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

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 OR 15(d) of**
**The Securities Exchange Act of 1934**

**November 14, 2018**
Date of Report (Date of earliest event reported)

# OWENS-ILLINOIS, INC.
(Exact name of registrant as specified in its charter)

| **Delaware** | **1-9576** | **22-2781933** |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (I.R.S. Employer Identification Number) |

| **One Michael Owens Way Perrysburg, Ohio** | **43551-2999** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

**(567) 336-5000**
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

**ITEM 7.01. REGULATION FD DISCLOSURE.**

Owens-Illinois, Inc. (the "Company") will host an investor day on November 14, 2018. A live webcast of the event will begin at 8:30 a.m., EST and presentation materials will be available on the Company's website, www.o-i.com/investors, in the Presentations & Webcast section. A replay of the webcast will be available following the call. A copy of the presentation slides, which will be discussed at investor day, is attached hereto as Exhibit 99.1.

The information contained in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed "filed" with the Securities and Exchange Commission or otherwise incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

**ITEM 8.01. OTHER EVENTS.**

On November 14, 2018, the Company announced that its Board of Directors (the "Board") has declared a cash dividend of $0.05 per share on all of the issued and outstanding shares of the Company's common stock, payable on February 12, 2019 to shareholders of record on the close of business on January 22, 2019. The Board anticipates declaring a dividend in future quarters on a regular basis; however, future declarations of dividends are subject to Board approval and may be adjusted based on the Company's results of operations, financial position and cash flows or as business needs or market conditions change.

Also on November 14, 2018, the Company announced that the Board has authorized a $313 million increase to the Company's existing $400 million share repurchase program for its common stock that was previously announced in February 2018. With this increase and taking into account repurchases already made under the existing program, the Company had approximately $600 million in remaining repurchase authority as of November 1, 2018.

Under the repurchase program, repurchases can be made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions, accelerated share repurchase programs, or otherwise, all in accordance with the requirements of the Securities and Exchange Commission and other applicable legal requirements. The specific timing, price and size of purchases will depend on prevailing stock prices, general economic and market conditions, and other considerations. The repurchase program does not obligate the Company to acquire any particular amount of its common stock, and the repurchase program may be suspended or discontinued at any time at the Company's discretion.

**Forward-Looking Statements**

This Current Report on Form 8-K contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Forward-looking statements reflect the Company's current expectations and projections about future events at the time, and thus involve uncertainty and risk. The words "believe," "expect," "anticipate," "will," "could," "would," "should," "may," "plan," "estimate," "intend," "predict," "potential," "continue," and the negatives of these words and other similar expressions generally identify forward-looking statements. It is possible the Company's future financial performance may differ from expectations due to a variety of factors including, but not limited to the following: (1) foreign currency fluctuations relative to the U.S. dollar, (2) changes in capital availability or cost, including interest rate fluctuations and the ability of the Company to refinance debt at favorable terms, (3) the general political, economic and competitive conditions in markets and countries where the Company has operations, including uncertainties related to economic and social conditions, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (4) the Company's ability to generate sufficient future cash flows to ensure the Company's goodwill is not impaired, (5) consumer preferences for alternative forms of packaging, (6) cost and availability of raw materials, labor, energy and transportation, (7) the Company's ability to manage its cost structure, including its success in implementing restructuring plans and achieving cost savings, (8) consolidation among competitors and customers, (9) the Company's ability to acquire businesses and expand plants, integrate operations of acquired businesses and achieve expected synergies, (10) unanticipated expenditures with respect to environmental, safety and health laws, (11) unanticipated operational disruptions, including higher capital spending, (12) the Company's ability to further develop its sales, marketing and product development capabilities, (13) the failure of the Company's joint venture partners to meet their obligations or commit additional capital to the joint venture, (14) the Company's ability to prevent and detect cybersecurity threats against its information technology systems, (15) the Company's ability to accurately estimate its total asbestos-related liability or to control the timing and occurrence of events related to outstanding asbestos-related claims, including but not limited to settlements of those claims, (16) changes in U.S. trade policies, (17) the Company's ability to achieve its strategic plan, and the other risk factors discussed in the Annual Report on Form 10-K for the year ended December 31, 2017 and the Company's other filings with the Securities and Exchange Commission. It is not possible to foresee or identify all such factors. Any forward-looking statements in this Current Report on Form 8-K are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. Forward-looking statements are not a guarantee of future performance and actual results or developments may differ materially from expectations. While the Company continually reviews trends and uncertainties affecting the Company's results of operations and financial condition, the Company does not assume any obligation to update or supplement any particular forward-looking statements contained in this Current Report on Form 8-K.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

**(d) Exhibits.**

| Exhibit No. | Description |
|---|---|
| 99.1 | Owens-Illinois, Inc. Investor Day 2018 Presentation Slides |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

| | | |
|---|---|---|
| | | OWENS-ILLINOIS, INC. |
| Date: November 14, 2018 | By: | /s/ Jan A. Bertsch |
| | Name: | Jan A. Bertsch |
| | Title: | Senior Vice President and Chief Financial Officer |

Exhibit 99.1

# SAFE HARBOR COMMENTS

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The Company routinely posts important information on its website – www.o-i.com/investors.


ANDRES LOPEZ // CEO
Transformational Journey

# AGENDA

- Where we started
- Progress made
- Converging forces for glass and O-I growth
- Deeper understanding of our strategy
- Financial commitments
- Q&A

# O-I'S DRAMATICALLY **BETTER POSITION TODAY ENABLES OUR FUTURE**

**INCREASED aEPS** ~37%

**SALES VOLUME GROWTH**
12% for O-I

**SHARE REPURCHASE**
$125M share buybacks

**ADJUSTED FREE CASH FLOW**
~$395M average

**MARGIN EXPANSION**
+170 basis points

**INTEGRATING ACQUISITIONS**

**DE-RISKING**
Reduced legacy liabilities ~20%

*Note: statistics generally 2018f vs 2015*

# DELIVERING ON **OUR TRANSFORMATION**

**2016-2018** *Rising earnings; solid cash generation; deleverage; initiate share buybacks*

- ☑ Business stability
- ☑ Commercial performance
- ☑ Flexibility
- ☑ Structural cost reduction
- ☑ Performance culture & talent

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**2019-2021** *Initiate dividend; increase share buybacks; de-risk balance sheet*

- ☐ Grow & expand given favorable market trends
- ☐ Structural cost improvement
- ☐ Sustainability
- ☐ Breakthrough technology
- ☐ Capital allocation

**INITIATE QUARTERLY DIVIDEND**

$0.05 per share starting 1Q19

# DELIVERING ON **OUR TRANSFORMATION**

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## BEYOND 2021

- ☐ Simplified, agile organization
- ☐ Commercialize technology
- ☐ Continued momentum

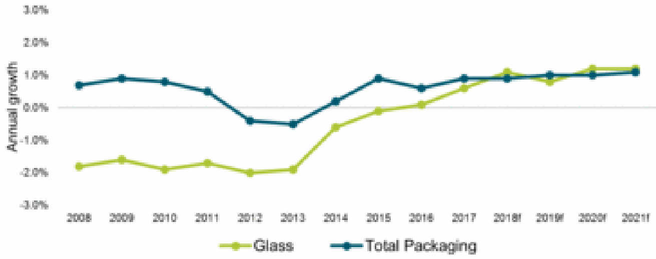

RENEWED
INTEREST
IN GLASS

# 2016: **INFLECTION POINT** FOR GLASS GROWTH

## WORLDWIDE (excluding China)


## GROWTH IN DEVELOPED MARKETS

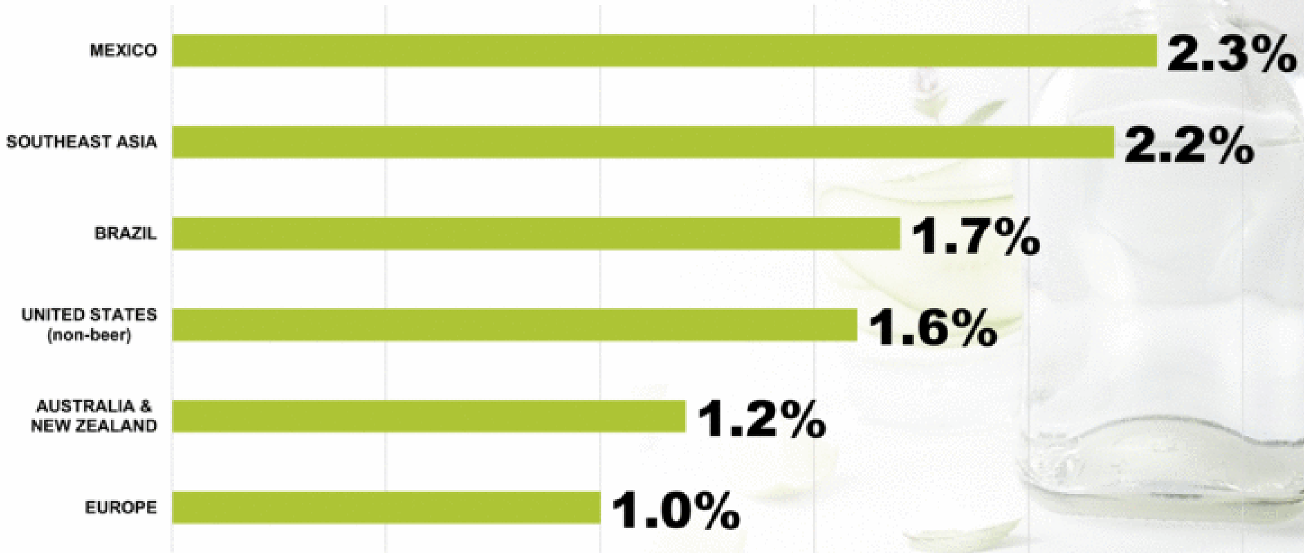

## GROWTH IN WESTERN EUROPE




## NON-BEER IN THE U.S.


*Source: Euromonitor*

# **PROJECTED GROWTH** IN THE GLASS INDUSTRY 2019-2021




Source: Euromonitor

# KEY **MARKET TRENDS**

## PREMIUMIZATION

Value redefined through customization and differentiation

## SUSTAINABILITY

Heightened awareness of environmentally-friendly packaging

## HEALTH & WELLNESS

Preservation of taste and integrity of products inside and out

# GROW O-I SHARE:
## HIGH GLASS PARTICIPATION IN ALCOHOLIC BEVERAGES

**Key focus areas for O-I to grow share:**

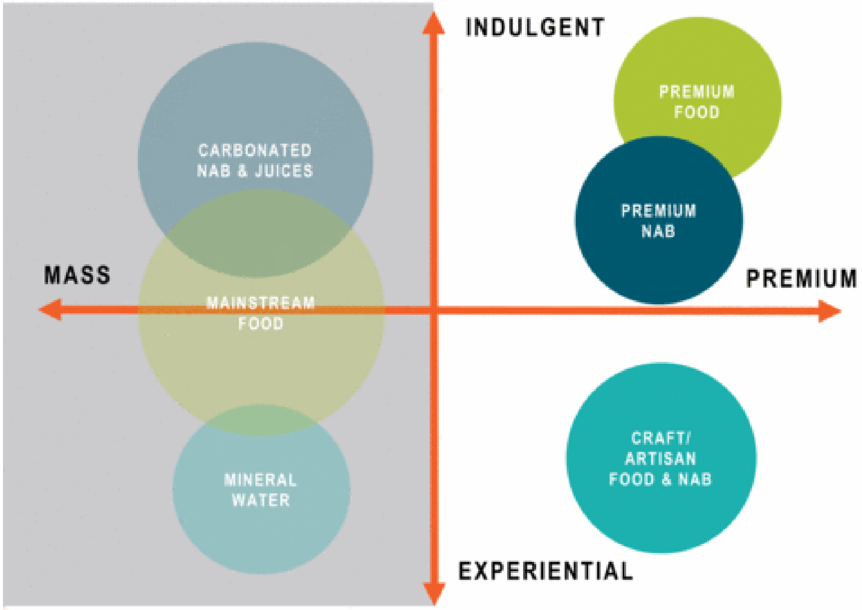
- Premium segments with unique value proposition
- Craft segments with flexible late stage differentiation
- Mass segments delivering affordable differentiation

Global Market for Beer, Wine & Spirits


PREMIUM GROWTH EQUATES TO **2** INCREMENTAL FURNACES / YEAR

MAINSTREAM GROWTH EQUATES TO **3** INCREMENTAL FURNACES / YEAR

# GROW GLASS SHARE: LOW GLASS PARTICIPATION TODAY IN FOOD, NON-ALCOHOLIC BEVERAGES




**Presently, glass has a low share of food and NAB global markets**

| 7% | 10% |
|---|---|
| Food Glass Share* | NAB Glass Share* |

**Glass to gain share in premium segments** leveraging unlimited differentiation and health & wellness trends

**1% market share increase for Top 15 customers = 2M Tons**

**O-I will continue to focus on premium food and NAB to capture growth**

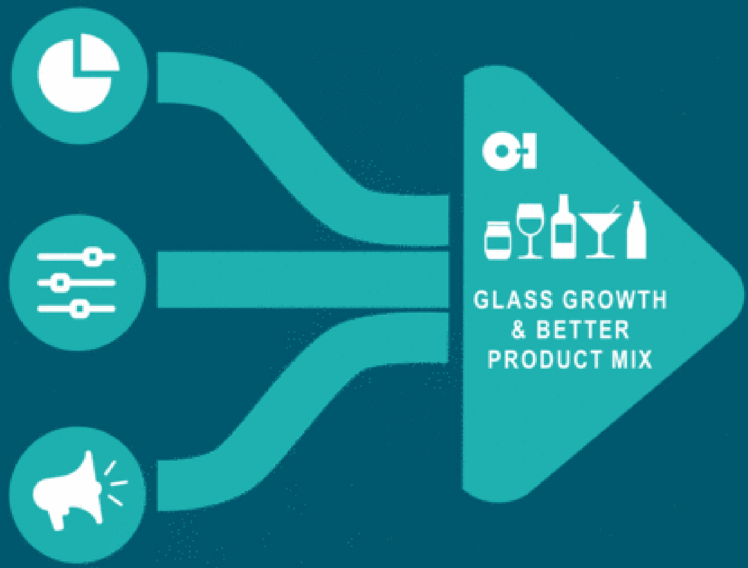
*Source: Euromonitor

# CONVERGING FORCES DRIVE **GLASS GROWTH**

**MARKET TRENDS**
Premiumization
Sustainability
Health & Wellness

**O-I CAPABILITIES**
Flexibility
Innovation
Technology
Culture

**KEY INFLUENCERS**
Consumers
Customers
Retail
Gov't / NGO / Media




ADDRESSING
OPERATIONAL CONSTRAINTS
High capital intensity
Low scalability
Slow speed to market for new capacity
Limited production flexibility

# MAGMA: REIMAGINING GLASSMAKING

FLEXIBLE, MODULAR, STANDARDIZED GLASS PRODUCTION

## SCALABLE

Highly scalable at small and large increments

New capacity at lower capital commitments

## RAPID DEPLOYMENT

Prefabrication

Reduced construction timeline

## LOWER CAPITAL INTENSITY

Significantly less capital per ton

Exponentially lower maintenance capital

## LOWER OPERATING COST

At or below current legacy cost per ton

Rebuilds take days, not weeks

Improved sustainability profile

## PRODUCTION FLEXIBILITY

Start / Stop capability

Simplifies color and job changes

## MOBILITY / STRUCTURE

Industrial warehouse facility vs. traditional factory structure

Enables co-location with customers

MAGMA units are integrated lines that can be moved

## OUR **VALUE CREATION PLATFORMS**

### GROW & EXPAND

### STRUCTURAL COST IMPROVEMENT

### SUSTAINABILITY

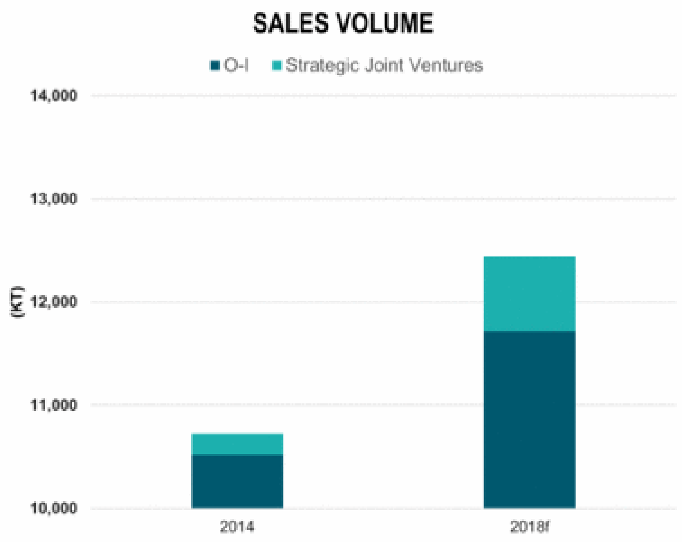
### BREAKTHROUGH TECHNOLOGY

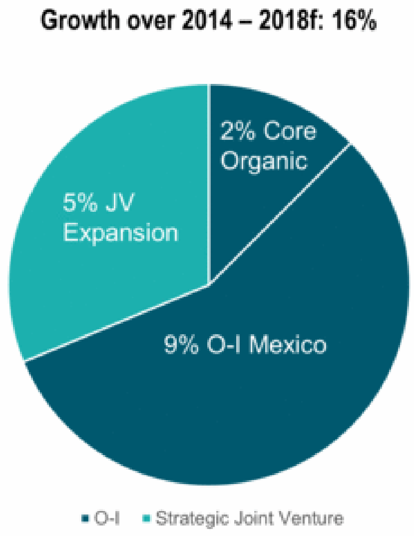
### CAPITAL ALLOCATION


JOHN HAUDRICH // CHIEF STRATEGY & INTEGRATION OFFICER
Value Creation Platforms

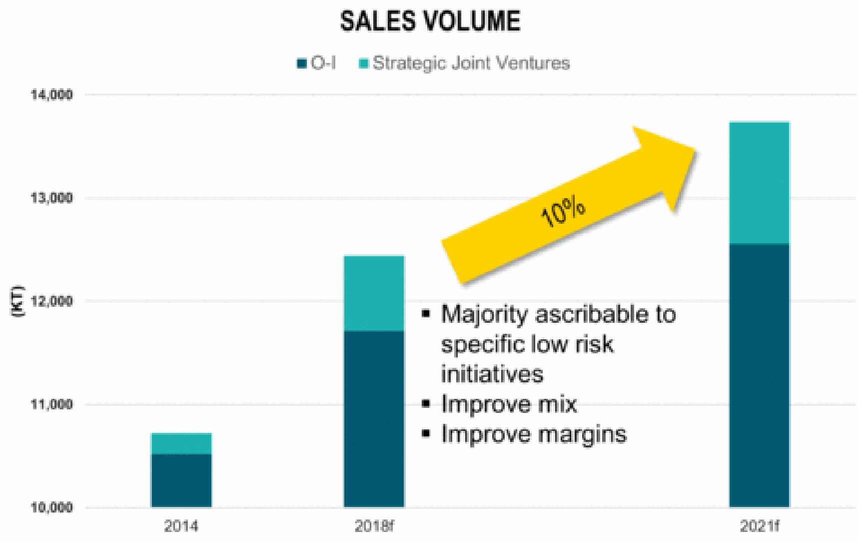

GROW
AND EXPAND

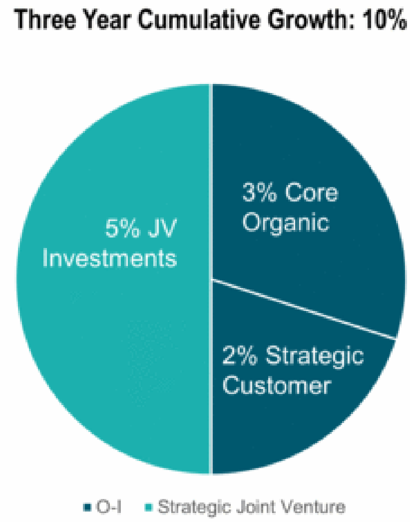
# GROW AND EXPAND: A HISTORICAL PERSPECTIVE



# GROW AND EXPAND: OUR FUTURE OUTLOOK



# ENABLING **GROWTH AND EXPANSION**

**STRATEGIC CUSTOMERS**
Working with strategic global customers to enable their expansion plans

**GEOGRAPHY**
Initiatives across all 3 regions, focus on Latin America and Western Europe

**EXPANSION**
Enter attractive markets with bolt-on acquisitions

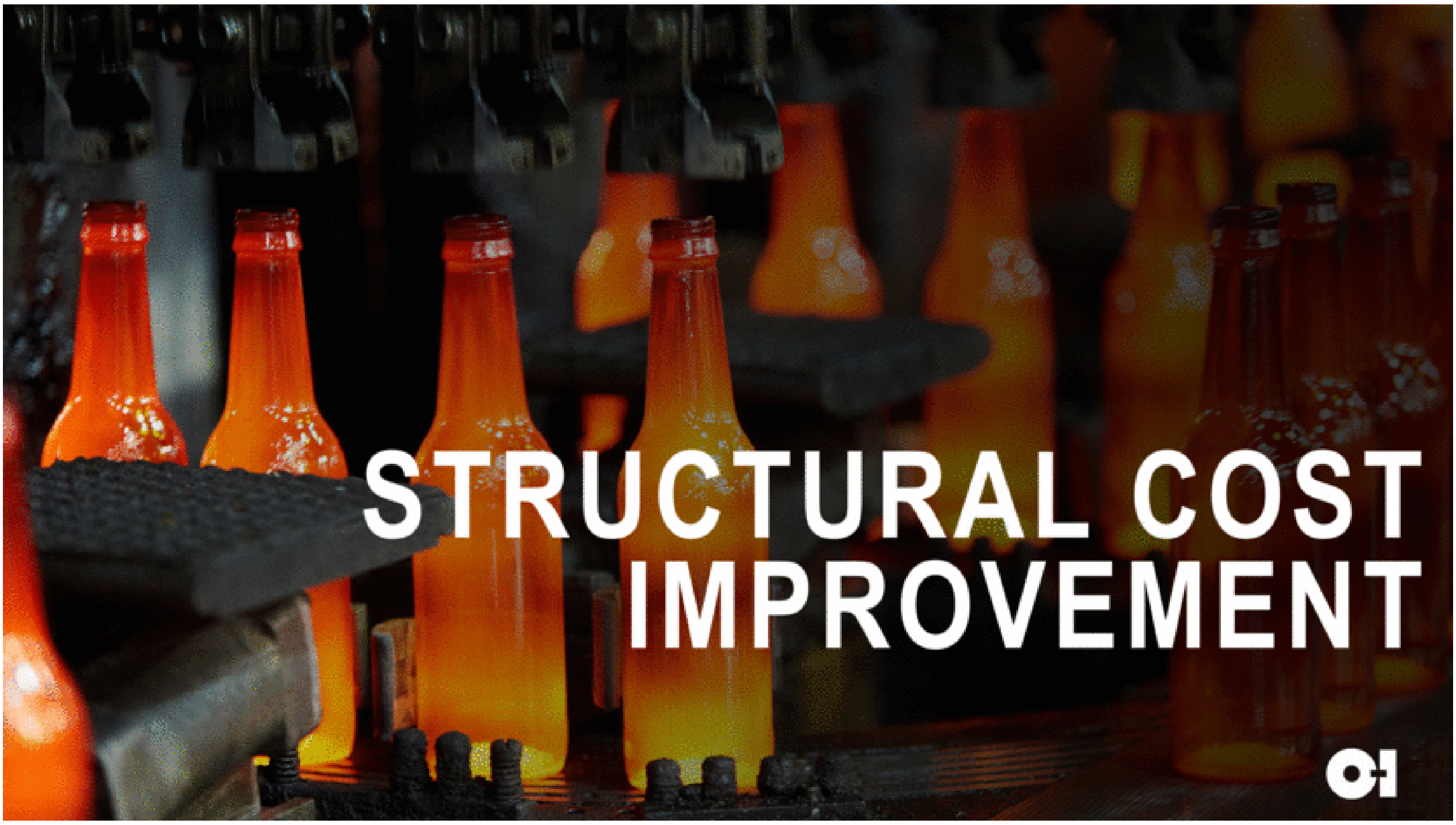
**TOTAL STRATEGIC INVESTMENTS**
$400-$600M
Target returns ~12-25+%

**TACTICAL DIVESTITURES**
Divest non-core operations with $400M – $500M net proceeds through 2021

**INCREMENTAL CAPACITY FOR GROWTH**
5 new furnaces, approximately 18 machine line extensions

# **COMEGUA:** EXPANDING IN THE AMERICAS TO BETTER SERVE OUR GLOBAL CUSTOMERS

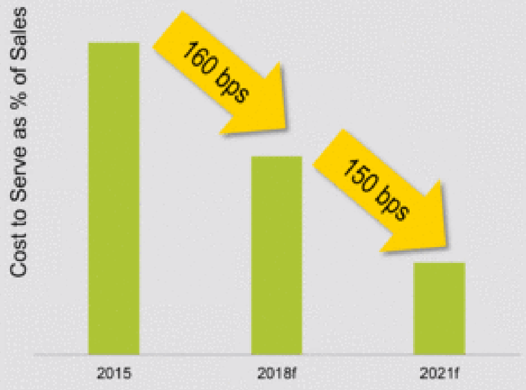
- $119M for a 49.7% interest in Comegua, the leading glass operation in Central America and the Caribbean
  - 6.0x EV/EBITDA multiple, before synergies
  - Immediately accretive to earnings
- Expansion into Central American glass container market where O-I has no manufacturing presence
  - 1 plant in Guatemala and 1 plant in Costa Rica
- Connects O-I's footprint across the Americas, extending from Canada to Argentina
- Opportunities to work together to optimize the combined glass container supply chain


STRUCTURAL COST
IMPROVEMENT

# **IMPROVE COST** POSITION

- Becoming the most cost effective producer
- Significant progress over past three years
  - Cost to serve is down 160 basis points
  - Total System Cost delivers $125M
  - Footprint optimization
  - Organizational simplification
- Targeting an additional 150 basis points cost reduction over next three years
  - Extend Total System Cost
    - — Augment with capex investments of $80-100M, with returns of 25%
  - Continued footprint optimization
  - Enhance organizational simplification

## COST PERFORMANCE TREND



# IMPROVED OPERATING PERFORMANCE

## INCREASED FLEXIBILTY
Color changes up 11%
Job changes up 7%

## SPEED INCREASE
Added capacity equivalent to a full year of one furnace

## IMPROVED QUALITY
Quality costs down 16%

## SAFETY
Incident rate down 15%

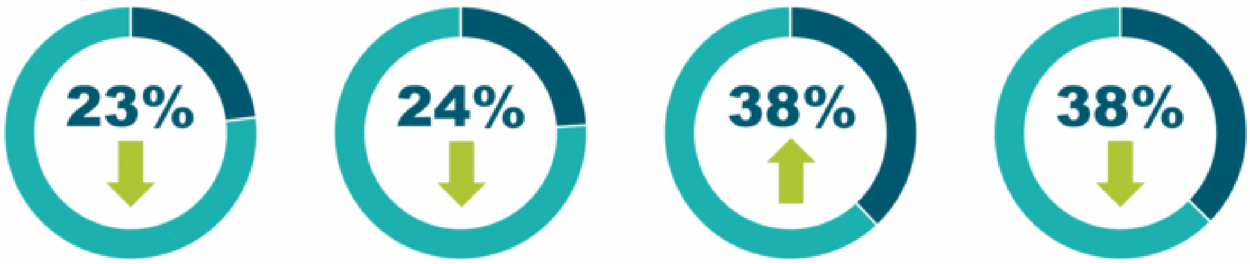
## LOWER INVENTORY
IDS down 10%

## LOWER UNPLANNED DOWNTIME
Down 6%

*Note: statistics generally 2018f vs 2015*


SUSTAINABILITY

# **SUSTAINABILITY** RESULTS 2007-2017




| **ENERGY** | **EMISSION** | **RECYCLED GLASS** | **SAFETY** |
|---|---|---|---|
| Reduction in absolute energy, or a 14% reduction per container packed | Reduction in absolute $CO_2$ equivalent emissions, or a 14% reduction per container packed | Global average for post-consumer recycled glass use | Improvement in Total Recordable Incident Rate (2013-2017) |

# SUSTAINABILITY STRATEGY **EMBEDDED IN ALL WE DO**

**25%** REDUCTION

### AT O-I, WE CARE ABOUT CLIMATE CHANGE & ARE WORKING RESPONSIBLY TO DO OUR PART

**GOAL:** 25% reduction in greenhouse gas emissions by 2030 (interim target of 10% by 2025).

**50%** TARGET

### AT O-I, GLASS RECYCLING IS ESSENTIAL TO OUR FUTURE SUCCESS

**GOAL:** Increase the global average of post-consumer recycled content in our products to 50% by 2025.

**ZERO** INJURIES

### AT O-I, SAFETY IS JOB #1

**GOAL:** As part of our journey toward zero injuries, we are committed to a 35% improvement in O-I's three-year rolling average Total Recordable Incident Rate by 2025.

INCREASE **DIVERSITY**

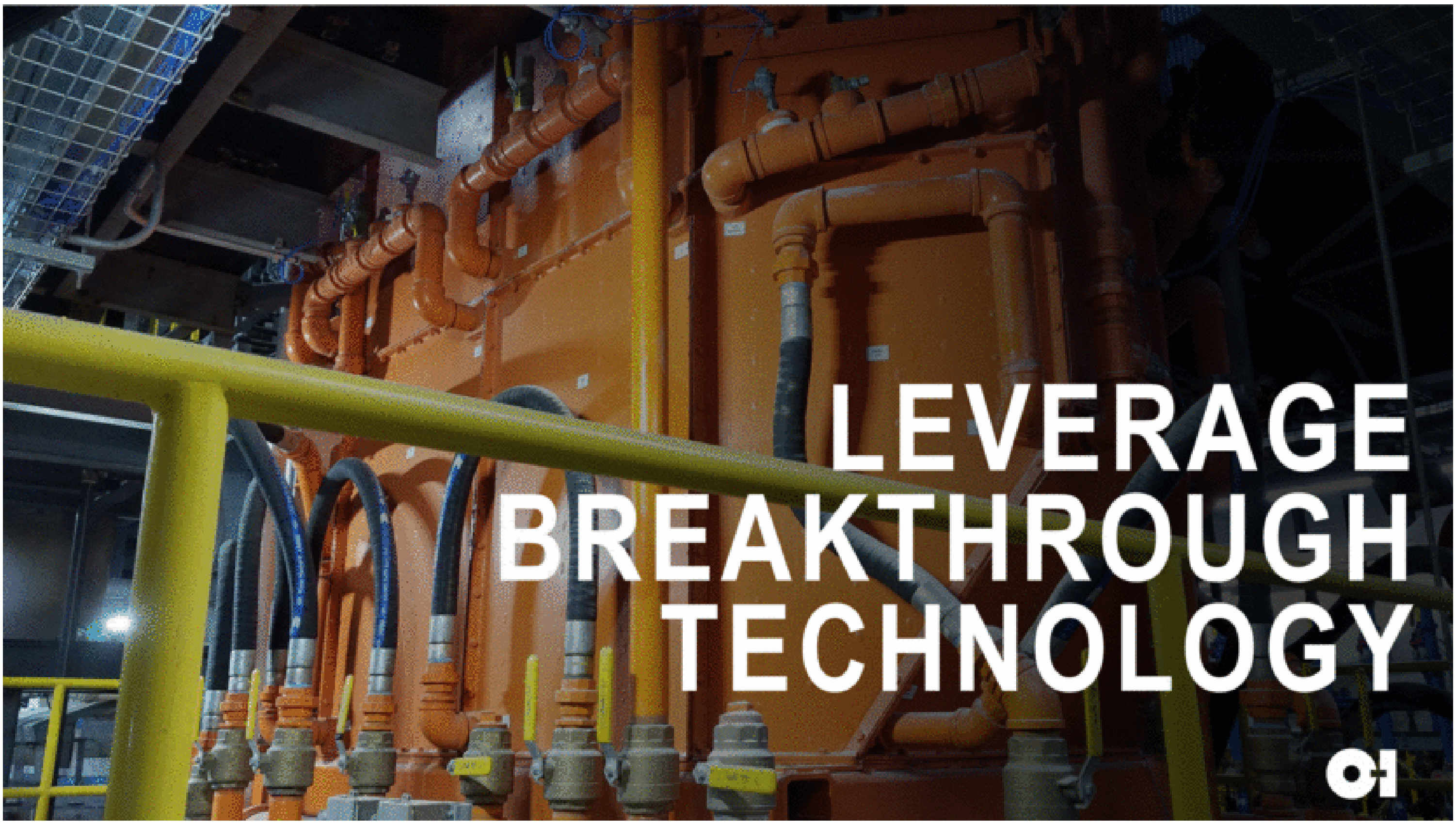
### AT O-I, PEOPLE ARE OUR COMPETITIVE ADVANTAGE

**GOAL:** We will continue to foster a culture of employee well-being and an environment where development opportunities exist for everyone.

**75%** 2025

### AT O-I, WE PLAY AN IMPORTANT ROLE IN THE COMMUNITIES WE SERVE

**GOAL:** Implement glass container collection programs in 75% or more of the communities we serve by 2025.


LEVERAGE
BREAKTHROUGH
TECHNOLOGY

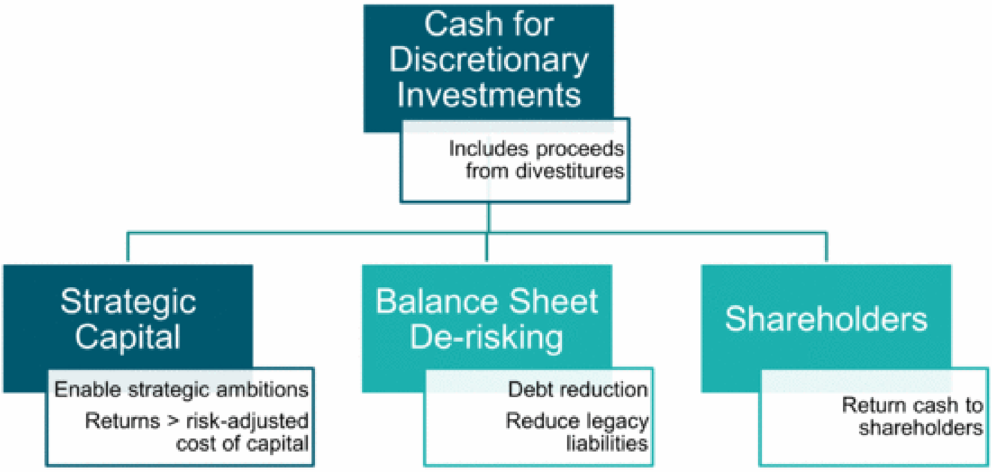
# FROM CONCEPT **TO REALITY**

- Prototype proven
- Pilot line in operation
- Commercialization to start mid-2019
- Multi-generation development
- Significant development costs already absorbed through 2018


CAPITAL
ALLOCATION

# CASH ALLOCATION FOR **DISCRETIONARY INVESTMENTS**

Risk-adjusted returns for strategic investments weighed against de-risking, and the benefits of consistent and growing cash return to shareholders



# INVESTMENT PRINCIPLES:
## REALIGNING OUR CAPITAL INVESTMENT APPROACH

| INVESTMENT CLASS | DESCRIPTION/BENEFITS | TARGET RETURNS |
|---|---|---|
| **STRATEGIC INVESTMENTS: Expecting $500-800M through 2021** | | |
| **Geographic Expansion** | ▪ Bolt-on acquisitions<br>▪ Immediately accretive | 12 – 15% |
| **Strategic Customer Growth** | ▪ Specific organic growth opportunities<br>▪ Supported by long-term agreements<br>▪ Greenfield, brownfield and line additions | 12 – 25% |
| **Segmentation / Cost Optimization** | ▪ Intentional shift in mix, often to premium segments<br>▪ Cost optimization / automation projects<br>▪ Line additions and other productivity equipment | 20 – 25%+ |
| **Breakthrough Technology** | ▪ Enhanced product capabilities<br>▪ Breakthroughs in production process | 25%+<br>in deployment phase |
| **OPERATIONAL CAPEX: Maintenance capex of ~80-85% of depreciation, plus capex for molds, IT** | | |
| **TACTICAL DIVESTITURES: Expecting $400-500M through 2021** | | |

# OUR VALUE CREATION PLATFORMS

## GROW & EXPAND

## STRUCTURAL COST IMPROVEMENT

## SUSTAINABILITY

## BREAKTHROUGH TECHNOLOGY

## CAPITAL ALLOCATION


JAN BERTSCH // CFO
The Bottom Line

# DELIVERING ON **OUR TRANSFORMATION**

**2016-2018** *Business stability; commercial performance; flexibility; structural cost reduction; performance, culture & talent*

- ☑ Margin expansion
- ☑ 10% CAGR for adj. EPS
- ☑ Solid cash generation
- ☑ De-risk the balance sheet
- ☑ Balanced capital allocation

**2019-2021** *Grow & expand; structural cost improvement; sustainability; breakthrough technology; capital allocation*

- ☐ Margin expansion
- ☐ aEPS and aFCF growth
- ☐ Improved ROIC
- ☐ Further de-risking
- ☐ Increased share buybacks
- ☐ Initiate dividend

**BEYOND 2021**

# KEY FINANCIAL **PRIORITIES**

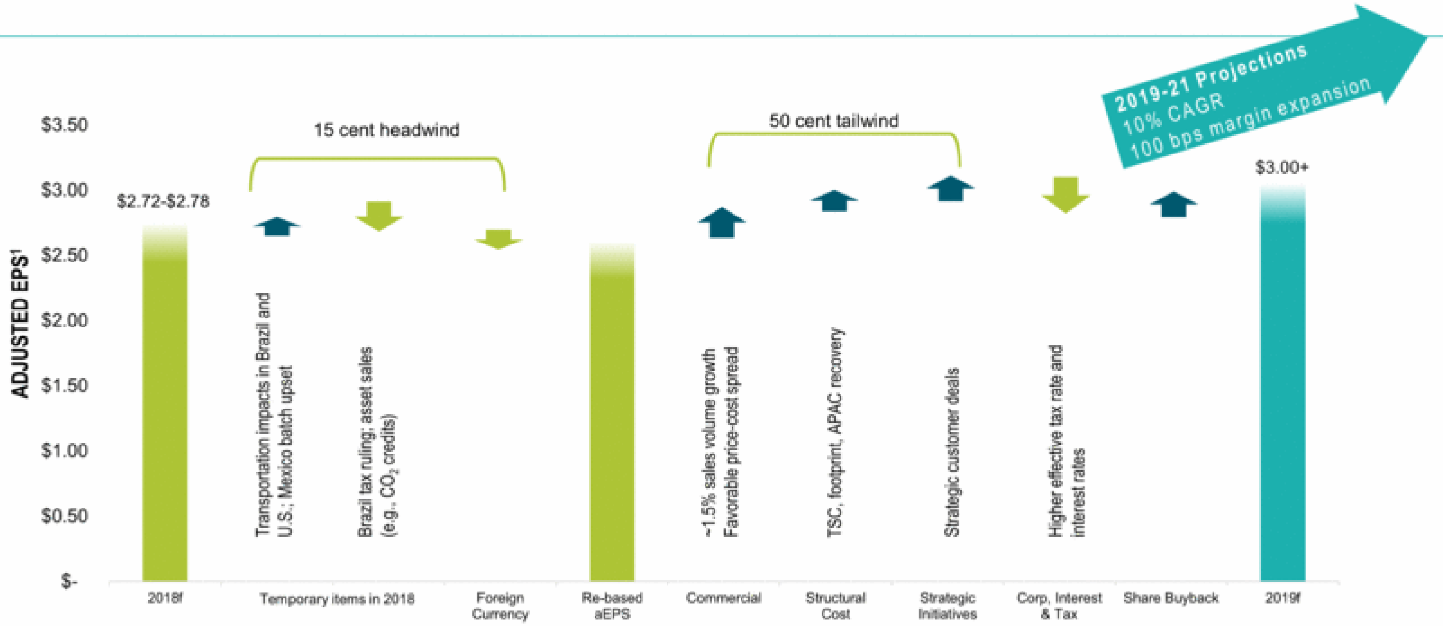
**CASH** GENERATION

**CAPITAL** STEWARDSHIP

**RISK** MANAGEMENT

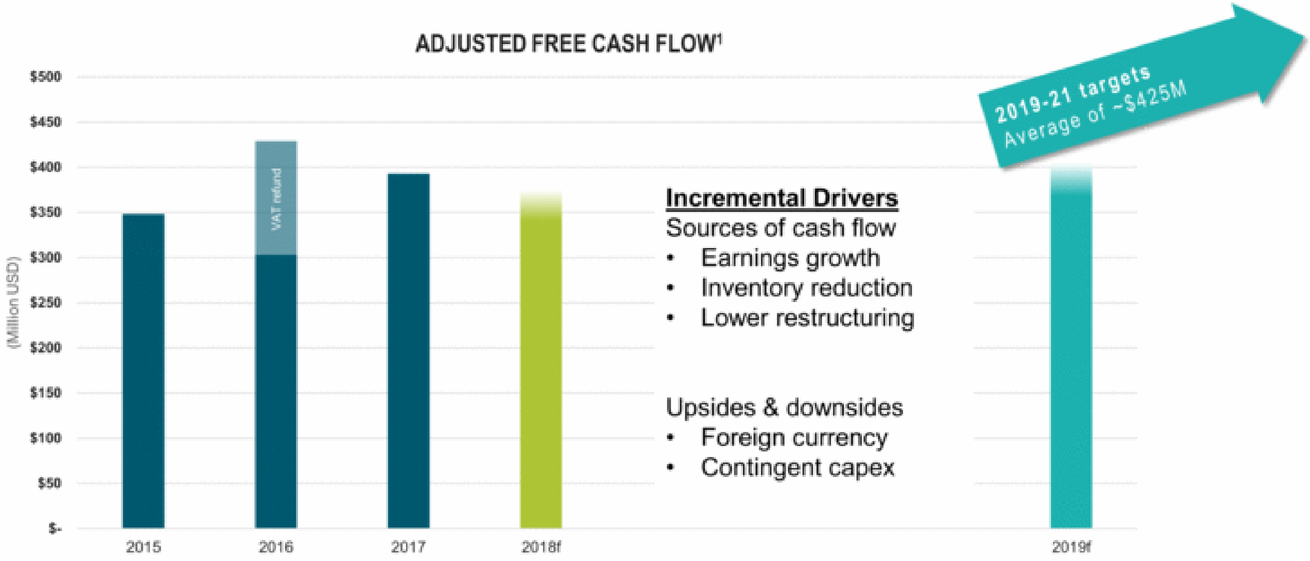

CASH
GENERATION

# **10% CAGR** IN ADJUSTED EPS




[1] *Adjusted EPS excludes items management does not consider representative of ongoing operations. See the appendix for further disclosure.*

# **SUSTAINABLE** ADJUSTED FREE CASH FLOW GENERATION




**Incremental Drivers**

Sources of cash flow
- Earnings growth
- Inventory reduction
- Lower restructuring

Upsides & downsides
- Foreign currency
- Contingent capex

[1] Management defines adjusted free cash flow as cash provided by continuing operating activities less additions to property, plant and equipment plus asbestos-related payments (all components as determined in accordance with GAAP). See the appendix for further disclosure.


CAPITAL
STEWARDSHIP

# CAPITAL STEWARDSHIP **PRIORITIES**

**CASH** GENERATION BY BUSINESS AND DIVESTITURE PROCEEDS

↓

| Maintenance Capex | **NON-DISCRETIONARY NEEDS** | Finance Activities |
| --- | --- | --- |

↓

| Strategic Capital | **VALUE ADDED INVESTMENTS** | Shareholder Return and Balance Sheet De-risking |
| --- | --- | --- |

**GUIDING PRINCIPLES FOR CASH STEWARDSHIP**

- Fund ongoing, non-discretionary needs
- Allocate remaining capital pool
  - Devote ~half to shareholders
  - Fund value creating investments subject to strategic considerations and financial criteria
  - De-risk the balance sheet, principally debt repayment
  - Maintain glide path to low 3's net leverage ratio

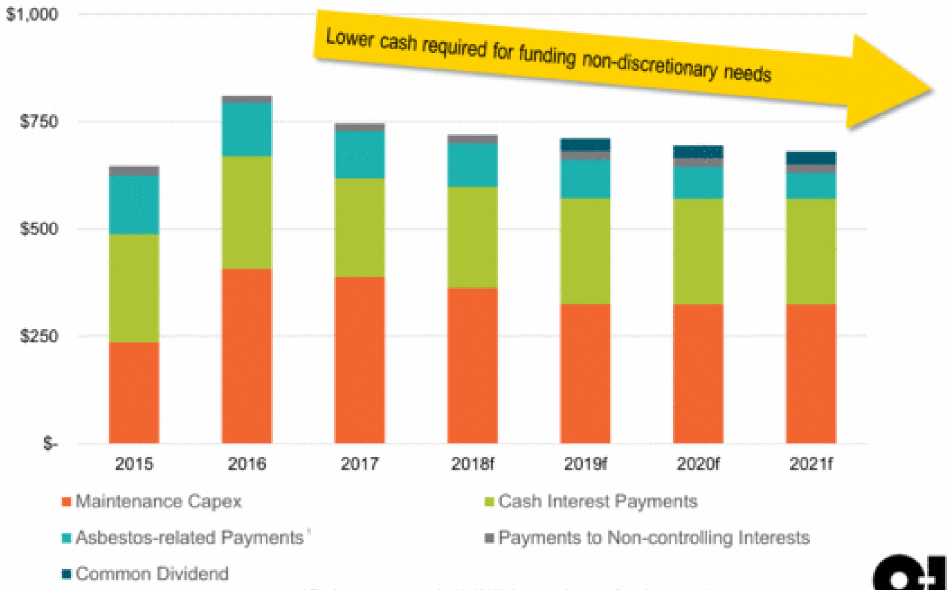
# FUNDING NON-DISCRETIONARY NEEDS

## Non-discretionary Capex (Maintenance)

- Preserving the base business EBITDA
- Under-investment before 2016
- Asset stability, flexibility focus 2016-2018
- Targeted reduction in 2021 and beyond

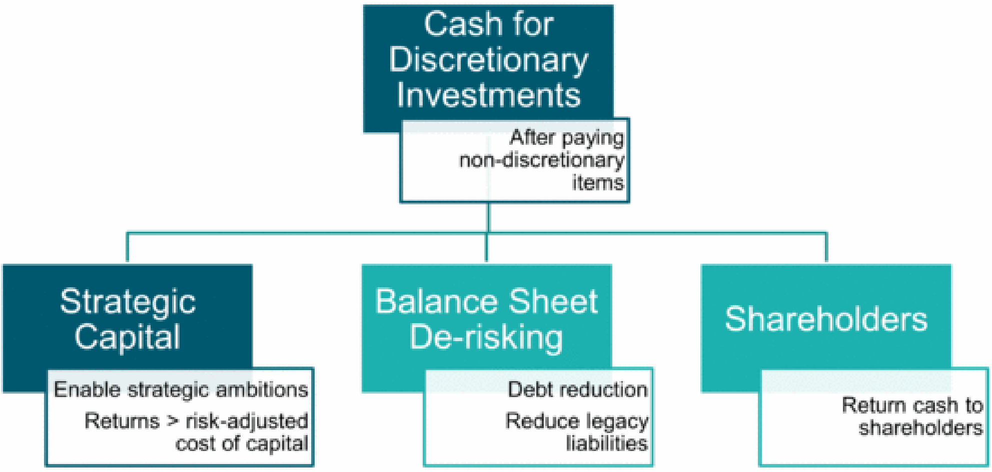
## Ongoing Finance Activities

- Cash interest expense
- Payments to non-controlling interests
- Asbestos-related payments
- *Common dividend, starting in Feb 2019*




[1] *The forecasted amounts for 2018f-2021f do not reflect the effect of any risk mitigation strategies that may result in the accelerated disposition of claims.*

# CASH ALLOCATION FOR **DISCRETIONARY INVESTMENTS**



## **RETURN CASH** TO SHAREHOLDERS

- Cash to shareholders “funded” by two sources:
  - ~Half of expected Free Cash Flow
  - ~Half of anticipated net proceeds of divestitures
- Dividends are funded first
- Share repurchase authorization for $600M approved by Board
  - ~$250M in share repurchases expected now through 2019
  - Remainder expected through 2021
- Remaining funds allocated to balance sheet de-risking, strategic investments or incremental share repurchases


RISK
MANAGEMENT

# FOCUS ON **RISK MANAGEMENT** FOR THE COMPANY

## BUSINESS RISK

Low business cyclicality

Volume stability

Price adjustment formulas

Portfolio impact of geographical and end-market diversity

## FINANCIAL RISK

Foreign currency

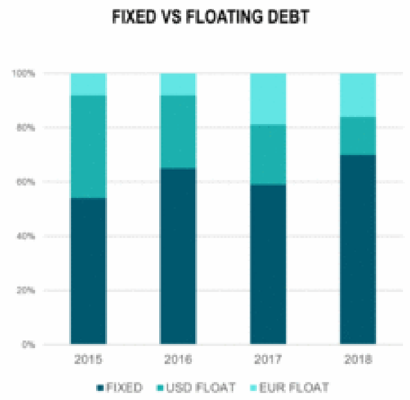
Interest rates

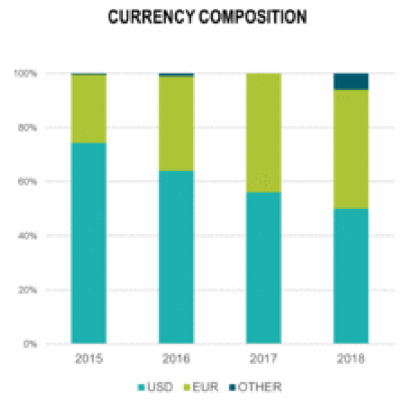
Liquidity

Credit

Commodity

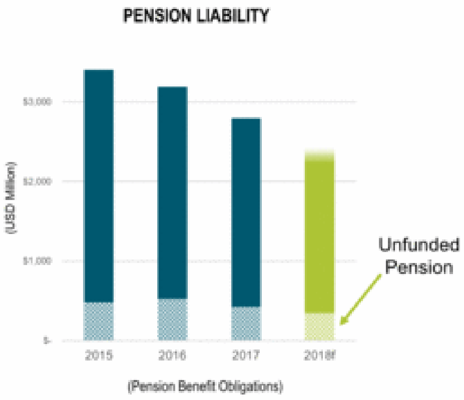
# ACTIVE **DEBT MANAGEMENT**

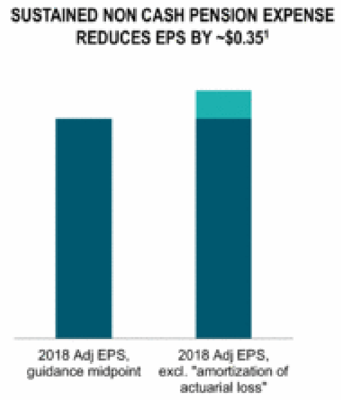




## CONTINUED FOCUS ON DEBT COMPOSITION TO LIMIT CURRENCY AND INTEREST RATE VOLATILITY

# ONGOING **PENSION LIABILITY MANAGEMENT**




- Projected 2018f pension benefit obligations likely down 47% since 2012
- Pension de-risking efforts reducing sensitivity to change in discount rates
- Projected unfunded PBO at year-end 2018f approaching the lowest level in a decade

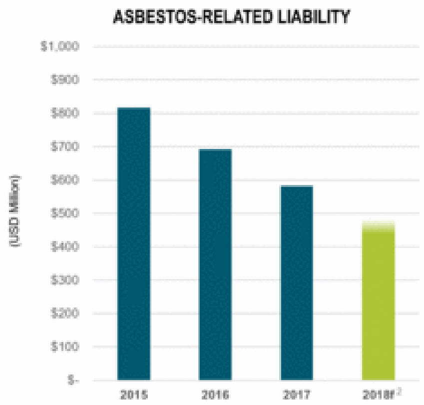



## DRAMATIC DECLINE IN PENSION LIABILITY: 2018 PBO PROJECTED TO BE NEARLY HALF THE LEVEL OF 2012

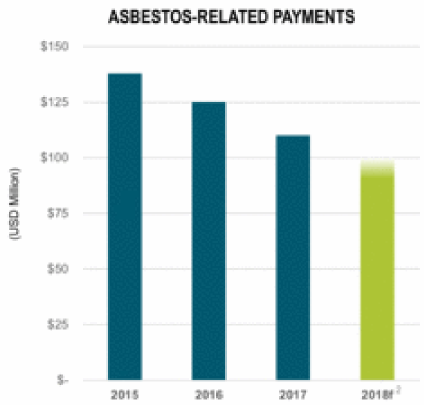


1 Related to the "amortization of actuarial loss" component of pension expense, which is included in GAAP EPS and adjusted EPS.

# ASBESTOS LIABILITY RISK MANAGEMENT



(Total expected Asbestos-Related Liability[1])




Asbestos-related liability on the decline, due to:

- Annual payments
- 1958 business exit date and demographic trends

Risk mitigation opportunities

- Wide-ranging negotiation strategies
- Accelerate claim disposition for selected pockets of claims

## CONTINUING PROGRESS ON REDUCING ASBESTOS LIABILITY

[1] The Company's ultimate asbestos-related liability cannot be estimated with certainty. Unless significant changes in trends or new developments warrant an earlier review, the Company conducts a comprehensive legal review of its asbestos-related liability and costs annually in connection with finalizing and reporting its annual results of operations. Such reviews may result in adjustments to the liability accrued at the time of the review. The 2018 forecasted asbestos-related liability is calculated as the December 31, 2017 asbestos-related liability less the forecasted 2018 asbestos payments and does not include an adjustment to the asbestos accrual at this time.

[2] The forecasted amounts do not reflect the effect of any risk mitigation strategies that may result in the accelerated disposition of claims.

# DELIVERING ON **OUR TRANSFORMATION**

| | 2016-2018f | 2019f | 2019f-2021f |
|---|---|---|---|
| **SALES VOLUME GROWTH** | +12% in total | ~1.5%, excluding non-organic | +10%, driven by ascribable opportunities |
| **SEGMENT OPERATING PROFIT MARGIN** | +170 bps | >50 bps | ~100 bps |
| **ADJUSTED EPS** | >10% CAGR | >10% growth | ~10% CAGR |
| **ADJUSTED FREE CASH FLOW** | ~$395M average | ~$400M | ~$425M average |
| **DELEVERAGING** | ~3.5x net leverage year-end 2018 | Balanced Capital Allocation | ~3.0x net leverage year-end 2021 |
| **RETURN TO SHAREHOLDERS** | $125M share buybacks initiated in 2018 | Sustained quarterly dividend, continued share buybacks | Sustained quarterly dividend, continued share buybacks |

INVESTOR
DAY 2018

# Q&A

INVESTOR DAY

2018

O-I

INVESTOR DAY 2018

O-I

# INVESTOR DAY 2018

## COMPANY OVERVIEW

# GLOBAL LEADERS

**ANDRES LOPEZ**
Chief Executive Officer

**JAN BERTSCH**
Chief Financial Officer

**MARYBETH WILKINSON**
General Counsel & Corporate Secretary

**JOHN HAUDRICH**
Chief Strategy & Integration Officer

**ARNAUD AUJOUANNET**
Chief Sales & Marketing Officer

**GIANCARLO CURRARINO**
Chief Technology & Supply Chain Officer

**VITALIANO TORNO**
President, O-I Europe

**MIGUEL ALVAREZ**
President, O-I Americas

**TIMOTHY CONNORS**
President, O-I APAC

**JOHN WEBB**
Chief Human Resource Officer

# O-I AT A GLANCE

**THE WORLD'S LEADING**
GLASS CONTAINER MANUFACTURER

Worldwide headquarters:
**PERRYSBURG, OH**

**$6.9 BILLION**
in net sales in 2017

**6000+**
direct customers

**78** plants
**23** countries

**26,500+**
employees worldwide

O-I

INVESTOR DAY 2018

# FINANCIAL APPENDIX

# NON-GAAP FINANCIAL MEASURES

The Company uses certain non-GAAP financial measures, which are measures of its historical or future financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. Management believes that its presentation and use of certain non-GAAP financial measures, including adjusted earnings, adjusted earnings per share, adjusted free cash flow and leverage ratio provide relevant and useful supplemental financial information, which are widely used by analysts and investors, as well as by management in assessing both consolidated and business unit performance. These non-GAAP measures are reconciled to the most directly comparable GAAP measures and should be considered supplemental in nature and should not be considered in isolation or be construed as being more important than comparable GAAP measures.

Adjusted earnings relates to net earnings from continuing operations attributable to the Company, exclusive of items management considers not representative of ongoing operations because such items are not reflective of the Company's principal business activity, which is glass container production. Adjusted earnings are divided by weighted average shares outstanding (diluted) to derive adjusted earnings per share. Management uses adjusted earnings and adjusted earnings per share to evaluate its period-over-period operating performance because it believes this provides a useful supplemental measure of the results of operations of its principal business activity by excluding items that are not reflective of such operations. Adjusted earnings and adjusted earnings per share may be useful to investors in evaluating the underlying operating performance of the Company's business as these measures eliminate items that are not reflective of its principal business activity. Leverage Ratio, as reported under O-I's Bank Credit Agreement, is defined as consolidated total debt, less cash and cash equivalents, divided by Consolidated EBITDA (as defined in the Agreement). Leverage ratio is an important metric management uses to ensure the Company is in compliance with its debt covenants.

Further, adjusted free cash flow relates to cash provided by continuing operating activities less additions to property, plant and equipment plus asbestos-related payments. Management uses adjusted free cash flow to evaluate its period-over-period cash generation performance because it believes this provides a useful supplemental measure related to its principal business activity. Adjusted free cash flow may be useful to investors to assist in understanding the comparability of cash flows generated by the Company's principle business activity. Since a significant majority of the Company's asbestos-related claims are expected to be received in the next ten years, adjusted free cash flow may help investors to evaluate the long-term cash generation ability of the Company's principal business activity as these asbestos-related payments decline. It should not be inferred that the entire adjusted free cash flow amount is available for discretionary expenditures since the Company has mandatory debt service requirements and other non-discretionary expenditures that are not deducted from the measure. Management uses non-GAAP information principally for internal reporting, forecasting, budgeting and calculating compensation payments.

# RECONCILIATION TO ADJUSTED EARNINGS

| $ in millions, except per share amounts | Year ended December 31 | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Earnings from continuing operations attributable to the Company | $ 183 | $ 216 | $ 139 |
| Items impacting cost of good sold: | | | |
| Pension settlement charges | 200 | 98 | |
| Acquisition-related fair value inventory adjustments | | | 22 |
| Items impacting selling and administrative expense: | | | |
| Pension settlement charges | 18 | | |
| Items impacting equity earnings | | | 5 |
| Items impacting other expense, net: | | | |
| Restructuring, asset impairment and other charges | 77 | 129 | 75 |
| Gain on China land sale | | (71) | |
| Strategic transactions costs | | | 23 |
| Acquisition-related fair value intangible adjustments | | | 10 |
| Charge for asbestos-related costs | | | 16 |
| Items impacting interest expense: | | | |
| Charges for note repurchase premiums and write-off of finance fees | 18 | 9 | 42 |
| Items impacting income tax: | | | |
| Net expense (benefit) for income tax on items above | (27) | 1 | (15) |
| Tax expense (benefit) recorded for certain tax adjustments | (29) | (8) | 8 |
| Items impacting net earnings attributable to noncontrolling interests: | | | |
| Net impact of noncontrolling interests on items above | (3) | 2 | |
| Total adjusting items (non-GAAP) | $ 254 | $ 160 | $ 186 |
| Adjusted earnings (non-GAAP) | $ 437 | $ 376 | $ 325 |
| Diluted average shares (thousands) | 164,647 | 162,825 | 162,135 |
| Earnings per share from continuing operations (diluted) | $ 1.11 | $ 1.32 | $ 0.85 |
| Adjusted earnings per share (non-GAAP) | $ 2.65 | $ 2.31 | $ 2.00 |

# RECONCILIATION TO EXPECTED ADJUSTED EARNINGS PER SHARE

| $ in millions, except per share amounts | Forecast for Year Ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Low End of Guidance Range | | | High End of Guidance Range | |
| Earnings from continuing operations attributable to the Company | $ | 368 | | $ | 378 |
| Items management considers not representative of ongoing operations: | | | | | |
| Restructuring, asset impairment and other charges[(a)] | | 73 | | | 73 |
| Charges for the write-off of finance fees[(a)] | | 11 | | | 11 |
| Net benefit for income tax on items above[(a)] | | (9) | | | (9) |
| Total adjusting items (non-GAAP) | $ | 75 | | $ | 75 |
| Adjusted earnings (non-GAAP) | $ | 443 | to | $ | 453 |
| Diluted average shares (thousands) | | 163,000 | | | 163,000 |
| Earnings per share from continuing operations (diluted) | $ | 2.26 | to | $ | 2.32 |
| Adjusted earnings per share (non-GAAP) | $ | 2.72 | to | $ | 2.78 |

(a) Includes management decisions through September 30, 2018. Further actions may be taken during 2018.

*Note: For all periods after 2018, the Company is unable to present a quantitative reconciliation of its forward-looking non-GAAP measure, Adjusted earnings per share , to its most directly comparable U.S. GAAP financial measure, Earnings from continuing operations attributable to the Company, because management cannot reliably predict all of the necessary components of this U.S. GAAP financial measure without unreasonable efforts. Earnings from continuing operations attributable to the Company includes several significant items that are not included in Adjusted earnings per share , such as restructuring, asset impairment and other charges, charges for the write-off of finance fees, and the income tax effect on such items. The decisions and events that typically lead to the recognition of these and other similar non-GAAP adjustments are inherently unpredictable as to if and when they may occur. The inability to provide a reconciliation is due to that unpredictability and the related difficulties in assessing the potential financial impact of the non-GAAP adjustments. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could be material to the Company's future financial results.*

# RECONCILIATION TO EXPECTED ADJUSTED FREE CASH FLOW & ADJUSTED FREE CASH FLOW

| $ in millions, except per share amounts | 2018 Forecast Range | Year Ended 2017 | Year Ended 2016 | Year Ended 2015 |
|---|---|---|---|---|
| Cash provided by continuing operating activities [a] | $750-$775 | $ 724 | $ 758 | $ 612 |
| Cash payments for property, plant and equipment [a] | (500) | (441) | (454) | (402) |
| Asbestos-related payments [b] | 100 | 110 | 125 | 138 |
| Adjusted free cash flow (non-GAAP) | $350-$375 | $ 393 | $ 429 | $ 348 |
| Cash utilized in investing activities | (c) | $ (351) | $ (417) | $ (2,748) |
| Cash provided by (utilized in) financing activities | (c) | $ (392) | $ (228) | $ 2,057 |

(a) For the year ended 2018 forecast range, these estimates includes management decisions through September 30, 2018. Further actions may be taken during 2018.

(b) For asbestos-related payments, these forecasted amounts do not reflect the effect of any risk mitigation strategies that may result in the accelerated disposition of claims.

(c) Forecasted amounts for full year 2018 are not determinable at this time.

Note: *For all periods after 2018, the Company is unable to present a quantitative reconciliation of its forward-looking non-GAAP measure, Adjusted free cash flow, to its most directly comparable U.S. GAAP financial measure, Cash provided by continuing operating activities, without unreasonable effort. This is due to potentially high variability, complexity and low visibility, in the relevant future periods, of components of Cash provided by continuing operating activities and cash spent on property, plant and equipment , as well as items that would be excluded from Cash provided by continuing operating activities, such as asbestos-related payments. The variability of these excluded items and other components of Cash provided by continuing operating activities may have a significant, and potentially unpredictable, impact on the Company's future financial results.*

# RECONCILIATION TO LEVERAGE RATIO

$ in millions, except Net debt divided by Credit Agreement EBITDA

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net Earnings | 202 | 230 | 158 |
| Loss from discontinued operations | (3) | (7) | (4) |
| Earnings from continuing operations | 205 | 237 | 162 |
| Interest expense (net) | 268 | 272 | 251 |
| Interest income | 8 | 8 | 8 |
| Provision for income taxes | 70 | 119 | 106 |
| Depreciation | 387 | 375 | 323 |
| Amortization of intangibles | 101 | 103 | 86 |
| EBITDA (non-GAAP) | 1,039 | 1,114 | 936 |
| Adjustments to EBITDA: | | | |
| Vitro acquisition adjusted EBITDA | - | - | 184 |
| Vitro acquisition synergies | 12 | 22 | 30 |
| Restructuring, asset impairment and other | 77 | 129 | 75 |
| Pension settlement charges | 218 | 98 | - |
| Gain on China land sale | - | (71) | - |
| Equity earnings | - | - | 5 |
| Strategic transactions costs | - | - | 23 |
| Acquisition-related fair-value inventory adj. | - | - | 22 |
| Acquisition-related fair-value intangible adj. | - | - | 10 |
| Credit Agreement EBITDA (non-GAAP) | 1,345 | 1,292 | 1,285 |
| Total debt | 5,283 | 5,328 | 5,573 |
| Less adjustments to debt [a] | 133 | - | - |
| Less cash | 492 | 492 | 399 |
| Net debt (non-GAAP) | 4,658 | 4,836 | 5,174 |
| Net debt divided by Credit Agreement EBITDA (non-GAAP) | 3.5 | 3.7 | 4.0 |

*Note: For all periods after 2017, the Company is unable to present a quantitative reconciliation of its forward-looking non-GAAP measure, net debt divided by Credit Agreement EBITDA, to its most directly comparable U.S. GAAP financial measure, Net Earnings, because management cannot reliably predict all of the necessary components of this U.S. GAAP financial measure without unreasonable efforts. Net Earnings includes several significant items, such as restructuring, asset impairment and other charges, charges for the write-off of finance fees, and the income tax effect on such items. The decisions and events that typically lead to the recognition of these and other similar non-GAAP adjustments are inherently unpredictable as to if and when they may occur. The inability to provide a reconciliation is due to that unpredictability and the related difficulties in assessing the potential financial impact of the non-GAAP adjustments. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could be material to the Company's future financial results.*

[a] The definition of net debt was amended on September 28, 2017 to exclude working capital revolver and receivable sale indebtedness borrowings.