



O-I REPORTS THIRD QUARTER 2018 RESULTS

October 30, 2018

O-I: HONEST, PURE, ICONIC GLASS

FOR IMMEDIATE RELEASE

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PERRYSBURG, Ohio (October 30, 2018) - Owens-Illinois, Inc. (NYSE: OI) today reported financial results for the third quarter ended September 30, 2018.

"Our third quarter results were in line with management's guidance, despite headwinds from foreign currency and transitory volume trends," said Andres Lopez, CEO. "Our European operations profited from ongoing favorable sales mix, pricing dynamics and continued cost reduction efforts. In the Americas, O-I demand for glass was modestly positive when incorporating the strong year-on-year performance of our joint venture with CBI. In Asia Pacific, we successfully completed our asset advancement projects for the year and will return the region to more normalized margins in the fourth quarter. Building on a solid foundation at O-I, we expect renewed growth in sales, margins, earnings and cash flow in 2019 and beyond."

Highlights

- For the third quarter of 2018, earnings from continuing operations were \$0.75 per share (diluted), compared with \$0.77 per share in 2017. The adverse impact of foreign currency exchange rates was \$0.04 in the quarter.
- Net sales were \$1.7 billion, which was 3 percent lower than prior year third quarter, largely due to the adverse impact of the stronger U.S. dollar.
- Shipments declined compared with prior year, primarily due to the transfer of production to our joint venture with Constellation Brands and the impact of the poor 2017 grape harvest in Europe. These headwinds were partially offset by price gains, which were reported in all segments.
- Earnings from continuing operations before income taxes were \$168 million for the third quarter compared with \$172 million for the same period in 2017.
- Segment operating profit of reportable segments [OWIP](#) for the third quarter of 2018 was \$255 million, \$5 million lower than prior year period. Excluding the \$9 million adverse impact from foreign currency, segment operating profit was up 2 percent. Improved pricing, which modestly outpaced operating costs in the quarter, was a key factor driving results. In line with management expectations, segment operating profit in Europe was higher year-on-year, nearly flat in the Americas and lower in Asia Pacific.
- The Company repurchased approximately 0.7 million shares in the quarter. Through the third quarter of 2018, the Company repurchased a total of 5.4 million shares.
- In October, the Company received the Vision for America Award, which is presented annually by Keep America Beautiful. The Company was selected for significantly enhancing civic, environmental and social stewardship. O-I is the first food and beverage packaging company to achieve a gold rating in material health on the Cradle to Cradle Product Scorecard. The Company also published an updated Corporate Social Responsibility report, which may be found on O-I.com.

Third Quarter 2018 Results

Net sales in the third quarter of 2018 were \$1.7 billion, which was 3 percent lower than prior year third quarter. The impact of currency adversely impacted net sales by 3 percent, and manifested in every region, yet was most pronounced in Americas (down 4 percent) and Asia Pacific (down 7 percent). Prices were up approximately 2 percent, reflecting a favorable sales mix and ongoing cost inflation.

Global sales shipments were down 2 percent compared with prior year. Sales in Europe were lower than prior year, despite higher shipments to non-alcoholic beverage customers. Shipments to wine customers declined due to the weak grape harvest in the prior year and to food customers due to mix management. Within the Americas, lower shipments in the U.S. - owing to shifting production to the JV with CBI and to ongoing trends in beer - were largely offset by gains reported in nearly every other country. Shipments in Asia Pacific were lower year-on-year, largely due to Australia, which had strong sales in the comparable period; shipments in the rest of the region were up nearly 10 percent compared with prior year.

The Company's joint venture with Constellation Brands, Inc., continues to perform well, again reporting higher sales compared with prior year, driven in part by the fourth furnace that ramped up earlier this year. The fifth furnace is expected to be operational by the end of 2019.

Segment operating profit was \$255 million in the quarter, compared with \$260 million in the same period of 2017. This decline was largely attributed to the \$9 million unfavorable effect of foreign exchange currency rates.

- In Europe, segment operating profit continues to expand year-on-year. In the third quarter of 2018, segment operating profit was \$87 million, up 7 percent compared with \$81 million in the third quarter of 2017. This increase was essentially driven by price increases that more than offset cost inflation. The region was able to largely offset the non-occurrence of an energy credit through a gain related to an asset sale and the impact of continued progress in reducing its structural costs through restructuring and its Total System Cost improvement.
- Segment operating profit in the Americas in the third quarter of 2018 was \$158 million, nearly on par with prior year. The favorable price gains reported across the region kept pace with cost inflation. In addition, the impact of lower volumes was fully offset by improved product mix and a gain related to a favorable court ruling in Brazil, which will allow the Company to recover revenue tax paid from previous years.
- Segment operating profit in Asia Pacific in the third quarter of 2018 was \$10 million. The magnitude of the year-on-year decline was in line with management expectations; sequentially, segment operating profit margins in the third quarter were substantially higher. Planned asset improvement projects in the region drove operating costs higher. With the successful completion of these projects, Asia Pacific is expected to benefit from improving production volume and lower manufacturing expense going forward. As a result, fourth quarter segment operating profit is expected to be nearly double prior year fourth quarter.

Retained corporate and other costs were in line with prior year. Planned increased investments in research and development were offset by lower selling and administrative expenses.

The Company continues to actively manage its debt structure to mitigate financial risk, lower interest expense and reduce complexity. Net interest expense was essentially in line with prior year. While variable interest rates have been rising in the U.S., the Company benefited from lower pricing under its Bank Credit Agreement and its exposure to variable rates in Europe, which have been largely stable.

The Company launched its \$400 million share repurchase program during the first quarter of 2018. In the third quarter of 2018, the Company repurchased approximately 0.7 million shares for approximately \$12 million. Through the third quarter of 2018, the Company has repurchased 5.4 million shares for \$107 million.

Outlook

For the full year 2018, the Company expects earnings from continuing operations to be in the range of \$2.26 to \$2.32 per share.

Excluding certain items management considers not representative of ongoing operations, the Company expects adjusted earnings to be in the range of \$2.72 to \$2.78, based on foreign currency exchange rates as of the end of third quarter 2018. Management efforts to drive operational improvements are partially offsetting incremental pressure from the strong US dollar and lower-than-anticipated sales volumes in the second half of the year.

The Company expects cash provided by continuing operating activities for 2018 to be in the range of \$750 to \$775 million and adjusted free cash flow to be in the range of \$350 to \$375 million. These estimates are \$25 to \$50 million lower than prior guidance. The impact of currency continues to weigh on cash generation translated into US dollars. And, inventories are now expected to be a use of cash, due to the revised outlook for sales volumes in late 2018.

The earnings and cash flow guidance ranges may not fully reflect uncertainty in macroeconomic conditions and currency rates, among other factors.

Conference Call Scheduled for October 31, 2018

O-I CEO Andres Lopez and CFO Jan Bertsch will conduct a conference call to discuss the Company's latest results on Wednesday, October 31, 2018, at 8:00 a.m. EDT. A live webcast of the conference call, including presentation materials, will be available on the O-I website, www.o-i.com/investors, in the Webcasts and Presentations section.

The conference call also may be accessed by dialing 888-733-1701 (U.S. and Canada) or 706-634-4943 (international) by 7:50 a.m. EDT, on October 31, 2018. Ask for the O-I conference call. A replay of the call will be available on the O-I website, www.o-i.com/investors, for a year following the call.

Contact: Sasha Sekpeh, 567-336-5128 - O-I Investor Relations

O-I news releases are available on the O-I website at www.o-i.com.

O-I's 2018 earnings conference call is currently scheduled for Wednesday, February 6, 2019, at 8:00 a.m. EST.

About O-I

Owens-Illinois, Inc. (NYSE: OI) is the world's largest glass container manufacturer and preferred partner for many of the world's leading food and beverage brands. The Company had revenues of \$6.9 billion in 2017 and employs more than 26,500 people at 78 plants in 23 countries. With global headquarters in Perrysburg, Ohio, O-I delivers safe, sustainable, pure, iconic, brand-building glass packaging to a growing global marketplace. For more information, visit www.o-i.com.

Non-GAAP Financial Measures

The Company uses certain non-GAAP financial measures, which are measures of its historical or future financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. Management believes that its presentation and use of certain non-GAAP financial measures, including adjusted earnings, adjusted earnings per share, segment operating profit, segment operating profit margin and adjusted free cash flow, provide relevant and useful supplemental financial information, which is widely used by analysts and investors, as well as

by management in assessing both consolidated and business unit performance. These non-GAAP measures are reconciled to the most directly comparable GAAP measures and should be considered supplemental in nature and should not be considered in isolation or be construed as being more important than comparable GAAP measures.

Adjusted earnings relates to net earnings from continuing operations attributable to the Company, exclusive of items management considers not representative of ongoing operations because such items are not reflective of the Company's principal business activity, which is glass container production. Adjusted earnings are divided by weighted average shares outstanding (diluted) to derive adjusted earnings per share. Segment operating profit relates to earnings from continuing operations before interest expense (net), and before income taxes and is also exclusive of items management considers not representative of ongoing operations as well as certain retained corporate cost. Segment operating profit margin is segment operating profit divided by segment net sales. Management uses adjusted earnings, adjusted earnings per share, segment operating profit and segment operating profit margin to evaluate its period-over-period operating performance because it believes this provides a useful supplemental measure of the results of operations of its principal business activity by excluding items that are not reflective of such operations. Adjusted earnings, adjusted earnings per share, segment operating profit and segment operating profit margin may be useful to investors in evaluating the underlying operating performance of the Company's business as these measures eliminate items that are not reflective of its principal business activity.

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

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

Forward-Looking Statements

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

[||](#) Segment operating profit of reportable segments ("segment operating profit") is a non-GAAP financial measure. See tables included in this release for reconciliations to the most directly comparable GAAP measures.

[O-I Logo](#)

[3Q 2018 Earnings Presentation](#)

[3Q 2018 Earnings Release](#)