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Dear Stakeholder,

In the three-year strategy that we launched in early 2013, we identified several focus areas in our journey to maintaining our position as the world's leading maker of brand-building glass containers. We determined that structural cost reduction, along with investment in innovation and R&D, were critical to strengthening our competitive advantage. We also set out to pursue profitable growth opportunities through product innovation in targeted market segments. As we move into the second quarter of 2014, I am pleased to report that we are clearly on track to deliver on our strategy, and we are strengthening our financial fundamentals as well.

For the last several years, our earnings per share and our free cash flow have risen steadily, and debt has declined. Adjusted net earnings per share were \$2.72 in 2013, up slightly over 2012. Higher earnings drove free cash flow to nearly \$340 million in 2013, a company record. We repaid close to \$300 million in debt in 2013 as part of a disciplined capital allocation program in which we apply 90 percent of our funds to debt pay-down and 10 percent for share repurchases. We are confident that we will meet our commitments to continue deleveraging and to generate free cash flow of \$400 million in 2015.

Our increased profitability in 2013 was largely a result of our structural cost reduction efforts as sales volumes and revenue in 2013 were flat with the prior year. We are committed to delivering cost savings of \$155 million by the end of 2015. Over half of those savings will come from our European asset optimization program, which involves shutting down underperforming high-cost furnaces and adding low-cost, more flexible capacity closer to our customers. Through 2015 we will have made incremental investments of \$250 million on restructuring in Europe. We exited 2013 with an annual savings run rate of \$40 million on this part of our cost reduction program, and we expect savings to reach a run rate of \$80 million per year by the end of 2015. The rest of the company's structural cost reduction is being generated by hundreds of projects throughout the company. We have successfully eliminated more than \$25 million in structural costs to date, well on our way to the 2015 target of \$75 million.

Despite ongoing macroeconomic challenges around the world in 2013, we benefited from growth in specific market segments, such as wine and craft beer, as well as in the emerging economies in Asia Pacific. North American operations delivered a strong performance for the year, partially a result of growth in the craft beer business, as well as in non-alcoholic beverages, such as teas and iced coffees. The many new products being introduced in the emerging economies provide ample opportunity for returnable glass containers because they are the most economical and most sustainable packaging choice available. In Southeast Asia, we experienced strong growth in non-alcoholic beverages and food. Overall volumes in South America were mixed in 2013, with Brazil volumes up more than 5 percent and Andean volumes down. Going forward, we expect a return to low, single-digit growth in South America.

Running parallel to our cost reduction efforts have been a wide variety of commercial activities aimed at increasing the value and product possibilities we bring our customers to help them build, strengthen and differentiate their brands. By listening to consumers and observing global trends calling for safe, pure and sustainable packaging, we are positioning O-I as a preferred partner with creative design capabilities, as well as unsurpassed manufacturing expertise.

We are proud of the innovation we are bringing our customers. We have introduced several products in our Versa™ line, which seeks to remove consumer frustration – easier to open, better pour, table ready packaging. Versa products have been launched in Europe, the U.S. and soon in South America. In June 2013, we introduced Helix™, an innovative cork-glass wine packaging solution that eliminates the need for a corkscrew. The innovation was launched in partnership with Portugal-based global cork manufacturer Amorim to great fanfare in the media, and we expect to see the first bottles on shelves in Europe in early 2015. Lastly, we have created a product line aimed at protection. This line, called Vera™, offers a wide range of containers and features to protect the integrity of our customers' products, and will ultimately guard against counterfeiting.

We are also experiencing growth in the premium or luxury segments of the spirits market. Although we have long served the premium spirits business with our line of specialty products, we placed a renewed focus on this segment in 2013. We combined our design capabilities and our specialized manufacturing operations from our global footprint into a product portfolio we named Covet™. Our marketing strategy targets the fast growing and higher margin luxury spirits market and has the potential to be our most profitable line of products and services. We launched our Covet capabilities and specialty line of products in South America in the fall and are partnering with customers in every region on specialties projects.

Innovation in products and process has been spurred by the scientists and engineers on our R&D teams. In September 2013 we lit the furnace in our new \$35 million innovation center on our Perrysburg campus. There is a palpable excitement associated with this facility, both inside the company and out. It serves as a pilot plant and an R&D facility, giving us unique capabilities and opportunities in the industry. The innovation center houses two production lines: one to produce samples of new bottle designs and compositions for our customers and the second to test potential breakthrough advancements in the manufacturing process. We have more than 100 scientists and engineers from a wide range of disciplines working on a portfolio of projects including new glass composition, energy use reduction and new ways to melt, process and form glass.

This is a great time for glass and for O-I. Consumers are increasingly expressing a preference for safe, pure and sustainable glass containers – and there's no company in the world that can make those containers better than O-I. We are delivering on our financial commitments. We are executing on our strategy. We are increasing our profitability. And we are working hard to ensure that our 22,500 employees remain engaged and passionate. Whether it is through our Glass Is Life™ movement, via our social media channels, or by word of mouth, we are raising the profile – and relevance – of glass packaging.



Al Stroucken
Chairman and CEO