

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2013

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 33-13061

OWENS-ILLINOIS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

34-1559348
(IRS Employer
Identification No.)

One Michael Owens Way, Perrysburg, Ohio
(Address of principal executive offices)

43551
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a
smaller reporting company)

Smaller reporting company

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

The number of shares of common stock, par value \$.01, of Owens-Illinois Group, Inc. outstanding as of June 30, 2013 was 100.

Part I — FINANCIAL INFORMATION

Item 1. Financial Statements.

The Condensed Consolidated Financial Statements of Owens-Illinois Group, Inc. (the "Company") presented herein are unaudited but, in the opinion of management, reflect all adjustments necessary to present fairly such information for the periods and at the dates indicated. All adjustments are of a normal recurring nature. Because the following unaudited condensed consolidated financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

OWENS-ILLINOIS GROUP, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net sales	\$ 1,781	\$ 1,766	\$ 3,422	\$ 3,505
Manufacturing, shipping and delivery expense	(1,412)	(1,390)	(2,734)	(2,751)
Gross profit	369	376	688	754
Selling and administrative expense	(129)	(139)	(258)	(279)
Research, development and engineering expense	(15)	(17)	(30)	(32)
Interest expense	(57)	(62)	(128)	(126)
Interest income	1	2	4	5
Equity earnings	16	18	33	31
Royalties and net technical assistance	4	5	8	9
Other income	3	4	6	6
Other expense	(15)	(8)	(29)	(19)
Earnings from continuing operations before income taxes	177	179	294	349
Provision for income taxes	(37)	(41)	(70)	(85)
Earnings from continuing operations	140	138	224	264
Loss from discontinued operations	(3)	(1)	(13)	(2)
Net earnings	137	137	211	262
Net earnings attributable to noncontrolling interests	(5)	(4)	(10)	(8)
Net earnings attributable to the Company	<u>\$ 132</u>	<u>\$ 133</u>	<u>\$ 201</u>	<u>\$ 254</u>
Amounts attributable to the Company:				
Earnings from continuing operations	\$ 135	\$ 134	\$ 214	\$ 256
Loss from discontinued operations	(3)	(1)	(13)	(2)
Net earnings	<u>\$ 132</u>	<u>\$ 133</u>	<u>\$ 201</u>	<u>\$ 254</u>

See accompanying notes.

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OWENS-ILLINOIS GROUP, INC.
CONDENSED CONSOLIDATED COMPREHENSIVE INCOME
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net earnings	\$ 137	\$ 137	\$ 211	\$ 262
Other comprehensive income (loss):				
Foreign currency translation adjustments	(162)	(207)	(194)	(108)
Pension and other postretirement benefit adjustments, net of tax	90	33	135	57
Change in fair value of derivative instruments	(4)	3	3	3
Other comprehensive loss	(76)	(171)	(59)	(48)
Total comprehensive income (loss)	61	(34)	152	214
Comprehensive income attributable to noncontrolling interests	(3)	(1)	(4)	(12)
Comprehensive income (loss) attributable to the Company	<u>\$ 58</u>	<u>\$ (35)</u>	<u>\$ 148</u>	<u>\$ 202</u>

See accompanying notes.

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OWENS-ILLINOIS GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except per share amounts)

	June 30, 2013	December 31, 2012	June 30, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$ 249	\$ 431	\$ 336
Receivables, less allowances for losses and discounts (\$42 at June 30, 2013, \$41 at December 31, 2012, and \$40 at June 30, 2012)	1,159	968	1,173

Inventories	1,175	1,139	1,223
Prepaid expenses	110	110	115
Total current assets	2,693	2,648	2,847
Investments and other assets:			
Equity investments	290	294	292
Repair parts inventories	129	133	149
Pension assets			115
Other assets	667	675	687
Goodwill	2,031	2,079	2,023
Total other assets	3,117	3,181	3,266
Property, plant and equipment, at cost	6,420	6,667	6,777
Less accumulated depreciation	3,820	3,898	4,056
Net property, plant and equipment	2,600	2,769	2,721
Total assets	\$ 8,410	\$ 8,598	\$ 8,834

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CONDENSED CONSOLIDATED BALANCE SHEETS — Continued

	June 30, 2013	December 31, 2012	June 30, 2012
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 437	\$ 319	\$ 452
Accounts payable	982	1,032	909
Other liabilities	545	656	588
Total current liabilities	1,964	2,007	1,949
Long-term debt	3,336	3,454	3,567
Deferred taxes	190	182	204
Pension benefits	805	846	817
Nonpension postretirement benefits	199	264	266
Other liabilities	310	329	374
Share owners' equity:			
Share owner's equity of the Company:			
Common stock, par value \$.01 per share, 1000 shares authorized, 100 shares issued	—	—	—
Other contributed capital	80	124	249
Retained earnings	2,884	2,683	2,598
Accumulated other comprehensive loss	(1,518)	(1,465)	(1,332)
Total share owner's equity of the Company	1,446	1,342	1,515
Noncontrolling interests	160	174	142
Total share owners' equity	1,606	1,516	1,657
Total liabilities and share owners' equity	\$ 8,410	\$ 8,598	\$ 8,834

See accompanying notes.

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OWENS-ILLINOIS GROUP, INC.
CONDENSED CONSOLIDATED CASH FLOWS
(Dollars in millions)

	Six months ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net earnings	\$ 211	\$ 262
Loss from discontinued operations	13	2
Non-cash charges (credits):		
Depreciation	180	191
Amortization of intangibles and other deferred items	19	16
Amortization of finance fees and debt discount	16	16
Pension expense	52	44
Restructuring, asset impairment and related charges	10	
Other	34	31
Pension contributions	(17)	(39)

Cash paid for restructuring activities	(47)	(40)
Change in non-current assets and liabilities	(49)	(39)
Change in components of working capital	(351)	(380)
Cash provided by continuing operating activities	71	64
Cash utilized in discontinued operating activities	(5)	(2)
Total cash provided by operating activities	66	62
Cash flows from investing activities:		
Additions to property, plant and equipment	(164)	(124)
Acquisitions, net of cash acquired		(5)
Net cash proceeds related to sale of assets and other	6	20
Proceeds from collection of (payments to fund) minority partner loan	(4)	9
Cash utilized in investing activities	(162)	(100)
Cash flows from financing activities:		
Additions to long-term debt	674	119
Repayments of long-term debt	(724)	(128)
Increase in short-term loans	59	31
Net receipts (payments) for hedging activity	(6)	27
Payment of finance fees	(7)	
Dividends paid to noncontrolling interests	(21)	(23)
Distribution to parent	(53)	(57)
Cash utilized in financing activities	(78)	(31)
Effect of exchange rate fluctuations on cash	(8)	5
Decrease in cash	(182)	(64)
Cash at beginning of period	431	400
Cash at end of period	<u>\$ 249</u>	<u>\$ 336</u>

See accompanying notes.

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OWENS-ILLINOIS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Tabular data dollars in millions

1. Basis of Presentation

The Company is a 100%-owned subsidiary of Owens-Illinois, Inc. ("OI Inc."). Although OI Inc. does not conduct any operations, it has substantial obligations related to outstanding indebtedness and asbestos-related payments. OI Inc. relies primarily on distributions from its direct and indirect subsidiaries to meet these obligations.

2. Segment Information

The Company has four reportable segments based on its geographic locations: Europe, North America, South America and Asia Pacific. These four segments are aligned with the Company's internal approach to managing, reporting, and evaluating performance of its global glass operations. Certain assets and activities not directly related to one of the regions or to glass manufacturing are reported with Retained corporate costs and other. These include licensing, equipment manufacturing, global engineering, and non-glass equity investments. Retained corporate costs and other also includes certain headquarters administrative and facilities costs and certain incentive compensation and other benefit plan costs that are global in nature and are not allocable to the reportable segments.

The Company's measure of profit for its reportable segments is segment operating profit, which consists of consolidated earnings from continuing operations before interest income, interest expense, and provision for income taxes and excludes amounts related to certain items that management considers not representative of ongoing operations as well as certain retained corporate costs. The Company's management uses segment operating profit, in combination with net sales and selected cash flow information, to evaluate performance and to allocate resources. Segment operating profit for reportable segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided.

Financial information for the three and six months ended June 30, 2013 and 2012 regarding the Company's reportable segments is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net sales:				
Europe	\$ 746	\$ 731	\$ 1,396	\$ 1,436
North America	527	516	996	998
South America	269	282	538	559
Asia Pacific	231	230	478	487
Reportable segment totals	1,773	1,759	3,408	3,480
Other	8	7	14	25
Net sales	<u>\$ 1,781</u>	<u>\$ 1,766</u>	<u>\$ 3,422</u>	<u>\$ 3,505</u>

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Three months ended June 30,		Six months ended June 30,	
2013	2012	2013	2012

Segment operating profit:						
Europe	\$	111	\$	107	\$	215
North America		93		96		174
South America		37		47		85
Asia Pacific		26		16		52
Reportable segment totals		<u>267</u>		<u>266</u>		<u>526</u>
Items excluded from segment operating profit:						
Retained corporate costs and other		(34)		(27)		(56)
Restructuring, asset impairment and related charges						(10)
Interest income		1		2		4
Interest expense		(57)		(62)		(126)
Earnings from continuing operations before income taxes	\$	<u>177</u>	\$	<u>179</u>	\$	<u>349</u>

Financial information regarding the Company's total assets is as follows:

	June 30, 2013	December 31, 2012	June 30, 2012
Total assets:			
Europe	\$ 3,452	\$ 3,362	\$ 3,544
North America	2,029	1,994	2,055
South America	1,495	1,655	1,583
Asia Pacific	<u>1,178</u>	<u>1,349</u>	<u>1,318</u>
Reportable segment totals	8,154	8,360	8,500
Other	<u>256</u>	<u>238</u>	<u>334</u>
Consolidated totals	<u>\$ 8,410</u>	<u>\$ 8,598</u>	<u>\$ 8,834</u>

3. Inventories

Major classes of inventory are as follows:

	June 30, 2013	December 31, 2012	June 30, 2012
Finished goods	\$ 1,006	\$ 957	\$ 1,054
Raw materials	125	137	124
Operating supplies	<u>44</u>	<u>45</u>	<u>45</u>
	<u>\$ 1,175</u>	<u>\$ 1,139</u>	<u>\$ 1,223</u>

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4. Derivative Instruments

The Company has certain derivative assets and liabilities which consist of natural gas forwards and foreign exchange option and forward contracts. The Company uses an income approach to valuing these contracts. Natural gas forward rates and foreign exchange rates are the significant inputs into the valuation models. These inputs are observable in active markets over the terms of the instruments the Company holds, and accordingly, the Company classifies its derivative assets and liabilities as Level 2 in the hierarchy. The Company also evaluates counterparty risk in determining fair values.

Commodity Futures Contracts Designated as Cash Flow Hedges

In North America, the Company enters into commodity futures contracts related to forecasted natural gas requirements, the objectives of which are to limit the effects of fluctuations in the future market price paid for natural gas and the related volatility in cash flows. The Company continually evaluates the natural gas market and related price risk and periodically enters into commodity futures contracts in order to hedge a portion of its usage requirements. The majority of the sales volume in North America is tied to customer contracts that contain provisions that pass the price of natural gas to the customer. In certain of these contracts, the customer has the option of fixing the natural gas price component for a specified period of time. At June 30, 2013 and 2012, the Company had entered into commodity futures contracts covering approximately 7,400,000 MM BTUs and 6,200,000 MM BTUs, respectively, primarily related to customer requests to lock the price of natural gas.

The Company accounts for the above futures contracts as cash flow hedges at June 30, 2013 and recognizes them on the balance sheet at fair value. The effective portion of changes in the fair value of a derivative that is designated as, and meets the required criteria for, a cash flow hedge is recorded in the Accumulated Other Comprehensive Income component of share owners' equity ("OCI") and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. At June 30, 2013 and 2012, an unrecognized loss of \$1 million and \$3 million, respectively, related to the commodity futures contracts was included in Accumulated OCI, and will be reclassified into earnings over the next twelve to twenty-four months. Any material portion of the change in the fair value of a derivative designated as a cash flow hedge that is deemed to be ineffective is recognized in current earnings. The ineffectiveness related to these natural gas hedges for the three and six months ended June 30, 2013 and 2012 was not material.

The effect of the commodity futures contracts on the results of operations for the three months ended June 30, 2013 and 2012 is as follows:

Amount of Gain (Loss) Recognized in OCI on Commodity Futures Contracts (Effective Portion)		Amount of Loss Reclassified from Accumulated OCI into Income (reported in manufacturing, shipping, and delivery) (Effective Portion)	
2013	2012	2013	2012
\$ (3)	\$ 1	\$ 1	\$ (2)

The effect of the commodity futures contracts on the results of operations for the six months ended June 30, 2013 and 2012 is as follows:

Amount of Loss Recognized in OCI on Commodity Futures Contracts (Effective Portion)		Amount of Loss Reclassified from Accumulated OCI into Income (reported in manufacturing, shipping, and delivery) (Effective Portion)	
2013	2012	2013	2012
\$ —	\$ (2)	\$ —	\$ (5)

Foreign Exchange Contracts not Designated as Hedging Instruments

The Company's subsidiaries may enter into short-term forward exchange or option agreements to purchase foreign currencies at set rates in the future. These agreements are used to limit exposure to fluctuations in foreign currency exchange rates for significant planned purchases of fixed assets or commodities that are denominated in currencies other than the subsidiaries' functional currency. Subsidiaries may also use foreign exchange contracts to offset the foreign currency risk for receivables and payables, including intercompany receivables and payables, not denominated in, or indexed to, their functional currencies. The Company records these short-term foreign exchange agreements on the balance sheet at fair value and changes in the fair value are recognized in current earnings.

At June 30, 2013 and 2012, various subsidiaries of the Company had outstanding foreign exchange contracts denominated in various currencies covering the equivalent of approximately \$740 million and \$590 million, respectively, related primarily to intercompany transactions and loans.

The effect of the foreign exchange contracts on the results of operations for the three months ended June 30, 2013 and 2012 is as follows:

Location of Gain (Loss) Recognized in Income on Foreign Exchange Contracts	Amount of Gain (Loss) Recognized in Income on Foreign Exchange Contracts	
	2013	2012
Other expense	\$ (9)	\$ 9

The effect of the foreign exchange contracts on the results of operations for the six months ended June 30, 2013 and 2012 is as follows:

Location of Gain (Loss) Recognized in Income on Foreign Exchange Contracts	Amount of Gain (Loss) Recognized in Income on Foreign Exchange Contracts	
	2013	2012
Other expense	\$ (12)	\$ 10

Balance Sheet Classification

The Company records the fair values of derivative financial instruments on the balance sheet as follows: (a) receivables if the instrument has a positive fair value and maturity within one year, (b) deposits, receivables, and other assets if the instrument has a positive fair value and maturity after one year, (c) other accrued liabilities or other liabilities (current) if the instrument has a negative fair value and maturity within one year, and (d) other liabilities if the instrument has a negative fair value and maturity after one year. The following table shows the amount and classification (as noted above) of the Company's derivatives:

	Balance Sheet Location	Fair Value		
		June 30, 2013	December 31, 2012	June 30, 2012
Asset Derivatives:				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	a	\$ 2	\$ 4	\$ 2
Foreign exchange contracts	b			1
Total asset derivatives		\$ 2	\$ 4	\$ 3
Liability Derivatives:				
Derivatives designated as hedging instruments:				
Commodity futures contracts	c	\$ 1	\$ 1	\$ 3
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	c	9	9	5
Total liability derivatives		\$ 10	\$ 10	\$ 8

5. Restructuring Accruals

Selected information related to the restructuring accruals for the three months ended June 30, 2013 and 2012 is as follows:

	<u>European Asset Optimization</u>	<u>Asia Pacific Restructuring</u>	<u>Other Restructuring Actions</u>	<u>Total Restructuring</u>
Balance at April 1, 2013	\$ 37	\$ 4	\$ 54	\$ 95
Net cash paid, principally severance and related benefits	(7)	(1)	(5)	(13)
Other, including foreign exchange translation	1			1
Balance at June 30, 2013	<u>\$ 31</u>	<u>\$ 3</u>	<u>\$ 49</u>	<u>\$ 83</u>
	<u>European Asset Optimization</u>	<u>Asia Pacific Restructuring</u>	<u>Other Restructuring Actions</u>	<u>Total Restructuring</u>
Balance at April 1, 2012	\$ 3	\$ 6	\$ 67	\$ 76
Charges	1	(1)		—
Write-down of assets to net realizable value			(2)	(2)
Net cash paid, principally severance and related benefits	(2)	(2)	(6)	(10)
Other, including foreign exchange translation			(8)	(8)
Balance at June 30, 2012	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 51</u>	<u>\$ 56</u>

Selected information related to the restructuring accruals for the six months ended June 30, 2013 and 2012 is as follows:

	<u>European Asset Optimization</u>	<u>Asia Pacific Restructuring</u>	<u>Other Restructuring Actions</u>	<u>Total Restructuring</u>
Balance at January 1, 2013	\$ 53	\$ 6	\$ 64	\$ 123
Charges	7	2	1	10
Write-down of assets to net realizable value	(2)			(2)
Net cash paid, principally severance and related benefits	(27)	(5)	(15)	(47)
Other, including foreign exchange translation			(1)	(1)
Balance at June 30, 2013	<u>\$ 31</u>	<u>\$ 3</u>	<u>\$ 49</u>	<u>\$ 83</u>
	<u>European Asset Optimization</u>	<u>Asia Pacific Restructuring</u>	<u>Other Restructuring Actions</u>	<u>Total Restructuring</u>
Balance at January 1, 2012	\$ 12	\$ 17	\$ 74	\$ 103
Charges	1	(1)		—
Write-down of assets to net realizable value			(2)	(2)
Net cash paid, principally severance and related benefits	(12)	(13)	(15)	(40)
Other, including foreign exchange translation	1		(6)	(5)
Balance at June 30, 2012	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 51</u>	<u>\$ 56</u>

The Company's decisions to curtail selected production capacity have resulted in write downs of certain long-lived assets to the extent their carrying amounts exceeded fair value or fair value less cost to sell. The Company classified the significant assumptions used to determine the fair

value of the impaired assets as Level 3 in the fair value hierarchy as set forth in the general accounting principles for fair value measurements.

European Asset Optimization

During the six months ended June 30, 2013, the Company recorded charges of \$7 million related to the European Asset Optimization program. These charges represented additional employee costs that the Company was required to record for the furnace closures announced during the fourth quarter of 2012.

6. Pensions Benefit Plans and Other Postretirement Benefits

The components of the net periodic pension cost for the three months ended June 30, 2013 and 2012 are as follows:

	<u>U.S.</u>		<u>Non-U.S.</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Service cost	\$ 7	\$ 7	\$ 8	\$ 6
Interest cost	27	29	17	18
Expected asset return	(46)	(46)	(22)	(22)
Amortization:				
Actuarial loss	27	24	8	6
Net periodic pension cost	<u>\$ 15</u>	<u>\$ 14</u>	<u>\$ 11</u>	<u>\$ 8</u>

The components of the net periodic pension cost for the six months ended June 30, 2013 and 2012 are as follows:

<u>U.S.</u>	<u>Non-U.S.</u>
-------------	-----------------

	2013		2012		2013		2012	
Service cost	\$	14	\$	14	\$	16	\$	13
Interest cost		54		57		34		37
Expected asset return		(92)		(92)		(45)		(44)
Amortization:								
Actuarial loss		55		48		16		11
Net periodic pension cost	\$	31	\$	27	\$	21	\$	17

The U.S. pension expense for the six months ended June 30, 2013 excludes \$8 million of special termination benefits that were recorded in discontinued operations.

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The components of the net postretirement benefit cost for the three months ended June 30, 2013 and 2012 are as follows:

	U.S.		Non-U.S.					
	2013	2012	2013	2012				
Service cost	\$	—	\$	—	\$	1	\$	1
Interest cost		1		2		1		1
Curtailment gain		(5)						
Amortization:								
Prior service credit		(3)		(1)				
Actuarial loss				2				
Net amortization		(3)		1		—		—
Net postretirement benefit cost	\$	(7)	\$	3	\$	2	\$	2

The components of the net postretirement benefit cost for the six months ended June 30, 2013 and 2012 are as follows:

	U.S.		Non-U.S.					
	2013	2012	2013	2012				
Service cost	\$	—	\$	1	\$	1	\$	1
Interest cost		2		4		2		2
Curtailment gain		(5)						
Amortization:								
Prior service credit		(4)		(2)				
Actuarial loss		2		3				
Net amortization		(2)		1		—		—
Net postretirement benefit cost	\$	(5)	\$	6	\$	3	\$	3

During the second quarter of 2013, the Company recorded a curtailment gain related to modifications made to one of its U.S. postretirement benefit plans that reduced or eliminated certain health care and life insurance benefits. These modifications also resulted in a \$55 million reduction in the postretirement benefit obligation that was recognized in accumulated other comprehensive income.

7. Income Taxes

The Company performs a quarterly review of the annual effective tax rate and makes changes if necessary based on new information or events. The estimated annual effective tax rate is forecasted quarterly using actual historical information and forward-looking estimates. The estimated annual effective tax rate may fluctuate due to changes in forecasted annual operating income; changes in the forecasted mix of earnings by country; changes to the valuation allowance for deferred tax assets (such changes would be recorded discretely in the quarter in which they occur); changes to actual or forecasted permanent book to tax differences (non-deductible expenses); impacts from future tax settlements with state, federal or foreign tax authorities (such changes would be recorded discretely in the quarter in which they occur); or impacts from tax law changes. To the extent such changes impact deferred tax assets/liabilities, these changes would generally be recorded discretely in the quarter in which they occur.

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Additionally, the annual effective tax rate differs from the statutory U.S. Federal tax rate of 35% primarily because of valuation allowances in some jurisdictions and varying non-U.S. tax rates.

8. Debt

The following table summarizes the long-term debt of the Company:

	June 30, 2013	December 31, 2012	June 30, 2012	
Secured Credit Agreement:				
Revolving Credit Facility:				
Revolving Loans	\$	—	\$	—
Term Loans:				
Term Loan A (25 million AUD) at June 30, 2013		23	53	173

Term Loan B	525	525	600
Term Loan C (102 million CAD at June 30, 2013)	97	102	113
Term Loan D (€123 million at June 30, 2013)	161	163	177
Senior Notes:			
3.00%, Exchangeable, due 2015	607	642	633
7.375%, due 2016	592	591	589
6.875%, due 2017 (€300 million)		396	377
6.75%, due 2020 (€500 million)	653	660	628
4.875%, due 2021 (€330 million)	431		
Payable to OI Inc.	250	250	250
Other	84	95	128
Total long-term debt	3,423	3,477	3,668
Less amounts due within one year	87	23	101
Long-term debt	\$ 3,336	\$ 3,454	\$ 3,567

On May 19, 2011, the Company's subsidiary borrowers entered into the Secured Credit Agreement (the "Agreement"). At June 30, 2013, the Agreement included a \$900 million revolving credit facility, a 25 million Australian dollar term loan, a \$525 million term loan, a 102 million Canadian dollar term loan, and a €123 million term loan, each of which has a final maturity date of May 19, 2016. At June 30, 2013, the Company's subsidiary borrowers had unused credit of \$816 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at June 30, 2013 was 2.13%.

During the six months ended June 30, 2013, a subsidiary of the Company repurchased \$46 million of the 2015 Exchangeable Notes. The amount by which the cash paid exceeded the fair value of the notes repurchased was recorded as a reduction to share owners' equity. The Company recorded \$3 million of additional interest charges for the loss on debt extinguishment and the related write-off of unamortized finance fees.

During March 2013, a subsidiary of the Company issued senior notes with a face value of €330 million due March 31, 2021. The notes bear interest at 4.875% and are guaranteed by substantially all of the Company's domestic subsidiaries. The net proceeds, after deducting debt issuance costs, totaled approximately \$418 million.

During March 2013, a subsidiary of the Company discharged, in accordance with the indenture, all €300 million of the 6.875% senior notes due 2017. The Company recorded \$11 million of

additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees.

The Company has a €240 million European accounts receivable securitization program, which extends through September 2016, subject to annual renewal of backup credit lines. Information related to the Company's accounts receivable securitization program is as follows:

	June 30, 2013	December 31, 2012	June 30, 2012
Balance (included in short-term loans)	\$ 290	\$ 264	\$ 302
Weighted average interest rate	1.20%	1.33%	1.42%

The carrying amounts reported for the accounts receivable securitization program, and certain long-term debt obligations subject to frequently redetermined interest rates, approximate fair value. Fair values for the Company's significant fixed rate debt obligations are based on published market quotations, and are classified as Level 1 in the fair value hierarchy.

Fair values at June 30, 2013 of the Company's significant fixed rate debt obligations are as follows:

	Principal Amount	Indicated Market Price	Fair Value
Senior Notes:			
3.00%, Exchangeable, due 2015	\$ 644	101.78	\$ 655
7.375%, due 2016	600	112.70	676
6.75%, due 2020 (€500 million)	653	110.91	724
4.875%, due 2021 (€330 million)	431	99.26	428

9. Contingencies

Asbestos

OI Inc. is a defendant in numerous lawsuits alleging bodily injury and death as a result of exposure to asbestos dust. From 1948 to 1958, one of OI Inc.'s former business units commercially produced and sold approximately \$40 million of a high-temperature, calcium-silicate based pipe and block insulation material containing asbestos. OI Inc. exited the pipe and block insulation business in April 1958. The typical asbestos personal injury lawsuit alleges various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and in some cases, punitive damages in various amounts (herein referred to as "asbestos claims").

As of June 30, 2013, OI Inc. has determined that it is a named defendant in asbestos lawsuits and claims involving approximately 2,600 plaintiffs and claimants. Based on an analysis of the lawsuits pending as of December 31, 2012, approximately 66% of plaintiffs either do not specify the monetary

damages sought, or in the case of court filings, claim an amount sufficient to invoke the jurisdictional minimum of the trial court. Approximately 30% of plaintiffs specifically plead damages of \$15 million or less, and 4% of plaintiffs specifically plead damages greater

than \$15 million but less than \$100 million. Fewer than 1% of plaintiffs specifically plead damages equal to or greater than \$100 million.

As indicated by the foregoing summary, current pleading practice permits considerable variation in the assertion of monetary damages. OI Inc.'s experience resolving hundreds of thousands of asbestos claims and lawsuits over an extended period demonstrates that the monetary relief that may be alleged in a complaint bears little relevance to a claim's merits or disposition value. Rather, the amount potentially recoverable is determined by such factors as the severity of the plaintiff's asbestos disease, the product identification evidence against OI Inc. and other defendants, the defenses available to OI Inc. and other defendants, the specific jurisdiction in which the claim is made, and the plaintiff's medical history and exposure to other disease-causing agents.

In addition to the pending claims set forth above, OI Inc. has claims-handling agreements in place with many plaintiffs' counsel throughout the country. These agreements require evaluation and negotiation regarding whether particular claimants qualify under the criteria established by such agreements. The criteria for such claims include verification of a compensable illness and a reasonable probability of exposure to a product manufactured by OI Inc.'s former business unit during its manufacturing period ending in 1958.

OI Inc. is also a defendant in other asbestos-related lawsuits or claims involving maritime workers, medical monitoring claimants, co-defendants and property damage claimants. Based upon its past experience, the OI Inc. believes that these categories of lawsuits and claims will not involve any material liability and they are not included in the above description of pending matters or in the following description of disposed matters.

Since receiving its first asbestos claim, OI Inc. as of June 30, 2013, has disposed of the asbestos claims of approximately 391,000 plaintiffs and claimants at an average indemnity payment per claim of approximately \$8,400. Certain of these dispositions have included deferred amounts payable over a number of years. Deferred amounts payable totaled approximately \$11 million at June 30, 2013 (\$24 million at December 31, 2012) and are included in the foregoing average indemnity payment per claim. OI Inc.'s asbestos indemnity payments have varied on a per claim basis, and are expected to continue to vary considerably over time. As discussed above, a part of OI Inc.'s objective is to achieve, where possible, resolution of asbestos claims pursuant to claims-handling agreements. Failure of claimants to meet certain medical and product exposure criteria in OI Inc.'s administrative claims handling agreements has generally reduced the number of marginal or suspect claims that would otherwise have been received. In addition, certain courts and legislatures have reduced or eliminated the number of marginal or suspect claims that OI Inc. otherwise would have received. These developments generally have had the effect of increasing the OI Inc.'s per-claim average indemnity payment.

OI Inc. believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot reasonably be estimated. Beginning with the initial liability of \$975 million established in 1993, OI Inc. has accrued a total of approximately \$4.3 billion through 2012, before insurance recoveries, for its asbestos-related liability. OI Inc.'s ability to reasonably estimate its liability has been significantly affected by, among other factors, the volatility of asbestos-related litigation in the United States, the significant number of co-defendants that have filed for bankruptcy, the magnitude and timing of co-defendant bankruptcy trust payments, the inherent uncertainty of future disease incidence and claiming patterns, the expanding list of non-traditional defendants that have been sued in

this litigation, and the use of mass litigation screenings to generate large numbers of claims by parties who allege exposure to asbestos dust but have no present physical asbestos impairment.

OI Inc. has continued to monitor trends that may affect its ultimate liability and has continued to analyze the developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against OI Inc. The material components of OI Inc.'s accrued liability are based on amounts determined by OI Inc. in connection with its annual comprehensive review and consist of the following estimates, to the extent it is probable that such liabilities have been incurred and can be reasonably estimated: (i) the liability for asbestos claims already asserted against OI Inc.; (ii) the liability for preexisting but unasserted asbestos claims for prior periods arising under its administrative claims-handling agreements with various plaintiffs' counsel; (iii) the liability for asbestos claims not yet asserted against OI Inc., but which OI Inc. believes will be asserted in the next several years; and (iv) the legal defense costs likely to be incurred in connection with the foregoing types of claims.

The significant assumptions underlying the material components of OI Inc.'s accrual are:

- a) the extent to which settlements are limited to claimants who were exposed to OI Inc.'s asbestos-containing insulation prior to its exit from that business in 1958;
- b) the extent to which claims are resolved under OI Inc.'s administrative claims agreements or on terms comparable to those set forth in those agreements;
- c) the extent of decrease or increase in the incidence of serious disease cases and claiming patterns for such cases;
- d) the extent to which OI Inc. is able to defend itself successfully at trial;
- e) the extent to which courts and legislatures eliminate, reduce or permit the diversion of financial resources for unimpaired claimants;
- f) the number and timing of additional co-defendant bankruptcies;
- g) the extent to which bankruptcy trusts direct resources to resolve claims that are also presented to OI Inc. and the timing of the payments made by the bankruptcy trusts; and
- h) the extent to which co-defendants with substantial resources and assets continue to participate significantly in the resolution of future asbestos lawsuits and claims.

As noted above, OI Inc. conducts a comprehensive review of its asbestos-related liabilities and costs annually in connection with finalizing and reporting its annual results of operations, unless significant changes in trends or new developments warrant an earlier review. If the results of an annual comprehensive review indicate that the existing amount of the accrued liability is insufficient to cover its estimated future asbestos-related costs, then OI Inc. will record an appropriate charge to increase the accrued liability. OI Inc. believes that a reasonable estimation of the probable amount of the liability for claims not yet asserted against OI Inc. is not possible beyond a period of several years. Therefore, while the results of future annual comprehensive reviews cannot be determined, OI Inc. expects the addition of one year to the estimation period will result in an annual charge.

OI Inc.'s reported results of operations for 2012 were materially affected by the \$155 million fourth quarter charge for asbestos-related costs and asbestos-related payments continue to be substantial. Any future additional charge would likewise materially affect OI Inc.'s results of operations for the period in which it is recorded. Also, the continued use of significant amounts of cash for asbestos-related costs has affected and may continue to affect the Company's and OI Inc.'s cost of borrowing and its ability to pursue global or domestic acquisitions. However, the Company believes that its operating cash flows and other sources of liquidity will be sufficient to pay its obligations for asbestos-related costs and to fund its working capital and capital expenditure requirements on a short-term and long-term basis.

Other Matters

The Company conducted an internal investigation into conduct in certain of its overseas operations that may have violated the anti-bribery provisions of the United States Foreign Corrupt Practices Act (the "FCPA"), the FCPA's books and records and internal controls provisions, the Company's own internal policies, and various local laws. In October 2012, the Company voluntarily disclosed these matters to the U.S. Department of Justice (the "DOJ") and the Securities and Exchange Commission (the "SEC"). The Company intends to cooperate with any investigation by U.S. authorities.

On July 18, 2013, the Company received a letter from the DOJ indicating that it presently did not intend to take any enforcement action and is closing its inquiry into the matter.

The Company is presently unable to predict the duration, scope or result of any investigation by the SEC or whether the SEC will commence any legal action. The SEC has a broad range of civil sanctions under the FCPA and other laws and regulations including, but not limited to, injunctive relief, disgorgement, penalties, and modifications to business practices. The Company could also be subject to investigation and sanctions outside the United States. While the Company is currently unable to quantify the impact of any potential sanctions or remedial measures, it does not expect such actions will have a material adverse effect on the Company's liquidity, results of operations or financial condition.

The Company received a non-income tax assessment from a foreign tax authority for approximately \$90 million (including penalties and interest). The Company challenged this assessment, but the tax authority's position was upheld in court. The Company strongly disagrees with this ruling and believes it to be contradictory to other court rulings in the Company's favor. Although the Company cannot predict the ultimate outcome of this case, it believes that it is probable that the tax authority's assessment will be overturned by a higher court, and therefore, the Company has not established an accrual. In order to contest the lower court rulings, legal rules require the Company to deposit the amount of the tax assessment, which will be remitted in monthly installments over the next twenty-four months. A favorable ruling by the higher court will result in a return to the Company of amounts paid. An unfavorable ruling will result in the forfeiture of the deposit, a charge of approximately \$60 million and a non-income tax refund of \$30 million. As of June 30, 2013, the Company has made installment payments totaling \$24 million, which is included in Other assets on the balance sheet.

Other litigation is pending against the Company, in many cases involving ordinary and routine claims incidental to the business of the Company and in others presenting allegations that are non-routine and involve compensatory, punitive or treble damage claims as well as other types of relief. The Company records a liability for such matters when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. Recorded amounts are reviewed and adjusted to reflect changes in the factors upon which the

estimates are based including additional information, negotiations, settlements, and other events.

10. Share Owners' Equity

The activity in share owners' equity for the three months ended June 30, 2013 and 2012 is as follows:

	Share Owner's Equity of the Company				Total Share Owners' Equity
	Other Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	
Balance on April 1, 2013	\$ 116	\$ 2,752	\$ (1,444)	\$ 175	\$ 1,599
Net distribution to parent	(36)				(36)
Comprehensive income:					
Net earnings		132		5	137
Foreign currency translation adjustments			(160)	(2)	(162)
Pension and other postretirement benefit adjustments, net of tax			90		90
Change in fair value of derivative instruments			(4)		(4)
Dividends paid to noncontrolling interests on subsidiary common stock				(21)	(21)
Contributions from noncontrolling interests				3	3
Balance on June 30, 2013	\$ 80	\$ 2,884	\$ (1,518)	\$ 160	\$ 1,606

	Share Owner's Equity of the Company				
	Other Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners' Equity
Balance on April 1, 2012	\$ 271	\$ 2,465	\$ (1,164)	\$ 164	\$ 1,736
Net distribution to parent	(22)				(22)
Comprehensive income:					
Net earnings		133		4	137
Foreign currency translation adjustments			(204)	(3)	(207)
Pension and other postretirement benefit adjustments, net of tax			33		33
Change in fair value of derivative instruments			3		3
Dividends paid to noncontrolling interests on subsidiary common stock				(23)	(23)
Balance on June 30, 2012	<u>\$ 249</u>	<u>\$ 2,598</u>	<u>\$ (1,332)</u>	<u>\$ 142</u>	<u>\$ 1,657</u>

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The activity in share owners' equity for the six months ended June 30, 2013 and 2012 is as follows:

	Share Owner's Equity of the Company				
	Other Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners' Equity
Balance on January 1, 2013	\$ 124	\$ 2,683	\$ (1,465)	\$ 174	\$ 1,516
Net distribution to parent	(44)				(44)
Comprehensive income:					
Net earnings		201		10	211
Foreign currency translation adjustments			(188)	(6)	(194)
Pension and other postretirement benefit adjustments, net of tax			135		135
Dividends paid to noncontrolling interests on subsidiary common stock				(21)	(21)
Contribution from noncontrolling interests				3	3
Balance on June 30, 2013	<u>\$ 80</u>	<u>\$ 2,884</u>	<u>\$ (1,518)</u>	<u>\$ 160</u>	<u>\$ 1,606</u>

	Share Owner's Equity of the Company				
	Other Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners' Equity
Balance on January 1, 2012	\$ 295	\$ 2,344	\$ (1,280)	\$ 153	\$ 1,512
Net distribution to parent	(46)				(46)
Comprehensive income:					
Net earnings		254		8	262
Foreign currency translation adjustments			(112)	4	(108)
Pension and other postretirement benefit adjustments, net of tax			57		57
Change in fair value of derivative instruments			3		3
Dividends paid to noncontrolling interests on subsidiary common stock				(23)	(23)
Balance on June 30, 2012	<u>\$ 249</u>	<u>\$ 2,598</u>	<u>\$ (1,332)</u>	<u>\$ 142</u>	<u>\$ 1,657</u>

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11. Accumulated Other Comprehensive Loss

The activity in accumulated other comprehensive loss for the three months ended June 30, 2013 is as follows:

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments	Employee Benefit Plans	Total Accumulated Other Comprehensive Loss
Balance on April 1, 2013	\$ 427	\$ (3)	\$ (1,868)	\$ (1,444)
Change before reclassifications	(160)	(3)	55	(108)
Amounts reclassified from accumulated other comprehensive income		(1)(a)	32(b)	31

Translation effect			5	5
Tax effect			(2)	(2)
Other comprehensive income attributable to the Company	(160)	(4)	90	(74)
Balance on June 30, 2013	\$ 267	\$ (7)	\$ (1,778)	\$ (1,518)

The activity in accumulated other comprehensive loss for the six months ended June 30, 2013 is as follows:

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments	Employee Benefit Plans	Total Accumulated Other Comprehensive Loss
Balance on January 1, 2013	\$ 455	\$ (7)	\$ (1,913)	\$ (1,465)
Change before reclassifications	(188)		55	(133)
Amounts reclassified from accumulated other comprehensive income			69(b)	69
Translation effect			15	15
Tax effect			(4)	(4)
Other comprehensive income attributable to the Company	(188)	—	135	(53)
Balance on June 30, 2013	\$ 267	\$ (7)	\$ (1,778)	\$ (1,518)

(a) Amount is included in Manufacturing, shipping and delivery on the Condensed Consolidated Results of Operations (see Note 4 for additional information).

(b) Amount is included in the computation of net periodic pension cost and net postretirement benefit cost (see Note 6 for additional information).

12. Other Expense

Other expense for the six months ended June 30, 2013 includes charges of \$10 million for restructuring, asset impairment and related charges. See Note 5 for additional information.

13. Supplemental Cash Flow Information

	Six months ended June 30,	
	2013	2012
Interest paid in cash	\$ 113	\$ 123
Income taxes paid in cash:		
U.S.	\$ 1	\$ 1
Non-U.S.	79	71
Total income taxes paid in cash	\$ 80	\$ 72

Cash interest for 2013 includes note repurchase premiums of \$10 million related to the discharge of the Company's 6.875% senior notes due 2017 and the repurchase of a portion of the Company's 3.00% exchangeable senior notes due 2015.

14. Discontinued Operations

On October 26, 2010, the Venezuelan government, through Presidential Decree No. 7.751, expropriated the assets of Owens-Illinois de Venezuela and Fabrica de Vidrios Los Andes, C.A., two of the Company's subsidiaries in that country, which in effect constituted a taking of the going concerns of those companies. Shortly after the issuance of the decree, the Venezuelan government installed temporary administrative boards to control the expropriated assets.

Since the issuance of the decree, the Company has cooperated with the Venezuelan government, as it is compelled to do under Venezuelan law, to provide for an orderly transition while ensuring the safety and well-being of the employees and the integrity of the production facilities. The Company has been engaged in negotiations with the Venezuelan government in relation to certain aspects of the expropriation, including the compensation payable by the government as a result of its expropriation. On September 26, 2011, the Company, having been unable to reach an agreement with the Venezuelan government regarding fair compensation, commenced an arbitration against Venezuela through the World Bank's International Centre for Settlement of Investment Disputes. The Company is unable at this stage to predict the amount, or timing of receipt, of compensation it will ultimately receive.

The loss from discontinued operations of \$13 million for the six months ended June 30, 2013 includes \$8 million of special termination benefits related to a previously disposed business and \$5 million for ongoing costs related to the Venezuela expropriation.

15. New Accounting Pronouncement

In July 2013, the Financial Accounting Standards Board issued guidance related to the presentation of unrecognized tax benefits when net operating loss carryforwards or tax credit carryforwards exist. This new guidance is effective for fiscal years, and interim periods, beginning after December 15, 2013.

Adoption of this guidance will impact how the Company presents certain of its unrecognized tax benefits on its balance sheet, with no impact to its results of operations or cash flows.

16. Financial Information for Subsidiary Guarantors and Non-Guarantors

The following presents condensed consolidating financial information for the Company, segregating: (1) Owens-Illinois Group, Inc. (the "Parent"); (2) Owens-Brockway Glass Container

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Inc. (the "Issuer"); (3) those domestic subsidiaries that guarantee the 3.00% exchangeable notes and 7.375% senior notes of the Issuer (the "Guarantor Subsidiaries"); and (4) all other subsidiaries (the "Non-Guarantor Subsidiaries"). The Guarantor Subsidiaries are 100% owned direct and indirect subsidiaries of the Parent and their guarantees are full, unconditional and joint and several. The Parent is also a guarantor, and its guarantee is full, unconditional and joint and several.

Certain reclassifications have been made to conform all of the financial information to the financial presentation on a consolidated basis. The principal eliminations relate to investments in subsidiaries and intercompany balances and transactions.

Balance Sheet	June 30, 2013					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:						
Accounts receivable	\$ —	\$ 118	\$ (8)	\$ 1,049	\$ —	\$ 1,159
Inventories		204		971		1,175
Other current assets		13	34	312		359
Total current assets	—	335	26	2,332	—	2,693
Investments in and advances to subsidiaries	1,696	2,537	4		(4,237)	—
Goodwill		574	8	1,449		2,031
Other non-current assets		123	84	879		1,086
Total other assets	1,696	3,234	96	2,328	(4,237)	3,117
Property, plant and equipment, net		627	40	1,933		2,600
Total assets	\$ 1,696	\$ 4,196	\$ 162	\$ 6,593	\$ (4,237)	\$ 8,410
Current liabilities :						
Accounts payable and accrued liabilities		\$ 238	\$ 74	\$ 1,205	\$ 10	\$ 1,527
Short-term loans and long-term debt due within one year		46	1	390		437
Total current liabilities	—	284	75	1,595	10	1,964
Long-term debt	250	1,682	13	1,391		3,336
Other non-current liabilities		21	588	895		1,504
Investments by and advances from parent		2,209	(514)	2,552	(4,247)	—
Total share owner's equity of the Company	1,446					1,446
Noncontrolling interests				160		160
Total liabilities and share owners' equity	\$ 1,696	\$ 4,196	\$ 162	\$ 6,593	\$ (4,237)	\$ 8,410

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Balance Sheet	December 31, 2012					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:						
Accounts receivable	\$ —	\$ 66	\$ (15)	\$ 917	\$ —	\$ 968
Inventories		212		927		1,139
Other current assets		9	18	514		541
Total current assets	—	287	3	2,358	—	2,648

Investments in and advances to subsidiaries	1,592	2,836	(178)		(4,250)	—
Goodwill		555	8	1,516		2,079
Other non-current assets		127	87	888		1,102
Total other assets	1,592	3,518	(83)	2,404	(4,250)	3,181
Property, plant and equipment, net		626	42	2,101		2,769
Total assets	<u>\$ 1,592</u>	<u>\$ 4,431</u>	<u>\$ (38)</u>	<u>\$ 6,863</u>	<u>\$ (4,250)</u>	<u>\$ 8,598</u>
Current liabilities :						
Accounts payable and accrued liabilities	\$ —	\$ 273	\$ 60	\$ 1,355	\$ —	\$ 1,688
Short-term loans and long-term debt due within one year			1	318		319
Total current liabilities	—	273	61	1,673	—	2,007
Long-term debt	250	1,759	13	1,432		3,454
Other non-current liabilities		31	665	925		1,621
Investments by and advances from parent		2,368	(777)	2,659	(4,250)	—
Total share owner's equity of the Company	1,342					1,342
Noncontrolling interests				174		174
Total liabilities and share owners' equity	<u>\$ 1,592</u>	<u>\$ 4,431</u>	<u>\$ (38)</u>	<u>\$ 6,863</u>	<u>\$ (4,250)</u>	<u>\$ 8,598</u>

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June 30, 2012

Balance Sheet	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:						
Accounts receivable	\$ —	\$ 108	\$ (14)	\$ 1,079	\$ —	\$ 1,173
Inventories		215		1,008		1,223
Other current assets		12	86	353		451
Total current assets	—	335	72	2,440	—	2,847
Investments in and advances to subsidiaries	1,765	2,936	(136)		(4,565)	—
Goodwill		555	8	1,460		2,023
Other non-current assets		151	87	1,008	(3)	1,243
Total other assets	1,765	3,642	(41)	2,468	(4,568)	3,266
Property, plant and equipment, net		603	43	2,075		2,721
Total assets	<u>\$ 1,765</u>	<u>\$ 4,580</u>	<u>\$ 74</u>	<u>\$ 6,983</u>	<u>\$ (4,568)</u>	<u>\$ 8,834</u>
Current liabilities :						
Accounts payable and accrued liabilities	\$ —	\$ 243	\$ 67	\$ 1,187	\$ —	\$ 1,497
Short-term loans and long-term debt due within one year		30	1	421		452
Total current liabilities	—	273	68	1,608	—	1,949
Long-term debt	250	1,792	14	1,511		3,567
Other non-current liabilities		31	711	921	(2)	1,661
Investments by and advances from parent		2,484	(719)	2,801	(4,566)	—
Total share owner's equity of the Company	1,515					1,515
Noncontrolling interests				142		142
Total liabilities and share owners' equity	<u>\$ 1,765</u>	<u>\$ 4,580</u>	<u>\$ 74</u>	<u>\$ 6,983</u>	<u>\$ (4,568)</u>	<u>\$ 8,834</u>

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Results of Operations	Three months ended June 30, 2013					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 497	\$ —	\$ 1,284	\$ —	\$ 1,781
Manufacturing, shipping, and delivery		(396)	(11)	(1,005)		(1,412)
Gross profit	—	101	(11)	279	—	369
Research, engineering, selling, administrative, and other		(24)	(26)	(109)		(159)
Net intercompany interest	5	(5)				—
Interest expense	(5)	(30)		(22)		(57)
Interest income				1		1
Equity earnings from subsidiaries	132	108			(240)	—
Other equity earnings		4		12		16
Other income		46		(39)		7
Earnings (loss) from continuing operations before income taxes	132	200	(37)	122	(240)	177
Provision for income taxes		(2)	(1)	(34)		(37)
Earnings (loss) from continuing operations	132	198	(38)	88	(240)	140
Loss from discontinued operations				(3)		(3)
Net earnings (loss)	132	198	(38)	85	(240)	137
Net earnings attributable to noncontrolling interests				(5)		(5)
Net earnings (loss) attributable to the Company	<u>\$ 132</u>	<u>\$ 198</u>	<u>\$ (38)</u>	<u>\$ 80</u>	<u>\$ (240)</u>	<u>\$ 132</u>

Comprehensive Income	Three months ended June 30, 2013					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings (loss)	\$ 132	\$ 198	\$ (38)	\$ 85	\$ (240)	\$ 137
Other comprehensive income (loss)	(74)	(6)		(94)	98	(76)
Total comprehensive income (loss)	58	192	(38)	(9)	(142)	61
Comprehensive income attributable to noncontrolling interests				(3)		(3)
Comprehensive income (loss) attributable to the Company	<u>\$ 58</u>	<u>\$ 192</u>	<u>\$ (38)</u>	<u>\$ (12)</u>	<u>\$ (142)</u>	<u>\$ 58</u>

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Results of Operations	Three months ended June 30, 2012					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 497	\$ —	\$ 1,269	\$ —	\$ 1,766
Manufacturing, shipping, and delivery		(429)	(3)	(958)		(1,390)
Gross profit	—	68	(3)	311	—	376
Research, engineering, selling, administrative, and other		(37)	(18)	(109)		(164)
Net intercompany interest	5	(5)				—
Interest expense	(5)	(27)		(30)		(62)
Interest income				2		2
Equity earnings from subsidiaries	133	74			(207)	—
Other equity earnings		4		14		18
Other income		86		(77)		9
Earnings (loss) from continuing operations before income taxes	133	163	(21)	111	(207)	179
Provision for income taxes		(4)		(37)		(41)
Earnings (loss) from continuing operations	133	159	(21)	74	(207)	138
Loss from discontinued operations				(1)		(1)
Net earnings (loss)	133	159	(21)	73	(207)	137
Net earnings attributable to noncontrolling interests				(4)		(4)
Net earnings (loss) attributable to the Company	<u>\$ 133</u>	<u>\$ 159</u>	<u>\$ (21)</u>	<u>\$ 69</u>	<u>\$ (207)</u>	<u>\$ 133</u>

Comprehensive Income	Three months ended June 30, 2012					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings (loss)	\$ 133	\$ 159	\$ (21)	\$ 73	\$ (207)	\$ 137
Other comprehensive income (loss)	(168)	3		(199)	193	(171)
Total comprehensive income (loss)	(35)	162	(21)	(126)	(14)	(34)
Comprehensive income attributable to noncontrolling interests				(1)		(1)
Comprehensive income (loss) attributable to the Company	<u>\$ (35)</u>	<u>\$ 162</u>	<u>\$ (21)</u>	<u>\$ (127)</u>	<u>\$ (14)</u>	<u>\$ (35)</u>

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Results of Operations	Six months ended June 30, 2013					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 936	\$ 1	\$ 2,485	\$ —	\$ 3,422
Manufacturing, shipping, and delivery		(745)	(24)	(1,965)		(2,734)
Gross profit	—	191	(23)	520	—	688
Research, engineering, selling, administrative, and other		(48)	(51)	(218)		(317)
Net intercompany interest	10	(10)				—
Interest expense	(10)	(57)		(61)		(128)
Interest income				4		4
Equity earnings from subsidiaries	201	116			(317)	—
Other equity earnings		8		25		33
Other income		95		(81)		14
Earnings (loss) from continuing operations before income taxes	201	295	(74)	189	(317)	294
Provision for income taxes		(4)	(1)	(65)		(70)
Earnings (loss) from continuing operations	201	291	(75)	124	(317)	224
Loss from discontinued operations				(13)		(13)
Net earnings (loss)	201	291	(75)	111	(317)	211
Net earnings attributable to noncontrolling interests				(10)		(10)
Net earnings (loss) attributable to the Company	<u>\$ 201</u>	<u>\$ 291</u>	<u>\$ (75)</u>	<u>\$ 101</u>	<u>\$ (317)</u>	<u>\$ 201</u>

Comprehensive Income	Six months ended June 30, 2013					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings (loss)	\$ 201	\$ 291	\$ (75)	\$ 111	\$ (317)	\$ 211
Other comprehensive income (loss)	(53)	(4)		(108)	106	(59)
Total comprehensive income (loss)	148	287	(75)	3	(211)	152
Comprehensive income attributable to noncontrolling interests				(4)		(4)
Comprehensive income (loss) attributable to the Company	<u>\$ 148</u>	<u>\$ 287</u>	<u>\$ (75)</u>	<u>\$ (1)</u>	<u>\$ (211)</u>	<u>\$ 148</u>

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Results of Operations	Six months ended June 30, 2012					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 953	\$ —	\$ 2,552	\$ —	\$ 3,505
Manufacturing, shipping, and delivery		(759)	(3)	(1,989)		(2,751)
Gross profit	—	194	(3)	563	—	754
Research, engineering, selling, administrative, and other		(84)	(41)	(205)		(330)
Net intercompany interest	10	(10)				—
Interest expense	(10)	(53)		(63)		(126)

Interest income				5		5
Equity earnings from subsidiaries	254	171			(425)	—
Other equity earnings		7		24		31
Other income		90		(75)		15
Earnings (loss) from continuing operations before income taxes	254	315	(44)	249	(425)	349
Provision for income taxes		(7)	(1)	(77)		(85)
Earnings (loss) from continuing operations	254	308	(45)	172	(425)	264
Loss from discontinued operations				(2)		(2)
Net earnings (loss)	254	308	(45)	170	(425)	262
Net earnings attributable to noncontrolling interest				(8)		(8)
Net earnings (loss) attributable to the Company	<u>\$ 254</u>	<u>\$ 308</u>	<u>\$ (45)</u>	<u>\$ 162</u>	<u>\$ (425)</u>	<u>\$ 254</u>

Six months ended June 30, 2012

<u>Comprehensive Income</u>	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net earnings (loss)	\$ 254	\$ 308	\$ (45)	\$ 170	\$ (425)	\$ 262
Other comprehensive income (loss)	(52)	3		(100)	101	(48)
Total comprehensive income (loss)	202	311	(45)	70	(324)	214
Comprehensive income attributable to noncontrolling interests				(12)		(12)
Comprehensive income (loss) attributable to the Company	<u>\$ 202</u>	<u>\$ 311</u>	<u>\$ (45)</u>	<u>\$ 58</u>	<u>\$ (324)</u>	<u>\$ 202</u>

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Six months ended June 30, 2013

<u>Cash Flows</u>	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash provided by (utilized in) operating activities	\$ —	\$ 201	\$ (15)	\$ (74)	\$ (46)	\$ 66
Investing Activities:						
Additions to property, plant and equipment		(60)		(104)		(164)
Net cash proceeds from asset sales and other				6		6
Payments to fund minority partner loan				(4)		(4)
Cash utilized in investing activities		(60)		(102)		(162)
Financing Activities:						
Net distribution to OI Inc.	(53)					(53)
Change in intercompany transactions	53	(100)	45	(44)	46	—
Additions to long term debt		178		496		674
Repayments of long term debt		(219)	(12)	(493)		(724)
Increase in short term debt				59		59
Net payments for hedging activity				(6)		(6)
Payment of finance fees				(7)		(7)
Dividends paid to noncontrolling interests				(21)		(21)
Cash provided by (utilized in) financing activities		(141)	33	(16)	46	(78)
Effect of exchange rate change on cash				(8)		(8)
Increase (decrease) in cash			18	(200)		(182)
Cash at beginning of period			10	421		431
Cash at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 28</u>	<u>\$ 221</u>	<u>\$ —</u>	<u>\$ 249</u>

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Six months ended June 30, 2012

<u>Cash Flows</u>	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash provided by (utilized in) operating	\$ —	\$ 82	\$ 23	\$ (52)	\$ 9	\$ 62

activities						
Investing Activities:						
Additions to property, plant, and equipment -	(35)	(1)	(88)			(124)
Acquisitions, net of cash acquired			(5)			(5)
Net cash proceeds from asset sales and other				20		20
Proceeds from collection of minority partner loan				9		9
Cash utilized in investing activities	—	(35)	(1)	(64)	—	(100)
Financing Activities:						
Net distribution to OI Inc.	(57)					(57)
Change in intercompany transactions	57	(47)	42	(43)	(9)	—
Additions to short term debt				31		31
Borrowings of long term debt		110		9		119
Payments of long term debt		(110)		(18)		(128)
Net receipts for hedging activity				27		27
Dividends paid to noncontrolling interests				(23)		(23)
Cash provided by (utilized in) financing activities	—	(47)	42	(17)	(9)	(31)
Effect of exchange rate change on cash				5		5
Increase (decrease) in cash	—	—	64	(128)	—	(64)
Cash at beginning of period			21	379		400
Cash at end of period	\$ —	\$ —	\$ 85	\$ 251	\$ —	\$ 336

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's measure of profit for its reportable segments is segment operating profit, which consists of consolidated earnings from continuing operations before interest income, interest expense, and provision for income taxes and excludes amounts related to certain items that management considers not representative of ongoing operations as well as certain retained corporate costs. The segment data presented below is prepared in accordance with general accounting principles for segment reporting. The line titled "reportable segment totals", however, is a non-GAAP measure when presented outside of the financial statement footnotes. Management has included reportable segment totals below to facilitate the discussion and analysis of financial condition and results of operations. The Company's management uses segment operating profit, in combination with net sales and selected cash flow information, to evaluate performance and to allocate resources.

Financial information for the three and six months ended June 30, 2013 and 2012 regarding the Company's reportable segments is as follows (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net Sales:				
Europe	\$ 746	\$ 731	\$ 1,396	\$ 1,436
North America	527	516	996	998
South America	269	282	538	559
Asia Pacific	231	230	478	487
Reportable segment totals	1,773	1,759	3,408	3,480
Other	8	7	14	25
Net Sales	\$ 1,781	\$ 1,766	\$ 3,422	\$ 3,505

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	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Segment operating profit:				
Europe	\$ 111	\$ 107	\$ 170	\$ 215
North America	93	96	167	174
South America	37	47	90	85
Asia Pacific	26	16	66	52
Reportable segment totals	267	266	493	526
Items excluded from segment operating profit:				
Retained corporate costs and other	(34)	(27)	(65)	(56)
Restructuring, asset impairment and related charges			(10)	

Interest income	1	2	4	5
Interest expense	(57)	(62)	(128)	(126)
Earnings from continuing operations before income taxes	177	179	294	349
Provision for income taxes	(37)	(41)	(70)	(85)
Earnings from continuing operations	140	138	224	264
Loss from discontinued operations	(3)	(1)	(13)	(2)
Net earnings	137	137	211	262
Net earnings attributable to noncontrolling interests	(5)	(4)	(10)	(8)
Net earnings attributable to the Company	<u>\$ 132</u>	<u>\$ 133</u>	<u>\$ 201</u>	<u>\$ 254</u>

Amounts attributable to the Company:

Earnings from continuing operations	\$ 135	\$ 134	\$ 214	\$ 256
Loss from discontinued operations	(3)	(1)	(13)	(2)
Net earnings	<u>\$ 132</u>	<u>\$ 133</u>	<u>\$ 201</u>	<u>\$ 254</u>

Note: All amounts excluded from reportable segment totals are discussed in the following applicable sections.

Executive Overview — Quarters ended June 30, 2013 and 2012

Second Quarter 2013 Highlights

- Net sales higher due to improved pricing, partially offset by 1% decline in glass container shipments.
- Segment operating profit consistent with prior year as benefits realized from permanent footprint adjustments and other global cost control initiatives were offset by lower production volumes.

Net sales were \$15 million higher than the prior year due to higher selling prices, partially offset by a 1% decline in glass container shipments, driven by lower sales volumes in Europe, North America and South America.

Segment operating profit for reportable segments was \$1 million higher than the prior year. Benefits realized from permanent footprint adjustments made in Europe and Asia Pacific and other global cost control initiatives were largely offset by lower production volumes in North America and South America due to a higher number of furnace rebuilds.

Interest expense for the second quarter of 2013 decreased \$5 million compared to the second quarter of 2012. The decrease was due to debt reduction initiatives and lower interest rates.

Net earnings from continuing operations attributable to the Company for the second quarter of 2013 was \$135 million compared with \$134 million for the second quarter of 2012. There were no items that management considered not representative of ongoing operations in the second quarter of 2013 or 2012.

Results of Operations — Second Quarter of 2013 compared with Second Quarter of 2012

Net Sales

The Company's net sales in the second quarter of 2013 were \$1,781 million compared with \$1,766 million for the second quarter of 2012, an increase of \$15 million, or 1%. The increase in net sales was due to higher selling prices to recover cost inflation. Glass container shipments, in tonnes, were down 1% in the second quarter of 2013 compared to the second quarter of 2012, driven by lower sales volumes in Europe, North America and South America.

The change in net sales of reportable segments can be summarized as follows (dollars in millions):

Net sales - 2012		\$ 1,759
Price	\$ 36	
Sales volume	(20)	
Effects of changing foreign currency rates	(2)	
Total effect on net sales		14
Net sales - 2013		<u>\$ 1,773</u>

Europe: Net sales in Europe in the second quarter of 2013 were \$746 million compared with \$731 million for the second quarter of 2012, an increase of \$15 million, or 2%. The favorable effect of foreign currency exchange rate changes increased net sales by \$16 million in the current year as the Euro strengthened in relation to the U.S. dollar. Higher selling prices benefited net sales in the second quarter of 2013 by \$7 million as the Company raised prices to recover cost inflation. The benefit of higher selling prices on the current quarter was offset by lower sales volume. Glass container shipments in the second quarter of 2013 were down 1% compared to the second quarter of 2012, particularly in the beer category. The lower sales volume, which reduced net sales by \$8 million, was mainly due to the macroeconomic environment in Europe and unfavorable weather conditions, partially offset by an increase in wine bottle sales due to the Company's efforts to recover wine share lost in 2012.

North America: Net sales in North America in the second quarter of 2013 were \$527 million compared with \$516 million for the second quarter of 2012, an increase of \$11 million, or 2%. The increase in net sales was due to higher selling prices of \$17 million in the second quarter of 2013 as the Company increased prices to recover cost inflation. The benefit of higher selling prices was partially offset by lower sales volume. Glass container shipments were down 1% in the quarter compared to the prior year, driven by lower beer bottle sales from the unfavorable weather conditions in the region compared to the second quarter of 2012.

South America: Net sales in South America in the second quarter of 2013 were \$269 million compared with \$282 million for the second quarter of 2012, a decrease of \$13 million, or 5%.

The unfavorable effects of foreign currency exchange rate changes decreased net sales \$14 million in the second quarter of 2013 compared to 2012, principally due to a 6% decline in the Brazilian real in relation to the U.S. dollar. Glass container shipments were down 3% in the second quarter of 2013, primarily due to lower beer bottle shipments driven by low consumer confidence and unfavorable weather conditions. Improved pricing in the current quarter offset the lower sales volume and benefited net sales by \$10 million as the Company increased selling prices to recover cost inflation.

Asia Pacific: Net sales in Asia Pacific in the second quarter of 2013 were \$231 million compared with \$230 million for the second quarter of 2012, an increase of \$1 million. Glass container shipments were flat compared to the prior year. The unfavorable effects of foreign currency exchange rate changes during the second quarter of 2013, primarily due to the weakening of the Australian dollar in relation to the U.S. dollar, were offset by improved pricing.

Segment Operating Profit

Operating profit of the reportable segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. Unallocated corporate expenses and certain other expenses not directly related to the reportable segments' operations are included in Retained corporate costs and other. For further information, see Segment Information included in Note 2 to the Condensed Consolidated Financial Statements.

Segment operating profit of reportable segments in the second quarter of 2013 was \$267 million compared to \$266 million for the second quarter of 2012, an increase of \$1 million. The increase in segment operating profit was primarily due to the benefits realized from the permanent footprint adjustments made in Europe and Asia Pacific over the past year, as well as other global cost control initiatives. These benefits were offset by an increase in the number of furnace rebuilds in North America and South America, which resulted in lower fixed cost absorption in the second quarter of 2013. Cost inflation in the second quarter of 2013 was more than offset by higher selling prices.

The change in segment operating profit of reportable segments can be summarized as follows (dollars in millions):

Segment operating profit - 2012		\$	266
Price	\$	36	
Cost inflation		(34)	
Price / inflation spread		2	
Sales volume		(1)	
Manufacturing and delivery		(4)	
Operating expenses and other		4	
Total net effect on segment operating profit			<u>1</u>
Segment operating profit - 2013		\$	<u>267</u>

Europe: Segment operating profit in Europe in the second quarter of 2013 was \$111 million compared with \$107 million in the second quarter of 2012, an increase of \$4 million, or 4%. The improvement in segment operating profit was due in part to a \$4 million decline in manufacturing and delivery costs as the region began to realize the benefits of permanent footprint adjustments made over the last year. Cost inflation for the quarter was completely offset by higher selling prices. Lower operating expenses, driven by cost control initiatives,

had a \$6 million positive impact on segment operating profit during the second quarter of 2013, but was offset by lower sales volume and an increase in other costs.

North America: Segment operating profit in North America in the second quarter of 2013 was \$93 million compared with \$96 million in the second quarter of 2012, a decrease of \$3 million, or 3%. The decrease in segment operating profit was primarily due to higher manufacturing and delivery costs of \$9 million in the current quarter as a higher number of furnace rebuilds resulted in lower fixed cost absorption. Higher selling prices exceeded cost inflation in the quarter, increasing segment operating profit \$5 million compared to the prior year. The decline in sales volume discussed above was offset by the benefits of cost control initiatives.

South America: Segment operating profit in South America in the second quarter of 2013 was \$37 million compared with \$47 million in the second quarter of 2012, a decrease of \$10 million, or 21%. The decrease in segment operating profit was primarily due to higher manufacturing and delivery costs of \$5 million in the current quarter as a higher number of furnace rebuilds resulted in lower fixed cost absorption, partially offset by the benefits of the new furnace in Brazil that started production at the end of 2012. The unfavorable effects of foreign currency exchange rate changes decreased segment operating profit by \$2 million in the current quarter. Cost inflation for the quarter was offset by higher selling prices. The region was negatively impacted by macroeconomic conditions in Argentina, where government price controls limited the Company's ability to effectively offset the high cost inflation experienced in this country.

Asia Pacific: Segment operating profit in Asia Pacific in the second quarter of 2013 was \$26 million compared with \$16 million in the second quarter of 2012, an increase of \$10 million, or 63%. The increase in segment operating profit was primarily due to a \$6 million decline in manufacturing and delivery costs driven by the benefits realized from the permanent footprint adjustments made over the past year. Segment operating profit also increased due to higher sales volume and other cost control initiatives in the second quarter of 2013. The benefit of higher selling prices in the quarter was more than offset by cost inflation.

Interest Expense

Interest expense for the second quarter of 2013 was \$57 million compared with \$62 million for the second quarter of 2012. Interest expense for 2013 included \$3 million for the loss on debt extinguishment and the write-off of finance fees related to the repurchase of a portion of the 2015 Exchangeable Notes. Exclusive of these items, interest expense decreased \$8 million in the current year. The decrease was principally due to debt reduction initiatives and lower interest rates.

Earnings from Continuing Operations Attributable to the Company

For the second quarter of 2013, the Company recorded earnings from continuing operations attributable to the Company of \$135 million compared to \$134 million in the second quarter of 2012. There were no items that management considered not representative of ongoing operations in the second quarter of 2013 or 2012.

Executive Overview — Six Months ended June 30, 2013 and 2012

2013 Highlights

- Net sales lower due to 3% decline in glass container shipments.
- Segment operating profit lower due to decline in glass container production and shipments, partially offset by global cost control initiatives.
- Issued €330 million 4.875% senior notes due 2021 and discharged €300 million 6.875% senior notes due 2017.

Net sales were \$83 million lower than the prior year due to a 3% decline in glass container shipments. Higher selling prices had a positive impact on net sales, while the effect of changes in foreign currency exchange rates had an unfavorable impact on net sales.

Segment operating profit for reportable segments was \$33 million lower than the prior year. The decrease was mainly attributable to lower production volume, which resulted in higher manufacturing costs, and lower sales volume, partially offset by global cost control initiatives.

Interest expense for the first six months of 2013 increased \$2 million over the first six months of 2012. The increase was due to note repurchase premiums and the write-off of finance fees related to debt that was repaid during 2013 prior to its maturity.

Net earnings from continuing operations attributable to the Company for the first six months of 2013 was \$214 million compared with \$256 million for the first six months of 2012. Earnings in 2013 included items that management considered not representative of ongoing operations. These items decreased net earnings attributable to the Company in 2013 by \$20 million. There were no items that management considered not representative of ongoing operations in the first six months of 2012.

Results of Operations — First six months of 2013 compared with first six months of 2012

Net Sales

The Company's net sales in the first six months of 2013 were \$3,422 million compared with \$3,505 million for the first six months of 2012, a decrease of \$83 million, or 2%. Glass container shipments, in tonnes, were down 3% in 2013 compared to 2012, driven by lower sales in Europe, North America and Asia Pacific. The benefit of higher selling prices to recover cost inflation was partially offset by unfavorable foreign currency exchange rate changes, primarily due to a weaker Brazilian real in relation to the U.S. dollar.

The change in net sales of reportable segments can be summarized as follows (dollars in millions):

Net sales - 2012		\$ 3,480
Price	\$ 73	
Sales volume	(106)	
Effects of changing foreign currency rates	(39)	
Total effect on net sales		(72)
Net sales - 2013		<u>\$ 3,408</u>

Europe: Net sales in Europe in the first six months of 2013 were \$1,396 million compared with \$1,436 million for the first six months of 2012, a decrease of \$40 million, or 3%. Glass container shipments in 2013 were down 4% compared to the prior year, particularly in the beer category. The lower sales volume, which reduced net sales by \$65 million, was mainly due to the macroeconomic environment in Europe and unfavorable weather conditions, partially offset by an increase in wine bottle sales due to the Company's efforts to recover wine share lost in 2012. Higher selling prices benefited net sales in the current year by \$19 million as the Company raised prices to recover cost inflation. Additionally, net sales were increased by \$6 million due to the favorable effects of foreign currency exchange rate changes, as the Euro strengthened in relation to the U.S. dollar.

North America: Net sales in North America in the first six months of 2013 were \$996 million compared with \$998 million for the first six months of 2012, a decrease of \$2 million. Glass container shipments were down 3% in the current year compared to the prior year, driven by lower beer bottle sales from the unfavorable weather conditions in the region compared to 2012. Mostly offsetting the decline in sales volume were higher selling prices of \$24 million as the Company increased prices to recover cost inflation.

South America: Net sales in South America in the first six months of 2013 were \$538 million compared with \$559 million for the first six months of 2012, a decrease of \$21 million, or 4%. The unfavorable effects of foreign currency exchange rate changes decreased net sales \$35 million in 2013 compared to

2012, principally due to a 9% decline in the Brazilian real in relation to the U.S. dollar. Improved pricing and higher sales volume in the current year benefited net sales by \$14 million as the Company increased selling prices to recover cost inflation and glass container shipments were up nearly 1%.

Asia Pacific: Net sales in Asia Pacific in the first six months of 2013 were \$478 million compared with \$487 million for the first six months of 2012, a decrease of \$9 million, or 2%. Glass container shipments were down 3% compared to the prior year, largely due to the closure of a plant in the region at the end of 2012, resulting in a \$9 million decline in net sales. The unfavorable effects of foreign currency exchange rate changes decreased net sales \$8 million in 2013 compared to 2012, primarily due to the weakening of the Australian dollar in relation to the U.S. dollar. Improved pricing increased net sales \$8 million in the current year.

Segment Operating Profit

Operating profit of the reportable segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. Unallocated corporate expenses and certain other expenses not directly related to the reportable segments' operations are included in Retained corporate costs and other. For further information, see Segment Information included in Note 2 to the Condensed Consolidated Financial Statements.

Segment operating profit of reportable segments in the first six months of 2013 was \$493 million compared to \$526 million for the first six months of 2012, a decrease of \$33 million, or 6%. The decrease in segment operating profit was primarily due to higher manufacturing and delivery costs and lower sales volume, partially offset by lower operating expenses. Manufacturing and delivery costs were higher in the current year as the Company lowered production volumes in Europe in order to reduce earnings volatility by better phasing production over the course of the year. This action, along with an increase in the number of furnace rebuilds in North America and South America, resulted in lower fixed cost absorption in 2013. Operating expenses were lower

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in the current year due to global cost control initiatives. Cost inflation in the first six months of 2013 was more than offset by higher selling prices.

The change in segment operating profit of reportable segments can be summarized as follows (dollars in millions):

Segment operating profit - 2012		\$	526
Price	\$	73	
Cost inflation		(68)	
Price / inflation spread		5	
Sales volume		(20)	
Manufacturing and delivery		(33)	
Operating expenses and other		16	
Effects of changing foreign currency rates		(1)	
Total net effect on segment operating profit			(33)
Segment operating profit - 2013		\$	493

Europe: Segment operating profit in Europe in the first six months of 2013 was \$170 million compared with \$215 million in the first six months of 2012, a decrease of \$45 million, or 21%. The decline in sales volume discussed above decreased segment operating profit by \$18 million and higher manufacturing and delivery costs decreased earnings by \$39 million. The Company deliberately lowered production in this region during the first six months of 2013 to reduce earnings volatility by better phasing production over the course of the year. The lower production resulted in lower fixed cost absorption compared to the prior year. Cost inflation in the current year was completely offset by higher selling prices. Lower operating expenses, driven by cost control initiatives, had a \$12 million positive impact on segment operating profit during the first six months of 2013.

North America: Segment operating profit in North America in the first six months of 2013 was \$167 million compared with \$174 million in the first six months of 2012, a decrease of \$7 million, or 4%. The decrease in segment operating profit was primarily due to higher manufacturing and delivery costs of \$11 million in the current year as a higher number of furnace rebuilds resulted in lower fixed cost absorption. Higher selling prices exceeded cost inflation in the current year, increasing segment operating profit \$5 million compared to the prior year. The decline in sales volume discussed above was offset by the benefits of cost control initiatives.

South America: Segment operating profit in South America in the first six months of 2013 was \$90 million compared with \$85 million in the first six months of 2012, an increase of \$5 million, or 6%. Manufacturing and delivery costs were \$9 million lower in 2013 compared to the prior year, primarily due to the benefits of the new furnace in Brazil that started production at the end of 2012, partially offset by a higher number of furnace rebuilds in the current year. The unfavorable effects of foreign currency exchange rate changes decreased segment operating profit by \$4 million in the current year. Higher sales volume increased segment operating profit in 2013, and the benefit of higher selling prices in 2013 exceeded cost inflation. The region was negatively impacted by macroeconomic conditions in Argentina, where government price controls limited the Company's ability to effectively offset the high cost inflation experienced in this country.

Asia Pacific: Segment operating profit in Asia Pacific in the first six months of 2013 was \$66 million compared with \$52 million in the first six months of 2012, an increase of \$14 million, or 27%. The increase in segment operating profit was primarily due to an \$8 million decline in

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manufacturing and delivery costs driven by the benefits realized from the permanent footprint adjustments made over the past year. Segment operating profit also increased due to other cost control initiatives in 2013. The benefit of higher selling prices in the current year was offset by cost inflation.

Interest Expense

Interest expense for the first six months of 2013 was \$128 million compared with \$126 million for the first six months of 2012. Interest expense for 2013 included \$11 million for note repurchase premiums and the write-off of finance fees related to the discharge of the €300 million senior notes due 2017 and \$3 million for loss on debt extinguishment and the write-off of finance fees related to the repurchase of a portion of the 2015 Exchangeable Notes. Exclusive of these items, interest expense decreased \$12 million in the current year. The decrease was principally due to debt reduction initiatives and lower interest rates.

Provision for Income Taxes

The Company's effective tax rate from continuing operations for the six months ended June 30, 2013 was 23.8% compared with 24.4% for the six months ended June 30, 2012. Excluding the amounts related to items that management considers not representative of ongoing operations, the Company expects that the full year effective tax rate for 2013 will be between 23% to 24% compared with 22.1% for 2012. The increase in the expected effective tax rate for the full year 2013 is due to the Company's current expected change in mix of earnings by jurisdiction.

Earnings from Continuing Operations Attributable to the Company

For the first six months of 2013, the Company recorded earnings from continuing operations attributable to the Company of \$214 million compared to \$256 million in the first six months of 2012. Earnings in 2013 included items that management considered not representative of ongoing operations. These items decreased earnings from continuing operations attributable to the Company in 2013 by \$20 million. There were no items that management considered not representative of ongoing operations in the first six months of 2012.

Items Excluded from Reportable Segment Totals

Retained Corporate Costs and Other

Retained corporate costs and other for the second quarter of 2013 was \$34 million compared with \$27 million for the second quarter of 2012, and \$65 million for the first six months of 2013 compared with \$56 million for the first six months of 2012. Retained corporate costs and other for the three and six months ended June 30, 2013 reflect lower earnings from the Company's equity investment in a soda ash mining operation, higher pension expense and lower earnings from global machine and equipment sales, partially offset by cost control initiatives.

Restructuring

During the six months ended June 30, 2013, the Company recorded restructuring, asset impairment and related charges of \$10 million, primarily related to the European Asset Optimization program. See Note 5 to the Condensed Consolidated Financial Statements for additional information.

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Discontinued Operations

On October 26, 2010, the Venezuelan government, through Presidential Decree No. 7.751, expropriated the assets of Owens-Illinois de Venezuela and Fabrica de Vidrios Los Andes, C.A., two of the Company's subsidiaries in that country, which in effect constituted a taking of the going concerns of those companies. Shortly after the issuance of the decree, the Venezuelan government installed temporary administrative boards to control the expropriated assets.

Since the issuance of the decree, the Company has cooperated with the Venezuelan government, as it is compelled to do under Venezuelan law, to provide for an orderly transition while ensuring the safety and well-being of the employees and the integrity of the production facilities. The Company has been engaged in negotiations with the Venezuelan government in relation to certain aspects of the expropriation, including the compensation payable by the government as a result of its expropriation. On September 26, 2011, the Company, having been unable to reach an agreement with the Venezuelan government regarding fair compensation, commenced an arbitration against Venezuela through the World Bank's International Centre for Settlement of Investment Disputes. The Company is unable at this stage to predict the amount, or timing of receipt, of compensation it will ultimately receive.

The loss from discontinued operations of \$13 million for the six months ended June 30, 2013 included \$8 million of special termination benefits related to a previously disposed business and \$5 million for ongoing costs related to the Venezuela expropriation.

Capital Resources and Liquidity

As of June 30, 2013, the Company had cash and total debt of \$249 million and \$3.8 billion, respectively, compared to \$336 million and \$4.0 billion, respectively, as of June 30, 2012. A significant portion of the cash was held in mature, liquid markets where the Company has operations, such as the U.S., Europe and Australia, and is readily available to fund global liquidity requirements. The amount of cash held in non-U.S. locations as of June 30, 2013 was \$221 million.

Current and Long-Term Debt

On May 19, 2011, the Company's subsidiary borrowers entered into the Secured Credit Agreement (the "Agreement"). At June 30, 2013, the Agreement included a \$900 million revolving credit facility, a 25 million Australian dollar term loan, a \$525 million term loan, a 102 million Canadian dollar term loan, and a €123 million term loan, each of which has a final maturity date of May 19, 2016. At June 30, 2013, the Company's subsidiary borrowers had unused credit of \$816 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at June 30, 2013 was 2.13%.

During the six months ended June 30, 2013, a subsidiary of the Company repurchased \$46 million of the 2015 Exchangeable Notes.

During March 2013, a subsidiary of the Company issued senior notes with a face value of €330 million due March 31, 2021. The notes bear interest at 4.875% and are guaranteed by substantially all of the Company's domestic subsidiaries. The net proceeds, after deducting debt issuance costs, totaled approximately \$418 million.

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During March 2013, a subsidiary of the Company discharged, in accordance with the indenture, all €300 million of the 6.875% senior notes due 2017.

The Company assesses its capital raising and refinancing needs on an ongoing basis and may enter into additional credit facilities and seek to issue equity and/or debt securities in the domestic and international capital markets if market conditions are favorable. Also, depending on market conditions, the Company may elect to repurchase portions of its debt securities in the open market.

The Company has a €240 million European accounts receivable securitization program, which extends through September 2016, subject to annual renewal of backup credit lines. Information related to the Company's accounts receivable securitization program is as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>
Balance (included in short-term loans)	\$ 290	\$ 264	\$ 302
Weighted average interest rate	1.20%	1.33%	1.42%

Cash Flows

Free cash flow was \$(93) million for the first six months of 2013 compared to \$(60) million for the first six months of 2012. The Company defines free cash flow as cash provided by continuing operating activities less additions to property, plant and equipment from continuing operations. Free cash flow does not conform to U.S. GAAP and should not be construed as an alternative to the cash flow measures reported in accordance with U.S. GAAP. The Company uses free cash flow for internal reporting, forecasting and budgeting and believes this information allows the board of directors, management, investors and analysts to better understand the Company's financial performance. Free cash flow for the six months ended June 30, 2013 and 2012 is calculated as follows:

	<u>2013</u>	<u>2012</u>
Cash provided by continuing operating activities	\$ 71	\$ 64
Additions to property, plant and equipment	(164)	(124)
Free cash flow	<u>\$ (93)</u>	<u>\$ (60)</u>

Operating activities: Cash provided by continuing operating activities was \$71 million for the six months ended June 30, 2013, compared with \$64 million for the six months ended June 30, 2012. The increase in cash provided by continuing operating activities was primarily due to an increase in working capital of \$351 million in 2013 compared to \$380 million in 2012. The smaller increase in working capital during 2013 was mainly due to a smaller increase in inventories compared to the prior year. The smaller increase in inventories was driven by the Company's decision to build inventory levels in North America in the first six months of 2012 to avoid the supply chain issues that impacted the region in the second quarter of 2011. In addition, the Company increased inventory levels in Europe in the first six months of 2012 in

advance of implementing production curtailment measures at the end of the second quarter of 2012. The increase in cash provided by continuing operating activities was also due to a decrease in pension plan contributions of \$22 million, partially offset by lower earnings and an increase in cash paid for restructuring activities of \$7 million.

Investing activities: Cash utilized in investing activities was \$162 million for the six months ended June 30, 2013 compared to \$100 million for the six months ended June 30, 2012. Capital spending for property, plant and equipment was \$164 million during the current year and \$124 million during the prior year. The increase in capital spending in 2013 was primarily due to the large amount of capital projects completed during the fourth quarter of 2012 that were paid for in 2013, in addition to an increase in the number of furnace rebuilds in the current year. Cash utilized in investing activities in 2012 included \$5 million for the final payment related to an acquisition in China in 2010. During the first six months of 2012, the Company received \$14 million from the Chinese government as partial compensation for the land in China that the Company was required to return to the government. The Company also paid \$4 million as a loan to one of its noncontrolling partners in South America in 2013, while in 2012 the Company received \$9 million from one of its noncontrolling partners as a repayment of a loan.

Financing activities: Cash utilized in financing activities was \$78 million for the six months ended June 30, 2013 compared to cash provided by financing activities of \$31 million for the six months ended June 30, 2012. Financing activities in 2013 included repayments of long-term debt of \$724 million, primarily related to the discharge of the €300 million senior notes due 2017 and the repurchase of \$46 million of the 2015 Exchangeable Notes, partially offset by additions to long-term debt of \$674 million, primarily related to the issuance of the €330 million senior notes due 2021, and additions to short-term loans of \$59 million. Financing activities in 2012 included additions to long-term debt of \$119 million and short-term loans of \$31 million, partially offset by repayments of long-term debt of \$128 million.

The Company anticipates that cash flows from its operations and from utilization of credit available under the Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service and other obligations on a short-term (twelve-months) and long-term basis. Based on the Company's expectations regarding future payments for lawsuits and claims and also based on the Company's expected operating cash flow, the Company believes that the payment of any deferred amounts of previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company's liquidity on a short-term or long-term basis.

Critical Accounting Estimates

The Company's analysis and discussion of its financial condition and results of operations are based upon its consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The Company evaluates these estimates and assumptions on an ongoing basis. Estimates and

assumptions are based on historical and other factors believed to be reasonable under the circumstances at the time the financial statements are issued. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates.

The impact of, and any associated risks related to, estimates and assumptions are discussed within Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as in the Notes to the Condensed Consolidated Financial Statements, if applicable, where estimates and assumptions affect the Company's reported and expected financial results.

There have been no other material changes in critical accounting estimates at June 30, 2013 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Forward Looking Statements

This document 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, specifically the Euro, Brazilian real and Australian 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 the economic conditions in Australia, Europe and South America, disruptions in capital markets, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (4) consumer preferences for alternative forms of packaging, (5) cost and availability of raw materials, labor, energy and transportation, (6) the Company's ability to manage its cost structure, including its success in implementing restructuring plans and achieving cost savings, (7) consolidation among competitors and customers, (8) the ability of the Company to acquire businesses and expand plants, integrate operations of acquired businesses and achieve expected synergies, (9) unanticipated expenditures with respect to environmental, safety and health laws, (10) the Company's ability to further develop its sales, marketing and product development capabilities, and (11) the timing and occurrence of events which are beyond the control of the Company, including any expropriation of the Company's operations, floods and other natural disasters, events related to asbestos-related claims, and the other risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 and any subsequently filed Quarterly Report on Form 10-Q. It is not possible to foresee or identify all such factors. Any forward looking statements in this document 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 document.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

There have been no material changes in market risk at June 30, 2013 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the Company has investments in certain unconsolidated entities. As the Company does not control or manage these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those maintained with respect to its consolidated subsidiaries.

As required by Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2013.

Management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2012. As required by Rule 13a-15(d) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of any change in the Company's internal controls over financial reporting that have materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company is undertaking the phased implementation of an Enterprise Resource Planning software system. The phased implementation has commenced in the South America segment during the second quarter of 2013. The Company believes it is maintaining and monitoring appropriate internal controls during the implementation period and further believes that its internal control environment will be enhanced as a result of this implementation. There have been no other changes in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

For further information on legal proceedings, see Note 9 to the Condensed Consolidated Financial Statements, “Contingencies,” that is included in Part I of this Report and is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes in risk factors at June 30, 2013 from those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

Item 6. Exhibits.

Exhibit 4.1	First Amendment to Credit Agreement and Consent, dated as of June 18, 2013, by and among the Borrowers named therein, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein.
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges.
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.
Exhibit 32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
Exhibit 101	Financial statements from the quarterly report on Form 10-Q of Owens-Illinois Group, Inc. for the quarter ended June 30, 2013, formatted in XBRL: (i) the Condensed Consolidated Results of Operations, (ii) the Condensed Consolidated Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements.

* This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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 thereunto duly authorized.

OWENS-ILLINOIS GROUP, INC.

Date July 25, 2013

By /s/ Stephen P. Bramlage, Jr.
Stephen P. Bramlage, Jr.
President and Chief Financial Officer
(Principal Financial Officer; Principal Accounting Officer)

INDEX TO EXHIBITS

Exhibits

4.1	First Amendment to Credit Agreement and Consent, dated as of June 18, 2013, by and among the Borrowers named therein, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein.
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* This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

OWENS-ILLINOIS GROUP, INC.
OWENS-BROCKWAY GLASS CONTAINER INC.
ACI OPERATIONS PTY. LTD.
OI EUROPEAN GROUP B.V.
OI EUROPE SARL
O-I CANADA CORP.

FIRST AMENDMENT TO CREDIT AGREEMENT AND CONSENT

This **FIRST AMENDMENT TO CREDIT AGREEMENT AND CONSENT** (this "**Amendment**") is dated as of June 18, 2013 and entered into by and among **OWENS-ILLINOIS GROUP, INC.**, a Delaware corporation ("**Company**"), **OWENS-BROCKWAY GLASS CONTAINER INC.**, a Delaware corporation, **ACI OPERATIONS PTY. LTD.**, a limited liability company organized under the laws of Australia, **OI EUROPEAN GROUP B.V.**, a private company with limited liability organized under the laws of the Netherlands, **OI EUROPE SARL**, a Swiss *Société à responsabilité limitée* (limited liability corporation), **O-I CANADA CORP.**, a Nova Scotia company and **OWENS-ILLINOIS GENERAL INC.**, a Delaware corporation, as Borrowers' Agent, **THE OTHER LOAN PARTIES PARTY HERETO, THE LENDERS LISTED ON THE SIGNATURE PAGES HEREOF** (each individually a "**Lender**" and collectively, "**Lenders**"), **DEUTSCHE BANK AG, NEW YORK BRANCH**, as Administrative Agent for Lenders (in such capacity, the "**Administrative Agent**") and **DEUTSCHE BANK TRUST COMPANY AMERICAS**, as Collateral Agent for Lenders (in such capacity, the "**Collateral Agent**"). Capitalized terms used herein without definition shall have the same meanings as set forth in the Credit Agreement dated as of May 19, 2011 by and among the parties listed above (as amended, restated, amended and restated or otherwise modified or supplemented from time to time through the date hereof, the "**Credit Agreement**").

RECITALS

WHEREAS, Company, Borrowers and Requisite Lenders desire to amend the Credit Agreement as set forth herein.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. AMENDMENTS TO CREDIT AGREEMENT AND CERTAIN LOAN DOCUMENTS

A. Amendments to Subsection 1.1 — Certain Defined Terms.

(i) The definition of "Receivables Sale Indebtedness" set forth in Section 1.1 of the Credit Agreement is amended by adding the following to the end of such definition:

"Solely for purposes of Section 6.1(xiv), "Receivables Sale Indebtedness" shall be deemed to include the face amount of any account receivable subject to Permitted Factoring until the earlier of (x) the date on which such account receivable becomes due and payable and (y) the payment in full of such account receivable by the applicable account debtor."

(ii) The definition of "Other Permitted Credit Exposure" in Section 1.1 of the Credit Agreement shall be deleted in its entirety and replaced with the following definition:

"**Other Permitted Credit Exposure**" means the obligations of Company or any of its Restricted Subsidiaries owed to Lenders or Affiliates of Lenders arising out of loans, advances, overdrafts, interest rate, currency or hedge products and other derivative exposures (including under Interest Rate Agreements, Currency Agreements and Commodities Agreements) and other extensions of credit to Company or any of its Restricted Subsidiaries."

(iii) The following new definition shall be added in Section 1.1 of the Credit Agreement in alphabetical order:

"**Permitted Factoring**" means the factoring or sale at a discount (or any such arrangement similar to the foregoing) of accounts receivable of Company or any of its Restricted Subsidiaries on a non-recourse basis in the ordinary course of business."

(iv) The definition of "Consolidated Total Debt" set forth in Section 1.1 of the Credit Agreement is deleted in its entirety and replaced with the following definition:

"**Consolidated Total Debt**" means, as at any date of determination, the aggregate stated balance sheet amount of all Indebtedness of Holdings and its Restricted Subsidiaries, all as determined on a consolidated basis in conformity with GAAP and Receivables Sale Indebtedness of Holdings and its Restricted Subsidiaries regardless of whether included on the consolidated balance sheet of Holdings and its Restricted Subsidiaries; provided, that, the amount of Receivables Sale Indebtedness attributable to Permitted Factoring shall be the amount, if any, required by GAAP to be included as a liability on the consolidated balance sheet of Holdings and its Restricted Subsidiaries".

(v) The definition of "Loan Documents" set forth in Section 1.1 of the Credit Agreement is deleted in its entirety and replaced with the following definition:

"**Loan Documents**" means this Agreement, the First Amendment to Credit Agreement and Consent dated as of June 18, 2013, the Notes, the Domestic Overdraft Agreement, any Offshore Overdraft Agreements, the Letters of Credit, the Guaranties and the Collateral Documents.

(vi) Section 6.1(xiv) of the Credit Agreement is deleted in its entirety and replaced with the following:

“(xiv) Company and its Restricted Subsidiaries may become and remain liable with respect to Receivables Sale Indebtedness in an aggregate principal amount not to exceed \$700,000,000 at any time outstanding;”

B. Amendments to Certain Loan Documents. For purposes of each of the Pledge Agreement, the Security Agreement, the Intercreditor Agreement, the Subsidiary

Guaranty and the Domestic Borrowers’ Guaranty, references to “Other Permitted Credit Exposure” shall be deleted and replaced, or otherwise construed in accordance with, the following:

““Other Permitted Credit Exposure” shall have the meaning assigned to that term in the Credit Agreement.”

Section 2. CONDITIONS TO EFFECTIVENESS

A. This Amendment shall become effective only upon satisfaction of all of the following conditions precedent (the date of such satisfaction being referred to herein as the “**Amendment Effective Date**”):

(i) Amendment. On or before the Amendment Effective Date, (a) Requisite Lenders under the Credit Agreement, (b) the Administrative Agent, (c) each of the Borrowers, and (d) each of the Guarantors (as defined below) shall have delivered to the Administrative Agent executed counterparts of this Amendment.

(ii) Representations and Warranties. On the Amendment Effective Date, (a) the representations and warranties contained in Section 3 hereof shall be true and correct as of such date in all material respects, as though made on and as of such date except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true in all material respects as of such earlier date; (b) no Event of Default shall then exist; and (c) the Borrowers’ Agent shall deliver to the Administrative Agent a certificate signed by a Responsible Officer or other authorized signatory of Borrowers’ Agent confirming the foregoing.

Section 3. REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders to enter into this Amendment, Company, each Borrower and each Guarantor makes the following representations and warranties to each Lender on and as of the Amendment Effective Date:

A. Authorization; Binding Obligations. Company, each Borrower and each Guarantor has all requisite organizational power and authority to enter into this Amendment. The execution, delivery and performance of this Amendment has been duly authorized by all necessary organizational action by Company, each Borrower and each Guarantor. This Amendment has been duly executed and delivered by Company, each Borrower and each Guarantor and is the legally valid and binding obligation of Company, each Borrower and each Guarantor, enforceable against Company, each Borrower and each Guarantor in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors’ rights generally and by equitable principles relating to enforceability.

B. No Conflict. The execution and delivery by Company, each Borrower and each Guarantor of this Amendment does not and will not (i) violate any provision of any material law or any material governmental rule or regulation applicable to Company, any Borrower or any Guarantor, the Organizational Documents of Company, any Borrower or any Guarantor, or any order, judgment or decree of any court or other agency of government binding on Company, any Borrower or any Guarantor, (ii) conflict with, result in a material breach of or constitute (with due notice or lapse of time or both) a material default under any Contractual Obligation of Company, any Borrower or any Guarantor, or (iii) result in or require the creation or imposition of any Lien under any such Contractual Obligation upon any of the properties or assets of Company, any Borrower or any Guarantor (other than any Liens created under any of the Loan Documents).

C. Governmental Consents. The execution and delivery by Company, each Borrower and the Guarantor of this Amendment does not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body except any thereof that have been obtained and are in full force and effect.

D. Incorporation of Representations. Each representation and warranty of Company, each Borrower and each Guarantor contained in each of the Loan Documents is true and correct in all material respects on and as of the Amendment Effective Date to the same extent as though made on and as of the Amendment Effective Date except to the extent such representations and warranties relate to an earlier date, in which case they were true and correct in all material respects as of such earlier date.

E. Absence of Default. No event has occurred and is continuing or would result from the execution, delivery or performance of this Amendment that constitutes or would constitute an Event of Default or a Potential Event of Default after giving effect to this Amendment.

F. Acknowledgment and Consent. Each of Company, each Borrower and each Guarantor signatory hereto (each individually a “**Guarantor**” and collectively, the “**Guarantors**”) has read this Amendment and consents to the terms hereof and further hereby confirms and agrees that, notwithstanding the effectiveness of this Amendment, the obligations of such Guarantor under each of the Loan Documents to which such Guarantor is a party shall not be impaired and each of the Loan Documents to which such Guarantor is a party is, and shall continue to be, in full force and effect and are hereby confirmed and ratified in all respects.

Section 4. MISCELLANEOUS

A. Reference to and Effect on the Credit Agreement and the Other Loan Documents.

(i) On and after the Amendment Effective Date, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the “Credit Agreement,” “thereunder,” “thereof” or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(ii) Except as specifically amended by this Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of Administrative Agent, Collateral Agent, or any Lender under the Credit Agreement or any of the other Loan Documents.

B. Fees and Expenses. Loan Parties acknowledge that all reasonable costs, fees and expenses as described in subsection 10.3 of the Credit Agreement incurred by the Administrative Agent and its counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Loan Parties.

C. Headings. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

D. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

E. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages maybe detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Delivery of an executed signature page to this Agreement by facsimile transmission or other electronic image transmission (e.g., “PDF” or “TIF” via electronic mail) shall be as effective as delivery of a manually signed counterpart of this Agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the date first above written.

OWENS-ILLINOIS GROUP, INC.

By: /s/ James W. Baehren
Name: James W. Baehren
Title: Vice President

OWENS-BROCKWAY GLASS CONTAINER INC.

By: /s/ James W. Baehren
Name: James W. Baehren
Title: Senior Vice President

ACI OPERATIONS PTY. LTD.

By: /s/ James W. Baehren
Name: James W. Baehren
Title: Authorized Signatory

O-I CANADA CORP.

By: /s/ James W. Baehren
Name: James W. Baehren
Title: Vice President

OI EUROPEAN GROUP B.V.

By: /s/ James W. Baehren
Name: James W. Baehren
Title: Attorney-in -Fact

OI EUROPE SARL

By: /s/ James W. Baehren
Name: James W. Baehren
Title: Attorney-in -Fact

OWENS-ILLINOIS GENERAL INC., as Borrowers' Agent

By: /s/ James W. Baehren
Name: James W. Baehren
Title: Vice President

On behalf of each entity on the attached Exhibit A, in the capacity set forth for such entity on such Exhibit A

By: /s/ James W. Baehren
Name: James W. Baehren

[Signature Page — First Amendment]

DEUTSCHE BANK AG, NEW YORK BRANCH, as Lender

By: /s/ Michael Getz
Name: Michael Getz
Title: Vice President

By: /s/ Marcus M. Tarkington
Name: Marcus M. Tarkington
Title: Director

First Amendment

DEUTSCHE BANK AG, NEW YORK BRANCH, as Administrative Agent

By: /s/ Michael Getz
Name: Michael Getz
Title: Vice President

By: /s/ Marcus M. Tarkington
Name: Marcus M. Tarkington
Title: Director

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Collateral Agent

By: /s/ Michael Getz
Name: Michael Getz
Title: Vice President

By: /s/ Marcus M. Tarkington
Name: Marcus M. Tarkington
Title: Director

First Amendment

LENDER: 1st Farm Credit Services, FLCA/PCA

By: /s/ Corey J. Waldinger
Name: Corey J. Waldinger
Title: Vice President, Capital Markets Group

First Amendment

LENDER: Bank of America, N.A.,
as a Multicurrency Revolving Lender

By: /s/ Marc Sanchez
Name: Marc Sanchez
Title: Vice President

First Amendment

LENDER: The Bank of Nova Scotia

By: /s/ Rafael Tobon
Name: Rafael Tobon
Title: Director

First Amendment

LENDER: SCOTIABANC INC.,

By: /s/ J. F. Todd
Name: J.F. Todd
Title: Managing Director

First Amendment

LENDER: The Bank of Tokyo-Mitsubishi UFJ, Ltd.

By: /s/ Harumi Kambara
Name: HARUMI KAMBARA
Title: AUTHORIZED SIGNATORY

First Amendment

LENDER: BARCLAYS BANK PLC

By: /s/ Christopher R. Lee
Name: Christopher R. Lee
Title: Assistant Vice President

First Amendment

LENDER:

BNP PARIBAS

By: /s/ Berangere Allen
Name: Berangere Allen
Title: Director

By: /s/ Pawel Zelezik
Name: Pawel Zelezik
Title: Vice President

First Amendment

LENDER:

CIBC Inc.

By: /s/ Dominic J Sorresso
Name: Dominic J Sorresso
Title: Authorized Signatory

By: /s/ Darrel Ho
Name: Darrel Ho
Title: Authorized Signatory

First Amendment

LENDER:

CITICORP NORTH AMERICA, INC.

By: /s/ Leon Hen-Tov
Name: Leon Hen-Tov
Title: Vice President

First Amendment

LENDER:

City National Bank

By: /s/ Jeanine A. Smith
Name: Jeanine A. Smith
Title: Vice President

First Amendment

LENDER:

AgFirst Farm Credit Bank, as voting participant

By: /s/ Steve J. O'Shea
Name: Steve J. O'Shea
Title: Vice President

First Amendment

LENDER: American AgCredit, FLCA, *successor by merger to Farm Credit Services of the Mountain Plains, FLCA*

By: /s/ Michael J. Balok
Name: Michael J. Balok
Title: Vice President

First Amendment

LENDER: American AgCredit, FLCA

By: /s/ Michael J. Balok
Name: Michael J. Balok
Title: Vice President

First Amendment

LENDER: **FARM CREDIT WEST, FLCA,**
as Voting Participant

By: /s/ Ben Madonna
Name: Ben Madonna
Title: Vice President

First Amendment

LENDER: **Northwest Farm Credit Services, FLCA**

By: /s/ Jeremy A. Roewe
Name: Jeremy A. Roewe
Title: Vice President

First Amendment

LENDER: United FCS, FLCA d/b/a FCS Commercial Finance Group

By: /s/ Lisa Caswell
Name: Lisa Caswell
Title: Vice President

First Amendment

LENDER: COBANK, ACB

By: /s/ Kyle Weaver
Name: Kyle Weaver
Title: Vice President

LENDER: Credit Agricole Corporate and Investment Bank

By: /s/ Blake Wright
Name: Blake Wright
Title: Managing Director

By: /s/ James Austin
Name: James Austin
Title: Vice President

First Amendment

LENDER: DZ BANK AG
Deutsche Zentral-Genossenschaftsbank
Frankfurt am Main
New York Branch

By: /s/ Paul Fitzpatrick
Name: Paul Fitzpatrick
Title: Senior Vice President

By: /s/ Oliver Hildenbrand
Name: Oliver Hildenbrand
Title: Senior Vice President

First Amendment

LENDER: FARM CREDIT BANK OF TEXAS

By: /s/ Chris M. Levine
Name: Chris M. Levine
Title: Vice President

First Amendment

LENDER: Fifth Third Bank

By: /s/ Martin H. McGinty
Name: Martin H. McGinty
Title: Vice President

First Amendment

LENDER: Goldman Sachs Lending Partners LLC

By: /s/ Michelle Latzoni
Name: Michelle Latzoni
Title: Authorized Signatory

First Amendment

LENDER: HSBC Bank USA, National Association

By: /s/ Jean-Philippe Huguet
Name: Jean-Philippe Huguet
Title: Director

First Amendment

LENDER: The Huntington National Bank

By: /s/ Cheryl B. Holm
Name: Cheryl B. Holm
Title: Senior Vice President

First Amendment

LENDER: Intesa Sanpaolo S.p.A., New York Branch

By: /s/ Manuela Insana
Name: Manuela Insana
Title: VP & Relationship Manager

By: /s/ William Denton
Name: William Denton
Title: GRM

First Amendment

LENDER: JP Morgan Chase Bank, N.A.

By: /s/ Anthony A. Eastman
Name: Anthony A. Eastman
Title: Vice President

First Amendment

LENDER: KBC Bank N.V., New York Branch

By: /s/ Larry Manochio
Name: Larry Manochio
Title: Director

By: /s/ Susan M. Silver
Name: Susan M. Silver
Title: Managing Director

First Amendment

LENDER: M&G Independent European Loan Fund Limited

COUGAR CLO II B.V.

M&G European Loan Fund Limited

M&G Conservative European Loan Fund Limited

By: /s/ Yuki Nakagawa

Name: Yuki Nakagawa

Title: Associate Director

First Amendment

LENDER:

Mizuho Corporate Bank Limited

By: /s/ Atsushi Okuda

Name: Atsushi Okuda

Title: Deputy General Manager

First Amendment

LENDER:

NATIXIS, NEW YORK BRANCH

By: /s/ Gerry Canet

Name: Gerry Canet

Title: Managing Director

By: /s/ Ronald Lee

Name: Ronald Lee

Title: Vice President

First Amendment

LENDER:

**CO-OPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK, B.A., "RABOBANK
NEDERLAND" NEW YORK BRANCH**

By: /s/ William Binder

Name: William Binder

Title: Executive Director

By: /s/ James Purky

Name: James Purky

Title: Vice President

First Amendment

LENDER:

Sovereign Bank, N.A.

By: /s/ James Riley

Name: James Riley

Title: Senior Vice President

First Amendment

LENDER: Sumitomo Mitsui Banking Corporation

By: /s/ James D. Weinstein
Name: James D. Weinstein
Title: Managing Director

First Amendment

LENDER: TriState Capital Bank

By: /s/ Trent L. Meteer
Name: Trent L. Meteer
Title: Senior Vice President

First Amendment

LENDER: U.S. BANK NATIONAL ASSOCIATION

By: /s/ N. Khanna
Name: Navneet Khanna
Title: Vice President

First Amendment

LENDER: Wells Fargo Bank N.A.

By: /s/ John D. Brady
Name: John D. Brady
Title: Managing Director

First Amendment

LENDER: WESTPAC BANKING CORPORATION

By: /s/ David Brumby
Name: David Brumby
Title: Executive Director
Westpac Americas

First Amendment

Exhibit A

<u>Names of Guarantors</u>	<u>Title of Officer Executing on Behalf of Such Guarantor</u>
ACI America Holdings Inc.	Vice President
ACI Finance Pty. Ltd.	Authorized Signatory
ACI Glass Packaging Penrith Pty. Ltd.	Authorized Signatory
ACI International Pty. Ltd.	Authorized Signatory
ACI Operations Pty. Ltd	Authorized Signatory
ACI Packaging Services Pty. Ltd.	Authorized Signatory
Australian Consolidated Industries Pty. Ltd.	Authorized Signatory
Brockway Realty Corporation	Vice President

NHW Auburn, LLC	Senior Vice President of Owens-Brockway Glass Container Inc., as sole member of NHW Auburn, LLC
O-I Canada Corp.	Vice President
OI Auburn Inc.	Vice President
OI Australia Inc.	Vice President
OI California Containers Inc.	Vice President
OI Canada Holdings B.V.	Attorney-in Fact
OI Castalia STS Inc.	President
OI European Group B.V.	Attorney-in-Fact
OI General Finance Inc.	Vice President
OI General FTS Inc.	Vice President
OI Levis Park STS Inc.	President
OI Puerto Rico STS Inc.	Vice President
OIB Produvisa Inc.	Vice President
Owens-Brockway Glass Container Inc.	Senior Vice President
Owens-Brockway Packaging Inc.	Senior Vice President
Owens-Illinois (Australia) Pty. Ltd.	Authorized Signatory
Owens-Illinois General Inc.	Vice President
Seagate II, Inc.	Vice President
Seagate III, Inc.	Vice President
Seagate, Inc.	Vice President
Universal Materials, Inc.	Vice President

OWENS-ILLINOIS GROUP, INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (Dollars in millions)

	Six months ended June 30,	
	2013	2012
Earnings from continuing operations before income taxes	\$ 294	\$ 349
Less: Equity earnings	(33)	(31)
Add: Total fixed charges deducted from earnings	131	129
Dividends received from equity investees	36	27
Earnings available for payment of fixed charges	<u>\$ 428</u>	<u>\$ 474</u>
Fixed charges		
Interest expense	\$ 128	\$ 126
Portion of operating lease rental deemed to be interest	3	3
Total fixed charges deducted from earnings and fixed charges	<u>\$ 131</u>	<u>\$ 129</u>
Ratio of earnings to fixed charges	3.8	3.7

CERTIFICATIONS

I, Albert P. L. Stroucken, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Owens-Illinois Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date July 25, 2013

/s/ Albert P. L. Stroucken

Albert P. L. Stroucken
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Stephen P. Bramlage, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Owens-Illinois Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date July 25, 2013

/s/ Stephen P. Bramlage, Jr.
Stephen P. Bramlage, Jr.
President and Chief Financial Officer
(Principal Financial Officer)

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Owens-Illinois Group, Inc. (the "Company") hereby certifies that to such officer's knowledge:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 25, 2013

/s/ Albert P. L. Stroucken

Albert P. L. Stroucken

Chairman and Chief Executive Officer

Owens-Illinois Group, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Owens-Illinois Group, Inc. (the "Company") hereby certifies that to such officer's knowledge:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 25, 2013

/s/ Stephen P. Bramlage, Jr.

Stephen P. Bramlage, Jr.

President

Owens-Illinois Group, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
