and the timing of payments and cash receipts at the end of 2007.

In 2006, we used cash from operations of \$221.6 million, net borrowings of revolving loans of \$7.1 million, net borrowings of long-term debt of \$224.5 million, cash balances of \$3.7 million and net proceeds from stock-based compensation issuances of \$5.8 million to fund our 2006 acquisitions for \$318.2 million, net of cash acquired, net capital expenditures of \$120.2 million, decreases in outstanding checks of \$3.9 million, debt issuance costs of \$2.4 million incurred in connection with our additional borrowings under the Credit Agreement and dividends paid on our common stock of \$18.0 million.

In 2005, we used cash from operations of \$209.1 million, increases in outstanding checks of \$18.9 million, cash balances of \$15.0 million, proceeds from stock option exercises of \$3.9 million to fund net payments of debt of \$141.3 million, net capital expenditures of \$86.0 million, dividends paid on common stock of \$14.9 million and debt issuance costs of \$4.7 million.

In February 2008, our Board of Directors declared a quarterly cash dividend on our common stock of \$0.17 per share, payable on March 25, 2008 to the holders of record of our common stock on March 11, 2008. The cash payment for this quarterly dividend is expected to be approximately \$6.5 million.

Revolving loans under our Credit Agreement may be used for working capital needs and other general corporate purposes, including acquisitions. Revolving loans may be borrowed, repaid and reborrowed over the life of our Credit Agreement until their final maturity on June 30, 2011. At December 31, 2007 and 2006, there were no revolving loans outstanding under our Credit Agreement. After taking into account letters of credit of \$43.0 million, borrowings available under the revolving loan facility of our Credit Agreement were \$409.3 million (in U.S. dollar equivalents) on December 31, 2007.

Because we sell metal containers used in the fruit and vegetable packing process, 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 packing season. Due to our seasonal requirements, we incur short-term indebtedness to finance our working capital requirements. For 2007, 2006 and 2005, the average amount of revolving loans outstanding under our Credit Agreement, including seasonal borrowings, was \$195.4 million, \$180.0 million and \$189.5 million, respectively; and, after taking into account outstanding letters of credit, the highest amount of such borrowings was \$325.3 million, \$321.5 million and \$289.8 million, respectively.

For 2008, we estimate that we will utilize approximately \$300-\$350 million of revolving loans under our Credit Agreement for our peak seasonal working capital requirements, which range could be lower if we use any cash retained at the end of 2007 for working capital needs. We may use the available portion of our revolving loan facilities, after taking into account our seasonal needs and outstanding letters of credit, for acquisitions and other permitted purposes.

In addition to our operating cash needs, we believe our cash requirements over the next few years will consist primarily of:

annual capital expenditures of \$110 to \$140 million;

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principal amortization payments of bank term loans under the Credit Agreement and other outstanding debt agreements of \$112.9 million in 2008, \$130.4 million in each of 2009 and 2010 and \$222.3 million in 2011;

cash payments for quarterly dividends on our common stock of approximately \$6.5 million (assuming our Board of Directors continues to approve dividends at the same level);

annual payments to satisfy employee withholding tax requirements resulting from certain restricted stock units becoming vested, which payments are dependent upon the price of our common stock at the time of vesting and the number of restricted stock units that vest, none of which is estimable at this time (payments in 2007 were not significant);

our interest requirements, including interest on revolving loans (the principal amount of which will vary depending upon seasonal requirements) and bank term loans under the Credit Agreement, which bear fluctuating rates of interest, and the 6³/₄% Notes; and

payments of approximately \$65 to \$75 million for federal, state and foreign tax liabilities in 2008, which includes the benefits from the recent Economic Stimulus Act of 2008 and which may increase annually thereafter.

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, share repurchases required under our 2004 Stock Incentive Plan and common stock dividends for the foreseeable future. We continue to evaluate acquisition opportunities in the consumer goods packaging market and may incur additional indebtedness, including indebtedness under the Credit Agreement, to finance any such acquisition.

The Credit Agreement and the indenture with respect to the 6³/₄% Notes contain restrictive covenants that, among other things, limit our ability to incur debt, sell assets, pay dividends and engage in certain transactions. We do not expect these limitations to have a material effect on our business or our results of operations. 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 2008 with all of these covenants.

CONTRACTUAL OBLIGATIONS

Our contractual cash obligations at December 31, 2007 are provided below:

	Total	Payment due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
		(Dollars in millions)			
Long-term debt obligations ⁽¹⁾	\$ 992.5	\$ 112.9	\$ 260.7	\$ 418.9	\$ 200.0
Interest on fixed rate debt ⁽²⁾	79.5	13.7	27.0	27.0	11.8
Interest on variable rate debt ⁽³⁾	136.5	43.8	68.5	24.2	
Operating lease obligations	159.2	28.3	44.4	33.0	53.5
Purchase obligations ⁽⁴⁾	22.9	22.9			
Other postretirement benefit obligations ⁽⁵⁾	46.5	4.9	10.0	9.8	21.8
Total ⁽⁶⁾	\$ 1,437.1	\$ 226.5	\$ 410.6	\$ 512.9	