



**O-I Fourth Quarter and Full Year  
2014 Earnings Presentation**  
February 3, 2015





# Safe harbor comments

## Regulation G

The information presented here regarding adjusted net earnings relates to net earnings from continuing operations attributable to the Company exclusive of items management considers not representative of ongoing operations and does not conform to U.S. generally accepted accounting principles (GAAP). It should not be construed as an alternative to the reported results determined in accordance with GAAP. Management has included this non-GAAP information to assist in understanding the comparability of results of ongoing operations. Further, the information presented here regarding free cash flow does not conform to GAAP. Management defines free cash flow as cash provided by continuing operating activities less capital spending (both as determined in accordance with GAAP) and has included this non-GAAP information to assist in understanding the comparability of cash flows. Management uses non-GAAP information principally for internal reporting, forecasting, budgeting and calculating compensation payments. Management believes that the non-GAAP presentation allows the board of directors, management, investors and analysts to better understand the Company's financial performance in relationship to core operating results and the business outlook.

## 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 economic and social conditions, 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, 2013 and any subsequently filed Annual Report on Form 10-K or 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.

## Presentation Note

Unless otherwise noted, the information presented in this presentation reflects continuing operations only.

# Full year 2014 summary



- Free cash flow of \$329M
  - Second highest in Company history
  - Despite \$40M currency headwind
- Adjusted EPS of \$2.63
  - Improved European profits from volume gains and asset optimization
  - South America achieved ~20% operating profit margin on record volumes
- Continued discipline in capital allocation
- Strategic JV investment and long-term supply agreement to supply Constellation Brands' glass needs in Mexico



# O-I performance by region in 2014



## North America

- Volume gains in food and non-alcoholic beverages offset by megabeer headwinds
- Substantial progress on earlier supply chain and production challenges

## South America

- Sales volume up 4%
  - Record volume in Brazil
- Recovery in Andean countries
- Pronounced currency headwinds in 2H14

## Europe

- Sluggish macroeconomic conditions
- Volume up 2%, led by wine and beer gains
- Asset optimization on track

## Asia Pacific

- Deliberate capacity rationalization in China and Australia
- Growth in Southeast Asia markets

# 4Q14 segment sales and operating profit

Segment Sales	
(\$ Millions)	
4Q13	\$1,753
Price	21
Sales volume	(70)
<hr/>	
4Q14, constant currency*	\$1,704
Currency	(113)
<b>4Q14</b>	<b>\$1,591</b>

- Price up 1%
- Shipments down ~2.5%, excluding China
- Strengthening USD decreased sales by 6%

Segment Operating Profit	
(\$ Millions)	
4Q13	\$195
Price	21
Sales volume	(14)
Operating costs	(14)
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4Q14, constant currency*	\$188
Currency	(8)
<b>4Q14</b>	<b>\$180</b>

- Operating costs: Benefits from footprint actions offset by cost inflation and inventory control actions
- Currency headwinds comprised half of segment operating profit decline

\* Using prior year currency exchange rates

Note: Reportable segment data excludes the Company's global equipment business.

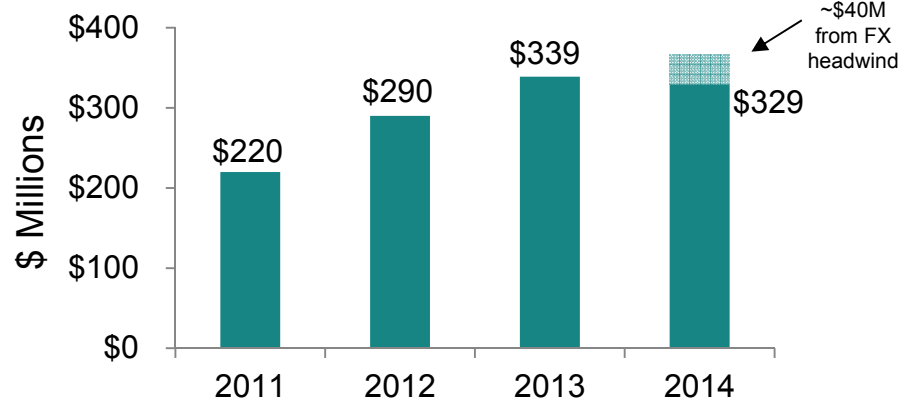
# Adjusted EPS bridges

4 <sup>th</sup> Quarter Adjusted EPS	
4Q13	\$0.51
Segment operating profit (excluding currency impact)	(0.04)
Currency impact (on segment operating profit)	(0.04)
Retained corporate costs	0.04
Net interest expense	0.01
Noncontrolling interests	—
Effective tax rate	(0.02)
Total reconciling items	(0.05)
4Q14	\$0.46

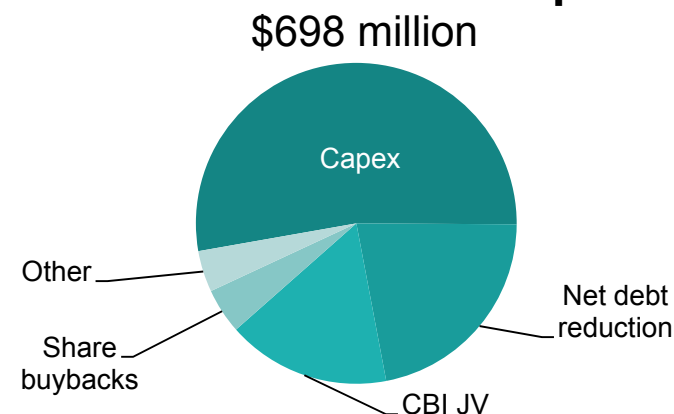
Full Year Adjusted EPS	
2013	\$2.72
Segment operating profit (excluding currency impact)	(0.15)
Currency impact (on segment operating profit)	(0.03)
Retained corporate costs	0.09
Net interest expense	0.04
Noncontrolling interests	(0.02)
Effective tax rate	(0.02)
Total reconciling items	(0.09)
2014	\$2.63

# 2014 full year financial review

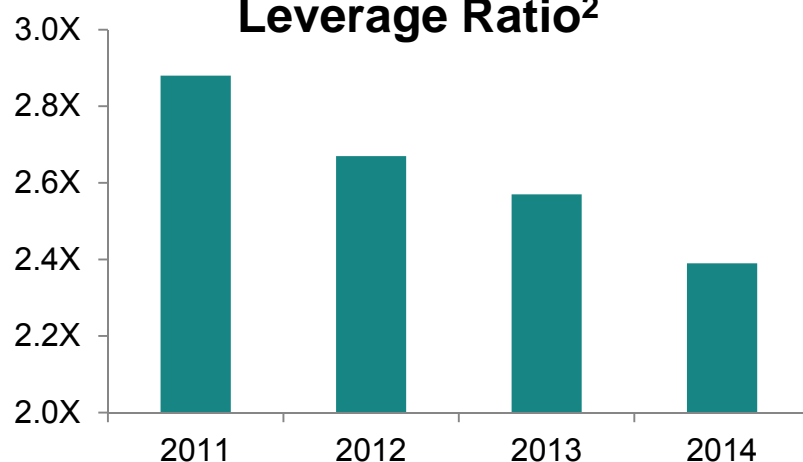
## Free Cash Flow<sup>1</sup>



## Allocation of Cash from Operations



## Leverage Ratio<sup>2</sup>



## Return on Invested Capital<sup>3</sup>



<sup>1</sup> Free cash flow is defined as cash provided by continuing operating activities less additions to property, plant and equipment. See appendix for free cash flow reconciliations.

<sup>2</sup> Leverage ratio is defined as total debt, less cash, divided by adjusted EBITDA. See appendix for adjusted EBITDA reconciliations.

<sup>3</sup> Return on invested capital is defined as segment operating profit less corporate and other costs multiplied by one minus the Company's tax rate (exclusive of items management considers not representative of ongoing operations), divided by total debt and total shareowners' equity. (Accumulated Other Comprehensive Income is held constant at the average of 2011-2013.)

# 2015 business outlook

Operations improve in largely stable macro environment



## 2015 YoY change in segment operating profit on a constant currency basis\*

Europe		<ul style="list-style-type: none"> <li>▪ Flat volume, with increasing competition in S. Europe</li> <li>▪ Continued savings from asset optimization program</li> </ul>
North America		<ul style="list-style-type: none"> <li>▪ Continuation of unfavorable volume trends in megabeer</li> <li>▪ Productivity and supply chain improvements</li> </ul>
South America		<ul style="list-style-type: none"> <li>▪ Volume plateaus against strong comparables</li> <li>▪ Inflation: Brazil electricity; USD-priced raw materials (soda ash)</li> </ul>
Asia Pacific		<ul style="list-style-type: none"> <li>▪ Volume decline in 1H; largely offset in 2H</li> <li>▪ Restructuring benefits outweigh inflation on USD-priced raw matls</li> </ul>

<b>Segment Operating Profit</b>		<ul style="list-style-type: none"> <li>▪ Operations expected to improve</li> </ul>
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\* Using prior year currency exchange rates



# FX headwinds expected to intensify in 2015

At current rates,\* the strong USD will adversely impact 2015 financials

- Lowers expected sales revenue by > \$600M
- Reduces expected segment operating profit by ~\$120M
  - Increases inflation from USD priced raw materials by ~\$20M (e.g., soda ash in South America)
  - Decreases translation of segment operating profit by ~\$100M
    - Includes CHF revaluation impact of ~\$10M-\$15M
- Reduces expected EPS by ~\$0.40

	2014 Average	Rates Assumed*	Devaluation
Euro	1.32	1.13	14%
Brazilian real	2.35	2.60	10%
Colombian peso	2,014	2,400	16%
Australian dollar	0.91	0.80	12%

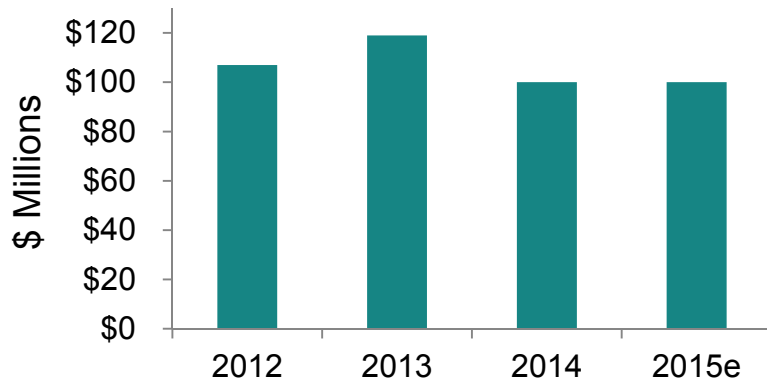
\* Based on rates in late January 2015.

# 2015 non-operational outlook

## Management actions drive improvement



**Corporate Expense**



### Stable corporate expense expected

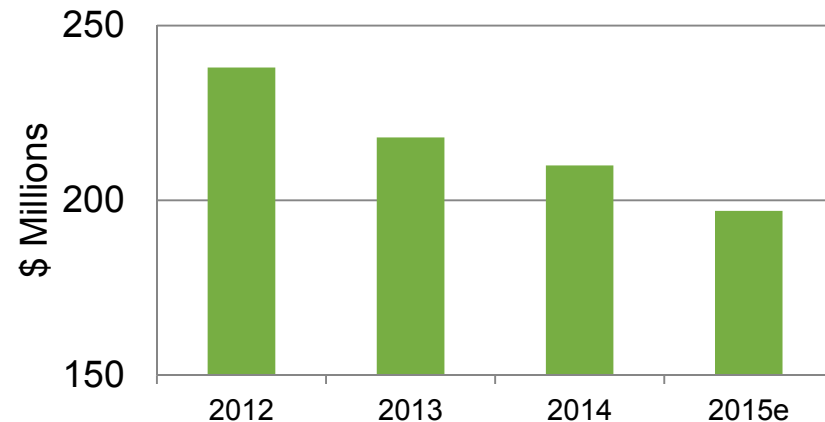
- Pension expense essentially flat, due to active liability management
- Modest increase in long-term investments in R&D, technology and innovation

Interest expense<sup>1</sup> projected to decline by \$10-15M

- Benefits from refinancing
- Euro devaluation

Tax rate<sup>1</sup> expected to be in the range of 23-25%

**Net Interest Expense<sup>1</sup>**

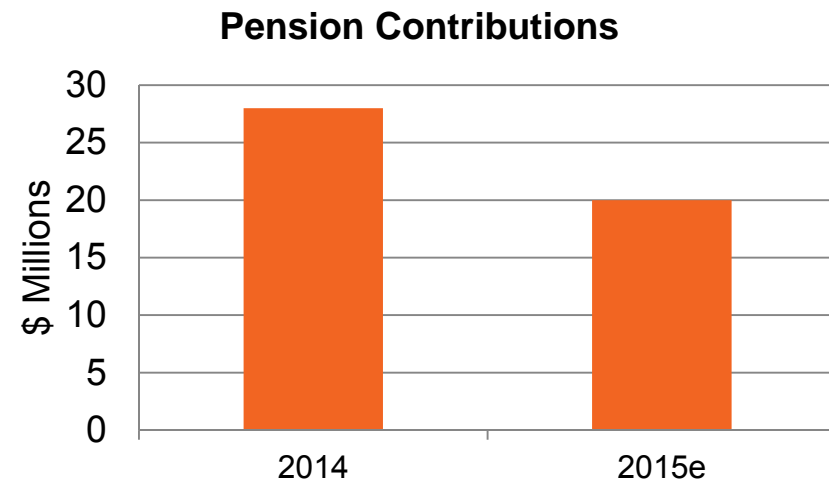
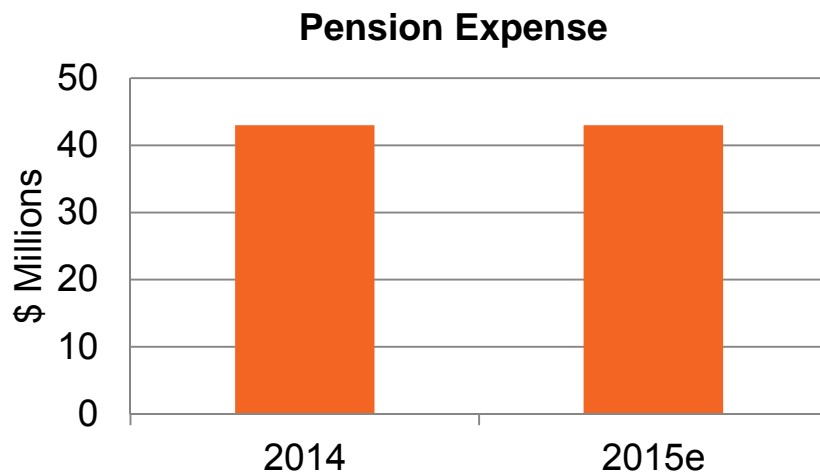


<sup>1</sup> Exclusive of items management considers not representative of ongoing operations

# Enhancing financial flexibility: Pension

## Management actions reduce pension obligation by \$750 million

- Lower discount rate and new mortality tables adversely impact pension
- Management actions favorably impact pension
  - Liability management: reduce benefits and close plans to new hires, convert to defined contribution plans, buyouts, annuitize
  - Asset management: discretionary contributions
- In 2015, lower pension contributions by ~\$10M and flat pension expense

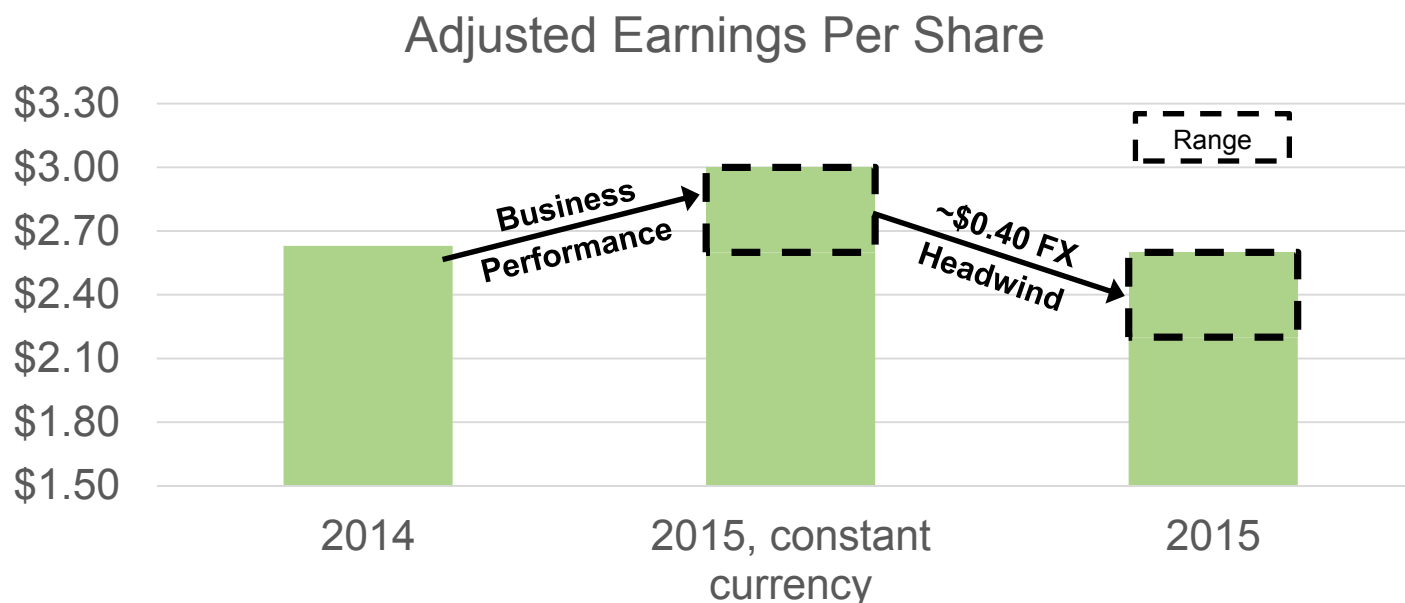


- Sustained non cash pension expense<sup>1</sup> reduces EPS by ~\$0.50

<sup>1</sup> Related to the “amortization of actuarial loss” component of pension expense, which may be excluded in certain non-GAAP pension accounting methods

# Higher adjusted earnings in 2015

## On a constant currency basis



2014 Adjusted EPS	\$2.63
+ Business performance	
2015 Adjusted EPS on a constant currency basis	\$2.60 - \$3.00
- Estimated currency impact	
2015 Adjusted EPS	\$2.20 - \$2.60

# 1Q15 business outlook

1Q15 vs 1Q14

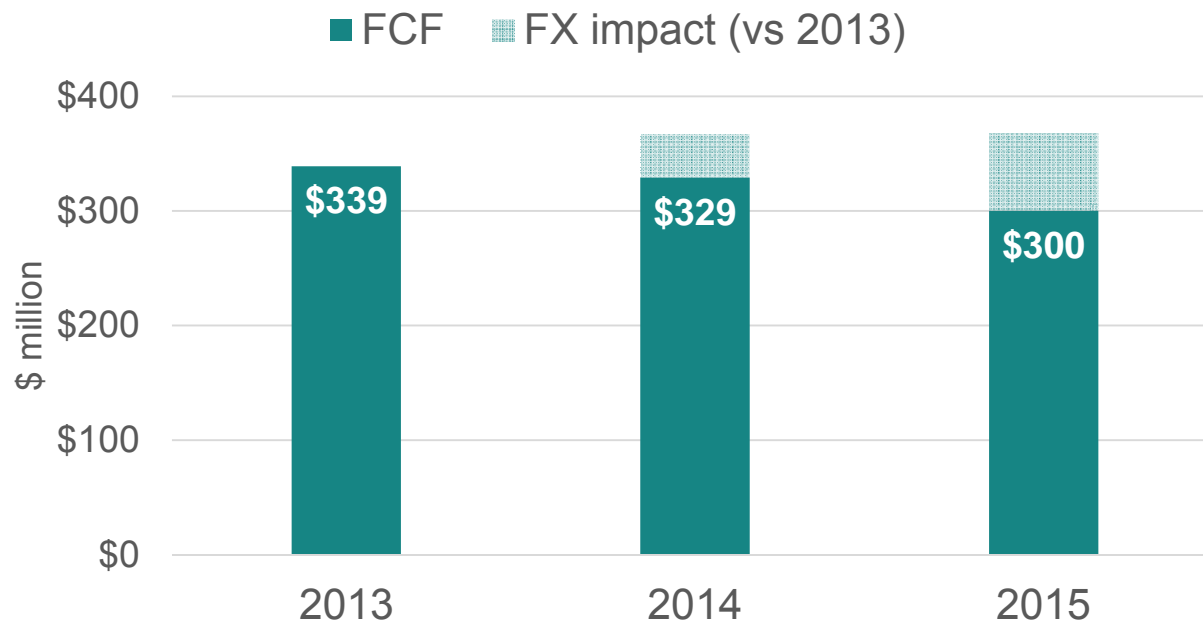
On a constant currency basis <sup>1</sup>	Europe	▼	<ul style="list-style-type: none"> <li>Stable sales volume</li> <li>Lower planned production due to project timing</li> <li>Competitive pressure in Southern Europe</li> </ul>
	North America	▲	<ul style="list-style-type: none"> <li>Continuation of unfavorable volume trends in megabeer</li> <li>Supply chain recovery</li> </ul>
	South America	▼	<ul style="list-style-type: none"> <li>Volume plateaus against strong comparable in 1Q14</li> <li>Inflation headwinds (electricity, USD-priced raw mats)</li> </ul>
	Asia Pacific	◀▶	<ul style="list-style-type: none"> <li>Continuation of lower volume trends</li> <li>Benefits of restructuring offset inflation pressure</li> </ul>
	<b>Segment Operating Profit</b>	▼	
	Corporate and Other Costs	◀▶	<ul style="list-style-type: none"> <li>Corporate costs maintained at prior year level</li> <li>Net interest expense flat to prior year</li> </ul>
	<b>Adjusted Earnings, constant currency</b>	▼	
	Currency Impact	▼	~\$0.07
	<b>Adjusted Earnings</b>	▼	\$0.40 - \$0.45

<sup>1</sup> Corresponding periods use same currency exchange rates

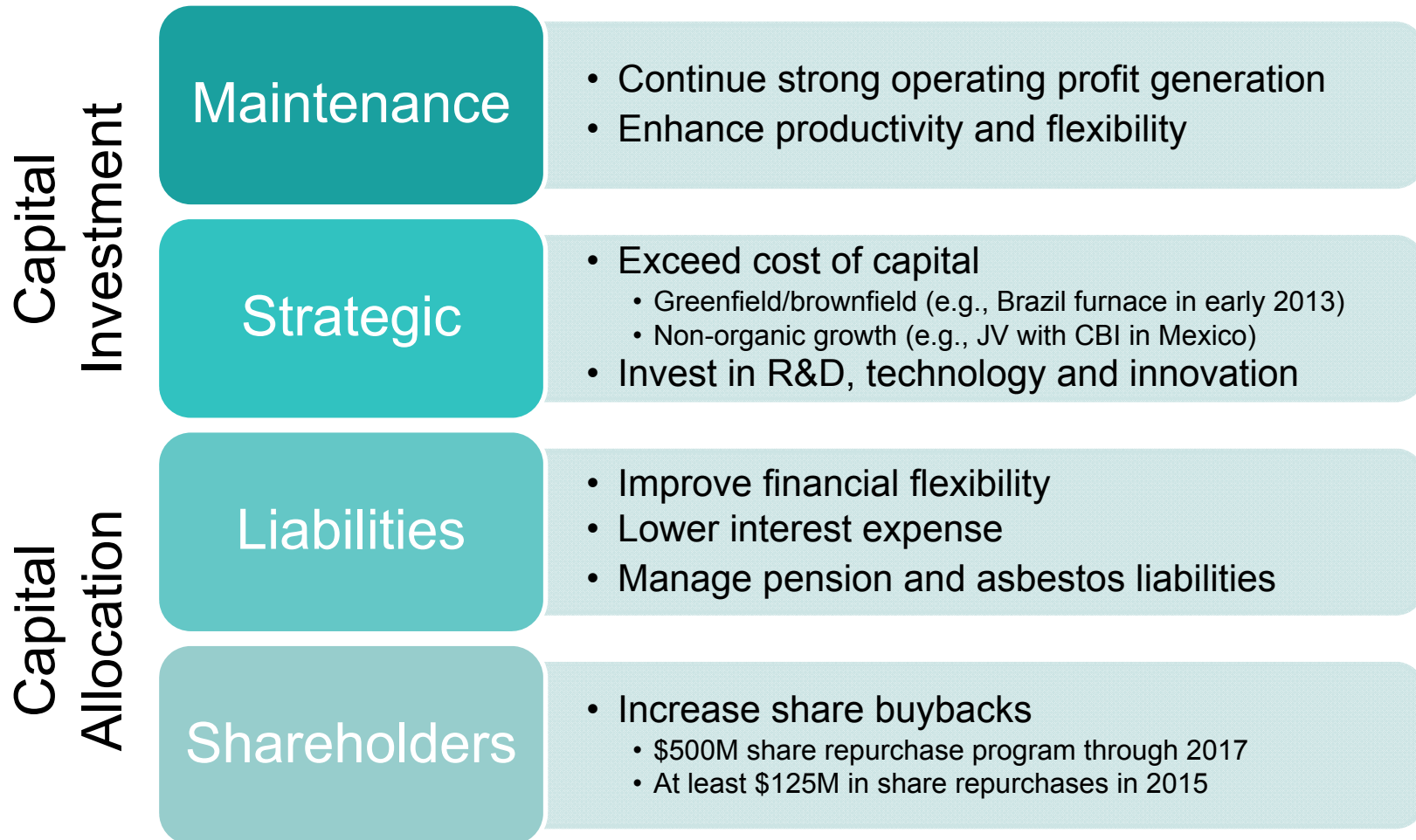
# 2015 outlook for free cash flow

## Free cash flow projected to be ~\$300 million

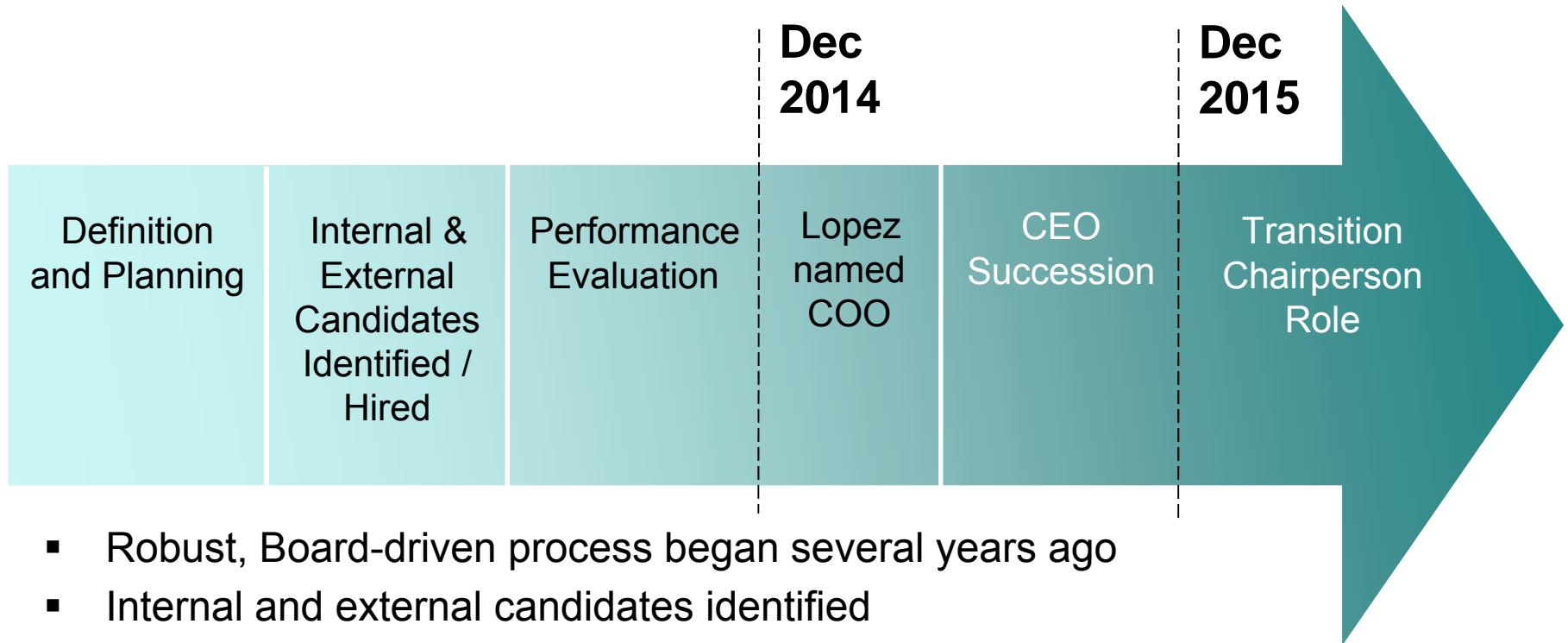
- Higher segment operating profit on constant currency basis
- Currency rates at current levels a headwind (by ~\$30 million)
- Working capital not a source of cash after two strong years of contributions
- Declining asbestos payments (by \$5 million – \$10 million)
- Lower pension contributions (by ~\$10 million)
- Capex and restructuring continue to approximate depreciation & amortization
- Lower spending for returnable packaging, tax installment payments



# Continued balanced approach to use of cash



# CEO succession planning process advances



- Robust, Board-driven process began several years ago
- Internal and external candidates identified
- External firms engaged to assess, coach, track performance
- Andres Lopez identified as succession candidate
- Transfer CEO responsibility by the end of 2015
- Transition to non-executive Chair in first half 2016



# Summary of our 2015 outlook

- Similar market conditions, as well as ongoing USD strength
- Improvement in underlying operations
- Improvement in non-operational items
- Strong FCF generation
- Shift in capital allocation
  - Return more cash to shareholders via buybacks
  - Invest in value-added projects (e.g., partnership with CBI)



# Appendix



# 4Q regional financial performance

## Europe

(\$ Millions)	4Q 2014	4Q 2013
Net Sales	\$589	\$658
- constant currency <sup>1</sup>	\$648	
Segment Operating Profit	\$53	\$38
- constant currency <sup>1</sup>	\$56	
Segment Operating Profit Margin	9.0%	5.8%

## North America

(\$ Millions)	4Q 2014	4Q 2013
Net Sales	\$460	\$477
- constant currency <sup>1</sup>	\$463	
Segment Operating Profit	\$26	\$53
- constant currency <sup>1</sup>	\$26	
Segment Operating Profit Margin	5.7%	11.1%

## South America

(\$ Millions)	4Q 2014	4Q 2013
Net Sales	\$333	\$366
- constant currency <sup>1</sup>	\$370	
Segment Operating Profit	\$72	\$72
- constant currency <sup>1</sup>	\$77	
Segment Operating Profit Margin	21.6%	19.7%

## Asia Pacific

(\$ Millions)	4Q 2014	4Q 2013
Net Sales	\$209	\$252
- constant currency <sup>1</sup>	\$223	
Segment Operating Profit	\$29	\$32
- constant currency <sup>1</sup>	\$34	
Segment Operating Profit Margin	13.9%	12.7%

<sup>1</sup> Using 2013 currency exchange rates

# Full year regional financial performance

## Europe

(\$ Millions)	FY 2014	FY 2013
Net Sales - constant currency <sup>1</sup>	\$2,794 \$2,797	\$2,787
Segment Operating Profit - constant currency <sup>1</sup>	\$353 \$350	\$305
Segment Operating Profit Margin	12.6%	10.9%

## North America

(\$ Millions)	FY 2014	FY 2013
Net Sales - constant currency <sup>1</sup>	\$2,003 \$2,017	\$2,002
Segment Operating Profit - constant currency <sup>1</sup>	\$240 \$241	\$307
Segment Operating Profit Margin	12.0%	15.3%

## South America

(\$ Millions)	FY 2014	FY 2013
Net Sales - constant currency <sup>1</sup>	\$1,159 \$1,255	\$1,186
Segment Operating Profit - constant currency <sup>1</sup>	\$227 \$233	\$204
Segment Operating Profit Margin	19.6%	17.2%

## Asia Pacific

(\$ Millions)	FY 2014	FY 2013
Net Sales - constant currency <sup>1</sup>	\$793 \$833	\$966
Segment Operating Profit - constant currency <sup>1</sup>	\$88 \$90	\$131
Segment Operating Profit Margin	11.1%	13.6%

<sup>1</sup> Using 2013 currency exchange rates

# Full year segment operating profit

Segment Operating Profit	
(\$ Millions)	
FY13	\$947
Price	73
Sales volume	(7)
Operating costs	(99)
FY14, constant currency	\$914
Currency	(6)
FY14	\$908

- Sales volume impact on profit
  - Gains in EU and SA offset by decline in AP and NA
  
- Operating costs
  - Inflation of \$112M
  - Benefits from European asset optimization and footprint actions were partially offset by lower production in NA and AP

# 4Q price, volume and currency impact on reportable segment sales



\$ Millions

	Europe	North America	South America	Asia Pacific	Total <sup>1</sup>
4Q13 Segment Sales	\$658	\$477	\$366	\$252	\$1,753
Price	(12)	7	20	6	21
Volume	2	(21)	(16)	(35)	(70)
Currency	(59)	(3)	(37)	(14)	(113)
Total reconciling	(69)	(17)	(33)	(43)	(162)
4Q14 Segment Sales	\$589	\$460	\$333	\$209	\$1,591

<sup>1</sup> Reportable segment sales exclude the Company's global equipment business

# Full year price, volume and currency impact on reportable segment sales



\$ Millions

	Europe	North America	South America	Asia Pacific	Total <sup>1</sup>
FY13 Segment Sales	\$2,787	\$2,002	\$1,186	\$966	\$6,941
Price	(39)	45	55	12	73
Volume	49	(30)	14	(145)	(112)
Currency	(3)	(14)	(96)	(40)	(153)
Total reconciling	7	1	(27)	(173)	(192)
FY14 Segment Sales	\$2,794	\$2,003	\$1,159	\$793	\$6,749

<sup>1</sup> Reportable segment sales exclude the Company's global equipment business



# Reconciliation to adjusted earnings

\$ Millions

	Three months ended		Year ended	
	December 31		December 31	
	2014	2013	2014	2013
Earnings (loss) from continuing operations attributable to the Company	\$ (130)	\$ (144)	\$ 167	\$ 202
Items impacting cost of goods sold:				
Restructuring, asset impairment and related charges			8	
Pension settlement charges	50		50	
Items impacting selling and administrative expense:				
Pension settlement charges	15		15	
Items impacting equity earnings			5	
Items impacting other expense, net:				
Charges for asbestos related costs	135	145	135	145
Restructuring, asset impairment and other charges	7	109	78	119
Items impacting interest expense:				
Charges for note repurchase premiums and write-off of finance fees	20		20	11
Items impacting income tax:				
Net benefit for income tax on items above	(14)	(13)	(34)	(14)
Net benefit for certain tax adjustments	(8)		(8)	
Items impacting net earnings (loss) attributable to noncontrolling interests:				
Net impact of noncontrolling interests on items above		(12)		(13)
Total adjusting items	205	229	269	248
Adjusted earnings	\$ 75	\$ 85	\$ 436	\$ 450
Diluted average shares (thousands)	164,422	164,709	166,047	165,828
Earnings (loss) per share from continuing operations (diluted)	\$ (0.79)	\$ (0.88)	\$ 1.01	\$ 1.22
Adjusted earnings per share	\$ 0.46	\$ 0.51	\$ 2.63	\$ 2.72





# Reconciliation to free cash flow

\$ Millions

	Year ended December 31			
	2014	2013	2012	2011
Cash provided by continuing operating activities	\$ 698	\$ 700	\$ 580	\$ 505
Additions to property, plant and equipment	(369)	(361)	(290)	(285)
Free cash flow	<u>\$ 329</u>	<u>\$ 339</u>	<u>\$ 290</u>	<u>\$ 220</u>

# Leverage ratio

## Reconciliations of adjusted EBITDA and net debt

\$ Millions	Year ended December 31			
	2014	2013	2012	2011
Earnings (loss) from continuing operations	\$ 195	\$ 215	\$ 220	\$ (491)
Interest expense	235	239	248	314
Provision for income taxes	92	120	108	85
Depreciation	335	350	378	405
Amortization of intangibles	83	47	34	17
EBITDA	<u>940</u>	<u>971</u>	<u>988</u>	<u>330</u>
Adjustments to EBITDA:				
Asia Pacific goodwill adjustment				641
Charges for asbestos-related costs	135	145	155	165
Restructuring, asset impairment and other	91	119	168	112
Pension settlement charges	65			
Gain on China land compensation			(61)	
Adjusted EBITDA	<u>\$ 1,231</u>	<u>\$ 1,235</u>	<u>\$ 1,250</u>	<u>\$ 1,248</u>
Total debt	3,460	3,567	3,773	4,033
Less cash	<u>512</u>	<u>383</u>	<u>431</u>	<u>400</u>
Net debt	<u>2,948</u>	<u>3,184</u>	<u>3,342</u>	<u>3,633</u>
Net debt divided by adjusted EBITDA	2.4	2.6	2.7	2.9

# Estimated impact from currency rate changes



## Impact on EPS

from a 10% change compared with the U.S. dollar

- EU (primarily Euro): ~\$0.10
- SA (primarily Brazilian Real and Colombian Peso): ~\$0.09
- AP (primarily Australian Dollar and New Zealand Dollar): ~\$0.05