
**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, 2016

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

Smaller reporting company

(Do not check if a

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, 2016 was 100.

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, 2015.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net sales	\$ 1,760	\$ 1,543	\$ 3,348	\$ 2,964
Cost of goods sold	<u>(1,418)</u>	<u>(1,269)</u>	<u>(2,687)</u>	<u>(2,422)</u>
Gross profit	342	274	661	542
Selling and administrative expense	(126)	(118)	(254)	(242)
Research, development and engineering expense	(16)	(16)	(32)	(31)
Interest expense, net	(67)	(74)	(133)	(121)
Equity earnings	15	14	29	29
Other income (expense), net	<u>(7)</u>	<u>(18)</u>	<u>(29)</u>	<u>(15)</u>
Earnings from continuing operations before income taxes	141	62	242	162
Provision for income taxes	<u>(30)</u>	<u>(15)</u>	<u>(57)</u>	<u>(40)</u>
Earnings from continuing operations	111	47	185	122
Loss from discontinued operations	<u>(2)</u>	<u>(2)</u>	<u>(3)</u>	<u>(2)</u>
Net earnings	109	45	182	120
Net (earnings) attributable to noncontrolling interests	<u>(4)</u>	<u>(5)</u>	<u>(10)</u>	<u>(9)</u>
Net earnings attributable to the Company	<u>\$ 105</u>	<u>\$ 40</u>	<u>\$ 172</u>	<u>\$ 111</u>
Amounts attributable to the Company:				
Earnings from continuing operations	\$ 107	\$ 42	\$ 175	\$ 113
Loss from discontinued operations	<u>(2)</u>	<u>(2)</u>	<u>(3)</u>	<u>(2)</u>
Net earnings	<u>\$ 105</u>	<u>\$ 40</u>	<u>\$ 172</u>	<u>\$ 111</u>

See accompanying notes.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net earnings	\$ 109	\$ 45	\$ 182	\$ 120
Other comprehensive income (loss):				
Foreign currency translation adjustments	(108)	23	(14)	(234)
Pension and other postretirement benefit adjustments, net of tax	26	8	(16)	45
Change in fair value of derivative instruments, net of tax	8	(2)	6	(2)
Other comprehensive income (loss)	(74)	29	(24)	(191)
Total comprehensive income (loss)	35	74	158	(71)
Comprehensive (income) loss attributable to noncontrolling interests	8	(1)	(2)	(1)
Comprehensive income (loss) attributable to the Company	\$ 43	\$ 73	\$ 156	\$ (72)

See accompanying notes.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Assets			
Current assets:			
Cash and cash equivalents	\$ 334	\$ 399	\$ 378
Trade receivables, net of allowance of \$31 million, \$29 million, and \$30 million at June 30, 2016, December 31, 2015 and June 30, 2015	831	562	712
Inventories	1,051	1,007	985
Prepaid expenses and other current assets	358	366	310
Total current assets	<u>2,574</u>	<u>2,334</u>	<u>2,385</u>
Property, plant and equipment, net	2,932	2,961	2,386
Goodwill	2,536	2,489	1,789
Intangibles	517	597	
Other assets	1,108	1,040	1,058
Total assets	<u>\$ 9,667</u>	<u>\$ 9,421</u>	<u>\$ 7,618</u>
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 305	\$ 228	\$ 555
Accounts payable	1,042	1,212	983
Other liabilities	518	552	458
Total current liabilities	1,865	1,992	1,996
Long-term debt	5,549	5,345	3,217
Other long-term liabilities	1,002	988	909
Share owners' equity	1,251	1,096	1,496
Total liabilities and share owners' equity	<u>\$ 9,667</u>	<u>\$ 9,421</u>	<u>\$ 7,618</u>

See accompanying notes.

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

	Six months ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net earnings	\$ 182	\$ 120
Loss from discontinued operations	3	2
Non-cash charges		
Depreciation and amortization	250	197
Pension expense	15	15
Restructuring, asset impairment and related charges	19	22
Cash payments		
Pension contributions	(9)	(10)
Cash paid for restructuring activities	(17)	(15)
Change in components of working capital	(491)	(401)
Other, net (a)	(35)	(5)
Cash utilized in continuing operating activities	(83)	(75)
Cash utilized in discontinued operating activities	(3)	(2)
Total cash utilized in operating activities	(86)	(77)
Cash flows from investing activities:		
Additions to property, plant and equipment	(207)	(208)
Acquisitions, net of cash acquired	(31)	(52)
Net cash proceeds related to sale of assets	34	
Net foreign exchange derivative activity	14	6
Cash utilized in investing activities	(190)	(254)
Cash flows from financing activities:		
Changes in borrowings, net	246	400
Distributions to noncontrolling interests	(10)	(12)
Distributions to parent	(19)	(134)
Payment of finance fees	(3)	(37)
Cash provided by financing activities	214	217
Effect of exchange rate fluctuations on cash	(3)	(20)
Decrease in cash	(65)	(134)
Cash at beginning of period	399	512
Cash at end of period	<u>\$ 334</u>	<u>\$ 378</u>

(a) Other, net includes other non-cash charges plus other changes in non-current assets and liabilities.

See accompanying notes.

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, Latin America and Asia Pacific. In connection with the Company’s acquisition (the “Vitro Acquisition”) of the food and beverage glass container business of Vitro S.A.B. de C.V. and its subsidiaries as conducted in the United States, Mexico and Bolivia (the “Vitro Business”) on September 1, 2015 (see Note 15), the Company has renamed the former South America segment to the Latin America segment. This change in segment name was made to reflect the addition of the Mexican and Bolivian operations from the Vitro Acquisition into the former South America segment. The acquired Vitro food and beverage glass container distribution business located in the United States is included in the North American operating segment. 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 certain 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 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, 2016 and 2015 regarding the Company’s reportable segments is as follows:

	Three months ended June		Six months ended June 30,	
	2016	2015	2016	2015
Net sales:				
Europe	\$ 646	\$ 637	\$ 1,209	\$ 1,204
North America	599	530	1,131	1,000
Latin America	345	207	657	412
Asia Pacific	158	153	317	316
Reportable segment totals	1,748	1,527	3,314	2,932
Other	12	16	34	32
Net sales	<u>\$ 1,760</u>	<u>\$ 1,543</u>	<u>\$ 3,348</u>	<u>\$ 2,964</u>

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Segment operating profit:				
Europe	\$ 73	\$ 64	\$ 128	\$ 113
North America	92	82	168	153
Latin America	57	27	120	57
Asia Pacific	11	14	28	32
Reportable segment totals	233	187	444	355
Items excluded from segment operating profit:				
Retained corporate costs and other	(25)	(18)	(57)	(39)
Restructuring, asset impairment and other		(27)	(12)	(27)
Strategic transaction costs		(6)		(6)
Interest expense, net	(67)	(74)	(133)	(121)
Earnings from continuing operations before income taxes	\$ 141	\$ 62	\$ 242	\$ 162

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

	June 30, 2016	December 31, 2015	June 30, 2015
Total assets:			
Europe	\$ 2,977	\$ 2,902	\$ 3,117
North America	2,562	2,500	2,042
Latin America	2,798	2,807	1,094
Asia Pacific	981	917	921
Reportable segment totals	9,318	9,126	7,174
Other	349	295	444
Consolidated totals	\$ 9,667	\$ 9,421	\$ 7,618

3. Inventories

Major classes of inventory at June 30, 2016, December 31, 2015 and June 30, 2015 are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Finished goods	\$ 892	\$ 858	\$ 842
Raw materials	121	113	103
Operating supplies	38	36	40
	\$ 1,051	\$ 1,007	\$ 985

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at June 30, 2016, December 31, 2015 and June 30, 2015 are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Prepaid expenses	\$ 70	\$ 52	\$ 60
Value added taxes	172	195	79
Other	116	119	171
	\$ 358	\$ 366	\$ 310

In conjunction with the Vitro Acquisition, part of the total consideration paid by the Company relates to a value added tax receivable of approximately \$133 million. This amount is included in "Value added taxes" above and is expected to be refunded to the Company before the end of 2016.

5. 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 value 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 Forward Contracts Designated as Cash Flow Hedges

In several regions, the Company enters into commodity forward 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. In North America, the majority of its customer contracts contain provisions that pass the price of natural gas to its customers. In certain of these contracts, the customer has the option of fixing the natural gas price component for a specified period of time. To limit the effects of fluctuations in cash flows resulting from these customer contracts, the Company enters into commodity forward contracts related to forecasted natural gas requirements. In Asia Pacific, the Company implemented a hedging program in the first quarter of 2016, which included the execution of commodity forward contracts for certain contracted natural gas requirements. At June 30, 2016 and 2015, the Company had entered into commodity forward contracts covering approximately 11,300,000 MM BTUs and 5,900,000 MM BTUs, respectively.

The Company accounts for the above forward contracts as cash flow hedges at June 30, 2016 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. An unrecognized gain of \$3 million and an unrecognized loss of less than \$1 million at June 30, 2016 and 2015, respectively, related to the commodity forward contracts was included in Accumulated OCI, and will be reclassified into earnings in the period when the commodity forward contracts expire. 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, 2016 and 2015 was not material.

The effect of the commodity forward contracts on the results of operations for the three months ended June 30, 2016 and 2015 is as follows:

Amount of Gain Recognized in OCI on Commodity Forward Contracts (Effective Portion)		Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (reported in cost of goods sold) (Effective Portion)	
		2016	2015
\$	7	\$	—
		\$	(2)
		\$	2

The effect of the commodity forward contracts on the results of operations for the six months ended June 30, 2016 and 2015 is as follows:

Amount of Gain Recognized in OCI on Commodity Forward Contracts (Effective Portion)		Amount of Gain Reclassified from Accumulated OCI into Income (reported in cost of goods sold) (Effective Portion)	
		2016	2015
\$	3	\$	—
		\$	—
		\$	2

Foreign Exchange Derivative Contracts and not Designated as Hedging Instruments

The Company 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. The Company may also use forward exchange agreements to offset the foreign currency risk for receivables and payables, including intercompany receivables, payables, and loans, not denominated in, or indexed to, their functional currencies. The Company records these short-term forward exchange agreements on the balance sheet at fair value and changes in the fair value are recognized in current earnings.

At June 30, 2016 and 2015, the Company had outstanding foreign exchange and option agreements denominated in various currencies covering the equivalent of approximately \$524 million and \$606 million, respectively, related primarily to intercompany transactions and loans.

The effect of the forward exchange derivative contracts on the results of operations for the three months ended June 30, 2016 and 2015 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	
	2016	2015
	Other expense	\$ (1)

The effect of the forward exchange derivative contracts on the results of operations for the six months ended June 30, 2016 and 2015 is as follows:

Location of Gain Recognized in Income on Forward Exchange Contracts	Amount of Gain Recognized in Income on Forward Exchange Contracts	
	2016	2015
	Other expense	\$ 4

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, and (c) other accrued liabilities or other liabilities (current) if the instrument has a negative fair value and maturity within one year.

The following table shows the amount and classification (as noted above) of the Company's derivatives at June 30, 2016, December 31, 2015 and June 30, 2015:

Balance Sheet Location	Fair Value		
	June 30, 2016	December 31, 2015	June 30, 2015
Asset derivatives:			
Derivatives designated as hedging instruments:			
Commodity forwards contracts	a	\$ 3	\$ —
Derivatives not designated as hedging instruments:			
Forward exchange derivative contracts	a	6	8
Total asset derivatives		\$ 9	\$ 8
Liability derivatives:			
Derivatives designated as hedging instruments:			
Commodity forwards contracts	c	\$ —	\$ 3
Derivatives not designated as hedging instruments:			
Forward exchange derivative contracts	c	3	5
Total liability derivatives		\$ 3	\$ 5

6. Restructuring Accruals

Selected information related to the restructuring accruals for the three months ended June 30, 2016 and 2015 is as follows:

	Asia Pacific Restructuring	Other Restructuring Actions	Total Restructuring
Balance at April 1, 2016	\$ 6	\$ 34	\$ 40
Net cash paid, principally severance and related benefits		(4)	(4)
Other, including foreign exchange translation		(2)	(2)
Balance at June 30, 2016	<u>\$ 6</u>	<u>\$ 28</u>	<u>\$ 34</u>

	European Asset Optimization	Asia Pacific Restructuring	Other Restructuring Actions	Total Restructuring
Balance at April 1, 2015	\$ 11	\$ 10	\$ 25	\$ 46
Charges		5	17	22
Write-down of assets to net realizable value		(4)	(7)	(11)
Net cash paid, principally severance and related benefits		(3)	(2)	(5)
Balance at June 30, 2015	<u>\$ 11</u>	<u>\$ 8</u>	<u>\$ 33</u>	<u>\$ 52</u>

Selected information related to the restructuring accruals for the six months ended June 30, 2016 and 2015 is as follows:

	Asia Pacific Restructuring	Other Restructuring Actions	Total Restructuring
Balance at January 1, 2016	\$ 7	\$ 36	\$ 43
Charges	1	18	19
Write-down of assets to net realizable value		(7)	(7)
Net cash paid, principally severance and related benefits	(1)	(16)	(17)
Other, including foreign exchange translation	(1)	(3)	(4)
Balance at June 30, 2016	<u>\$ 6</u>	<u>\$ 28</u>	<u>\$ 34</u>

	European Asset Optimization	Asia Pacific Restructuring	Other Restructuring Actions	Total Restructuring
Balance at January 1, 2015	\$ 12	\$ 12	\$ 36	\$ 60
Charges		5	17	22
Write-down of assets to net realizable value		(4)	(7)	(11)
Net cash paid, principally severance and related benefits		(4)	(11)	(15)
Other, including foreign exchange translation	(1)	(1)	(2)	(4)
Balance at June 30, 2015	<u>\$ 11</u>	<u>\$ 8</u>	<u>\$ 33</u>	<u>\$ 52</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, which was not material, as Level 3 in the fair value hierarchy as set forth in the general accounting principles for fair value measurements.

Asia Pacific Restructuring

During the six months ended June 30, 2016, the Company recorded charges of \$1 million. These charges primarily represented other exit costs as part of the Company's Asia Pacific Restructuring program.

During the three and six months ended June 30, 2015, the Company recorded charges of \$5 million. These charges primarily represented the write-down of assets as part of the Company's Asia Pacific Restructuring program.

The Company has recorded total cumulative charges of \$221 million under this program.

Other Restructuring Actions

During the six months ended June 30, 2016, the Company recorded charges of \$18 million. These charges primarily represented employee costs, write-down of assets, and other exit costs of \$14 million for a plant closure in the first quarter of 2016 in Latin America, \$3 million related to a previous plant closure in North America and \$1 million related to other restructuring actions.

During the three and six months ended June 30, 2015, the Company recorded charges of \$17 million. These charges primarily represented employee costs, write-down of assets, and other exit costs of \$13 million that the Company was required to record for furnace closures announced during the second quarter of 2015 in Latin America as well as \$4 million of severance and other exit costs related to a furnace closure in North America.

7. Pension Benefit Plans

The components of the net periodic pension cost for the three months ended June 30, 2016 and 2015 are as follows:

	U.S.		Non-U.S.	
	2016	2015	2016	2015
Service cost	\$ 4	\$ 6	\$ 5	\$ 5
Interest cost	25	24	13	12
Expected asset return	(38)	(42)	(21)	(21)
Amortization:				
Actuarial loss	16	19	5	5
Net periodic pension cost	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 2</u>	<u>\$ 1</u>

The components of the net periodic pension cost for the six months ended June 30, 2016 and 2015 are as follows:

	U.S.		Non-U.S.	
	2016	2015	2016	2015
Service cost	\$ 8	\$ 12	\$ 9	\$ 9
Interest cost	49	48	26	24
Expected asset return	(76)	(84)	(42)	(42)
Amortization:				
Actuarial loss	31	38	10	10
Net periodic pension cost	<u>\$ 12</u>	<u>\$ 14</u>	<u>\$ 3</u>	<u>\$ 1</u>

In March 2016, the Company remeasured the liability related to its hourly plan in the U.S. to reflect certain changes in future benefits. The remeasurement resulted in an increase to its pension liability of approximately \$60 million and has been reflected in other comprehensive income.

8. 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. 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.

9. Debt

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

	June 30, 2016	December 31, 2015	June 30, 2015
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	\$ 203	\$ —	\$ —
Term Loans:			
Term Loan A	1,525	1,546	900
Term Loan A (€279 million at June 30, 2016)	301	301	312
Term Loan B	558	563	
Senior Notes:			
7.375%, due 2016			299
6.75%, due 2020 (€500 million)	551	542	560
4.875%, due 2021 (€330 million)	363	357	369
5.00%, due 2022	494	494	494
5.875%, due 2023	681	680	
5.375%, due 2025	296	296	296
6.375%, due 2025	294	293	
Payable to OI Inc.	250	250	250
Capital Leases	63	62	64
Other	32	29	21
Total long-term debt	5,611	5,413	3,565
Less amounts due within one year	62	68	348
Long-term debt	\$ 5,549	\$ 5,345	\$ 3,217

On April 22, 2015, certain of the Company's subsidiaries entered into a Senior Secured Credit Facility (the "Agreement"), which amended and restated the previous credit agreement (the "Previous Agreement"). The proceeds from the Agreement were used to repay all outstanding amounts under the Previous Agreement and the 7.375% senior notes due 2016.

In connection with the closing of the Vitro Acquisition on September 1, 2015 (see Note 15) the Company entered into Amendment No. 2 ("Amendment No. 2") to the Agreement, which provided for additional incremental availability under the incremental dollar cap in the Agreement of up to \$1,250 million. In addition, in connection with the closing of the Vitro Acquisition, on September 1, 2015, the Company entered into the First Incremental Amendment to the Agreement (the "Incremental Amendment") pursuant to which the Company incurred \$1,250 million of senior secured incremental term loan facilities, comprised of (i) a \$675 million term loan A facility (the "incremental term loan A facility") on substantially the same terms and conditions (including as to maturity) as the term loan A facility in the Agreement and (ii) a \$575 million term loan B facility (the "incremental term loan B facility") maturing seven years after the closing of the Vitro Acquisition using its incremental capacity under the Agreement.

On February 3, 2016, the Company entered into Amendment No. 4 ("Amendment No. 4"), to the Agreement which provided for an increase in the maximum Total Leverage Ratio (which is calculated by dividing consolidated total debt, less cash and cash equivalents, by consolidated EBITDA, as defined in the Agreement) for purposes of the financial covenant in the Agreement to 5.0x for the fiscal quarters ending March 31, 2016, June 30, 2016 and September 30, 2016, 4.5x for the fiscal quarters ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017, and stepping down to 4.0x for the fiscal quarter ending December 31, 2017 and each fiscal quarter thereafter.

At June 30, 2016, the Agreement, as amended through Amendment No. 4 (the "Amended Agreement"), includes a \$300 million revolving credit facility, a \$600 million multicurrency revolving credit facility, a \$1,575 million term loan A facility (\$1,525 million net of debt issuance costs), and a €279 million term loan A facility (\$301 million net of debt issuance costs), each of which has a final maturity date of April 22, 2020. The Amended Agreement also includes a \$575 million term loan B facility (\$558 million net of debt issuance costs) with a final maturity date of September 1, 2022. At June 30, 2016, the Company had unused credit of \$636 million available under the Amended Agreement. The

weighted average interest rate on borrowings outstanding under the Amended Agreement at June 30, 2016 was 2.57%.

The Amended Agreement contains various covenants that restrict, among other things and subject to certain exceptions, the ability of the Company to incur certain liens, make certain investments, become liable under contingent obligations in certain defined instances only, make restricted payments, make certain asset sales within guidelines and limits, engage in certain affiliate transactions, participate in sale and leaseback financing arrangements, alter its fundamental business, and amend certain subordinated debt obligations.

The Amended Agreement also contains one financial maintenance covenant, a Total Leverage Ratio, that requires the Company as of the last day of a fiscal quarter not to exceed the maximum levels set forth in Amendment No. 4 (as more particularly described above). The Total Leverage Ratio could restrict the ability of the Company to undertake additional financing or acquisitions to the extent that such financing or acquisitions would cause the Total Leverage Ratio to exceed the specified maximum.

Failure to comply with these covenants and restrictions could result in an event of default under the Amended Agreement. In such an event, the Company could not request borrowings under the revolving facility, and all amounts outstanding under the Amended Agreement, together with accrued interest, could then be declared immediately due and payable. If an event of default occurs under the Amended Agreement and the lenders cause all of the outstanding debt obligations under the Amended Agreement to become due and payable, this would result in a default under a number of other outstanding debt securities and could lead to an acceleration of obligations related to these debt securities. As of June 30, 2016, the Company was in compliance with all covenants and restrictions in the Amended Agreement. In addition, the Company believes that it will remain in compliance and that its ability to borrow funds under the Amended Agreement will not be adversely affected by the covenants and restrictions.

The interest rates on borrowings under the Amended Agreement are, at the Company's option, the Base Rate or the Eurocurrency Rate, as defined in the Amended Agreement, plus an applicable margin. The applicable margin for the term loan A facility and the revolving credit facility is linked to the Company's Total Leverage Ratio and ranges from 1.25% to 1.75% for Eurocurrency Rate loans and from 0.25% to 0.75% for Base Rate loans. In addition, a facility fee is payable on the revolving credit facility commitments ranging from 0.20% to 0.30% per annum linked to the Total Leverage Ratio. The applicable margin for the term loan B facility is 2.75% for Eurocurrency Rate loans and 1.75% for Base Rate loans. The incremental term loan B facility is subject to a LIBOR floor of 0.75%.

Borrowings under the Amended Agreement are secured by substantially all of the assets, excluding real estate and certain other excluded assets, of certain of the Company's domestic subsidiaries and certain foreign subsidiaries. Borrowings are also secured by a pledge of intercompany debt and equity investments in certain of the Company's domestic subsidiaries and, in the case of foreign borrowings, of stock of certain foreign subsidiaries. All borrowings under the Amended Agreement are guaranteed by certain domestic subsidiaries of the Company for the term of the Amended Agreement.

Also, in connection with the Vitro Acquisition, during August 2015, the Company issued senior notes with a face value of \$700 million that bear interest at 5.875% and are due August 15, 2023 (the "Senior Notes due 2023") and senior notes with a face value of \$300 million that bear interest at 6.375% and are due August 15, 2025 (together with the Senior Notes due 2023, the "2015 Senior Notes"). The 2015 Senior Notes were issued via a private placement and are guaranteed by certain of the Company's domestic subsidiaries. The net proceeds from the 2015 Senior Notes, after deducting the debt discount and debt issuance costs, totaled approximately \$972 million and were used to finance, in part, the Vitro Acquisition.

The Company has a €185 million European accounts receivable securitization program, which extends through March 2019, subject to periodic renewal of backup credit lines.

Information related to the Company's accounts receivable securitization program is as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Balance (included in short-term loans)	\$ 173	\$ 158	\$ 192
Weighted average interest rate	0.70 %	1.21 %	1.12 %

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, 2016 of the Company's significant fixed rate debt obligations are as follows:

	Principal Amount	Indicated Market Price	Fair Value
Senior Notes:			
6.75%, due 2020 (€500 million)	\$ 555	\$ 117.51	\$ 652
4.875%, due 2021 (€330 million)	366	110.44	404
5.00%, due 2022	500	100.50	503
5.875%, due 2023	700	104.94	735
6.375%, due 2025	300	105.75	317
5.375%, due 2025	300	98.28	295

10. Contingencies

Asbestos

OI Inc. is a defendant in numerous lawsuits alleging bodily injury and death as a result of exposure to asbestos. 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 insulation material containing asbestos. OI Inc. sold its insulation business unit at the end of April 1958. The typical asbestos personal injury lawsuit alleges various theories of liability, including negligence, gross negligence and strict liability and seeks compensatory and, in some cases, punitive damages in various amounts (herein referred to as "asbestos claims").

As of June 30, 2016, OI Inc. has determined that it is a named defendant in asbestos lawsuits and claims involving approximately 2,000 plaintiffs and claimants. Based on an analysis of the lawsuits pending as of December 31, 2015, approximately 82% 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 11% of plaintiffs specifically plead damages above the jurisdictional minimum up to, and including, \$15 million or less, and 7% of plaintiffs specifically plead damages greater than \$15 million but less than or equal to \$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 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 type and severity of the plaintiff's asbestos disease, the plaintiff's medical history and exposure to other disease-causing agents, the product identification evidence against OI Inc. and other co-defendants, the defenses available to OI Inc. and other co-defendants, the specific jurisdiction in which the claim is made, and the plaintiff's firm representing the claimant.

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. has also been 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, 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, 2016, has disposed of the asbestos claims of approximately 396,000 plaintiffs and claimants at an average indemnity payment per claim of approximately \$9,200. OI Inc.'s asbestos indemnity payments have varied on a per claim basis, and are expected to continue to vary considerably over time. Asbestos-related cash payments for 2015, 2014 and 2013 were \$138 million, \$148 million, and \$158 million, respectively. The OI Inc.'s cash payments per claim disposed (inclusive of legal costs) were approximately \$95,000, \$81,000 and \$93,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

As discussed above, 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 claims that would otherwise have been received by OI Inc. in the tort system. In addition, certain court orders and legislative acts have reduced or eliminated the number of claims that OI Inc. otherwise would have received by OI Inc. in the tort system. These developments generally have had the effect of increasing OI Inc.'s per-claim average indemnity payment over time.

Beginning with the initial liability of \$975 million established in 1993, OI Inc. has accrued a total of approximately \$4.9 billion through 2015, before insurance recoveries, for its asbestos-related liability. OI Inc.'s estimates of its liability have 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 inherent uncertainty of future disease incidence and claiming patterns against OI Inc., the significant expansion of the defendants that are now sued in this litigation, and the continuing changes in the extent to which these defendants participate in the resolution of cases in which OI Inc. is also a defendant.

OI Inc. continues to monitor trends that may affect its ultimate liability and analyze the developments and variables likely to affect the resolution of pending and future asbestos claims against OI Inc.. The material components of OI Inc.'s accrued liability are determined by OI Inc. in connection with its annual comprehensive legal 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 asbestos claims not yet asserted against OI Inc.; and (iii) the legal defense costs estimated to be incurred in connection with the claims already asserted and those claims OI Inc. believes will be asserted.

As noted above, OI Inc. conducts a comprehensive legal 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. As part of its annual comprehensive legal review, OI Inc. provides historical claims filing data to a third party with expertise in determining the impact of disease incidence and mortality on future filing trends to develop information to assist OI Inc. in estimating the total number of future claims to be filed. OI Inc. uses this estimate of total future claims, along with an estimation of disposition costs and related legal costs as inputs to develop its best estimate of probable liability. If the results of the annual comprehensive legal review indicate that the existing amount of the accrued liability is lower (higher) than its reasonably estimable asbestos-related costs, then OI Inc. will record an appropriate charge (credit) to OI Inc.'s results of operations to increase (decrease) the accrued liability.

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

- a) settlements will continue to be limited almost exclusively to claimants who were exposed to OI Inc.'s asbestos-containing insulation prior to its exit from that business in 1958;
- b) claims will continue to be resolved primarily under OI Inc.'s administrative claims agreements or on terms comparable to those set forth in those agreements;
- c) the incidence of serious asbestos-related disease cases and claiming patterns against OI Inc. for such cases do not change materially;
- d) OI Inc. is substantially able to defend itself successfully at trial and on appeal;
- e) the number and timing of additional co-defendant bankruptcies do not change significantly the assets available to participate in the resolution of cases in which OI Inc. is a defendant; and
- f) co-defendants with substantial resources and assets continue to participate significantly in the resolution of future asbestos lawsuits and claims.

OI Inc. revised its method for estimating its asbestos-related liabilities in connection with finalizing and reporting its restated results of operations for the year ended December 31, 2015 and 2014 and concluded that an accrual in the amount of \$817 million and \$939 million as of December 31, 2015 and 2014, respectively was required. These amounts have not been discounted for the time value of money. The application of the revised method also resulted in charges of \$16 million, \$46 million and \$12 million for the years ending December 31, 2015, 2014 and 2013, respectively.

OI Inc. believes it is reasonably possible that it will incur a loss for its asbestos-related liabilities in excess of the amount currently recognized, which is \$817 million as of December 31, 2015. OI Inc. estimates that reasonably possible losses could be as high as \$950 million. This estimate of additional reasonably possible loss reflects a legal judgment about the number and cost of potential future claims and legal costs. OI Inc. believes this estimate is consistent with the level of variability it has experienced when comparing actual results to recent near-term projections. However, it is also possible that the ultimate asbestos-related liability could be above this estimate.

OI Inc. expects a significant majority of the total number of claims to be received in the next ten years. This timeframe appropriately reflects the mortality of current and expected claimants in light of OI Inc.'s sale of its insulation business unit in 1958.

As noted above, OI Inc.'s asbestos-related liability is based on a projection of new claims that will eventually be filed against OI Inc. and the estimated average disposition cost of these claims and related legal costs. Changes in the significant assumptions noted above have the potential to impact these key factors, which are critical to the estimation of OI Inc.'s asbestos-related liability significantly.

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 has received correspondence from the DOJ and SEC indicating that they do not intend to take any enforcement action and have closed their inquiries into the matter.

The Company's joint venture in China is involved in litigation with its partner regarding whether the joint venture should be dissolved. As of June 30, 2016, the Company's equity investment in this joint venture was approximately \$72 million. The Company intends to vigorously defend its position in this litigation, but is unable to predict the final outcome of the matter.

On July 5, 2016, OI Inc. learned that the Enforcement Division of the SEC is conducting an investigation into certain accounting and control matters pertaining to the determination of its asbestos-related liabilities. On May 13, 2016, OI Inc. restated its consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 in order to correct an error related to its method for estimating its future asbestos-related liabilities. OI Inc. is cooperating with the SEC's investigation. At this time, OI Inc. is unable to predict the outcome of this matter or provide meaningful quantification of how the final resolution of this matter may impact its future consolidated financial statements, results of operations, or cash flows.

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.

11. Share Owners' Equity

The activity in share owners' equity for the three months ended June 30, 2016 and 2015 is as follows:

	<u>Share Owners' Equity of the Company</u>				
			<u>Accumulated</u>		<u>Total Share Owners' Equity</u>
	<u>Other Contributed Capital</u>	<u>Retained Earnings</u>	<u>Other Comprehensive Loss</u>	<u>Non-controlling Interests</u>	
Balance at April 1, 2016	\$ 734	\$ 2,300	\$ (1,930)	\$ 118	
Net distribution to parent	(6)				(6)
Net earnings		105		4	109
Other comprehensive loss			(62)	(12)	(74)
Balance on June 30, 2016	<u>\$ 728</u>	<u>\$ 2,405</u>	<u>\$ (1,992)</u>	<u>\$ 110</u>	<u>\$ 1,251</u>

	<u>Share Owners' Equity of the Company</u>				
			<u>Accumulated</u>		<u>Total Share Owners' Equity</u>
	<u>Other Contributed Capital</u>	<u>Retained Earnings</u>	<u>Other Comprehensive Loss</u>	<u>Non-controlling Interests</u>	
Balance at April 1, 2015	\$ 842	\$ 2,153	\$ (1,669)	\$ 123	
Net distribution to parent	(15)				(15)
Net earnings		40		5	45
Other comprehensive income (loss)			33	(4)	29
Distributions to noncontrolling interests				(12)	(12)
Balance on June 30, 2015	<u>\$ 827</u>	<u>\$ 2,193</u>	<u>\$ (1,636)</u>	<u>\$ 112</u>	<u>\$ 1,496</u>

The activity in share owners' equity for the six months ended June 30, 2016 and 2015 is as follows:

	<u>Share Owners' Equity of the Company</u>				
			<u>Accumulated</u>		<u>Total Share Owners' Equity</u>
	<u>Other Contributed Capital</u>	<u>Retained Earnings</u>	<u>Other Comprehensive Loss</u>	<u>Non-controlling Interests</u>	
Balance on January 1, 2016	\$ 731	\$ 2,233	\$ (1,976)	\$ 108	
Net distribution to parent	(3)				(3)
Net earnings		172		10	182
Other comprehensive loss			(16)	(8)	(24)
Balance on June 30, 2016	<u>\$ 728</u>	<u>\$ 2,405</u>	<u>\$ (1,992)</u>	<u>\$ 110</u>	<u>\$ 1,251</u>

	<u>Share Owners' Equity of the Company</u>				
			<u>Accumulated</u>		<u>Total Share Owners' Equity</u>
	<u>Other Contributed Capital</u>	<u>Retained Earnings</u>	<u>Other Comprehensive Loss</u>	<u>Non-controlling Interests</u>	
Balance on January 1, 2015	\$ 964	\$ 2,082	\$ (1,453)	\$ 117	
Net distribution to parent	(119)				(119)
Net earnings		111		9	120
Other comprehensive loss			(183)	(8)	(191)
Distributions to noncontrolling interests				(12)	(12)
Acquisitions of noncontrolling interests	(18)			6	(12)
Balance on June 30, 2015	<u>\$ 827</u>	<u>\$ 2,193</u>	<u>\$ (1,636)</u>	<u>\$ 112</u>	<u>\$ 1,496</u>

12. Accumulated Other Comprehensive Loss

The activity in accumulated other comprehensive loss for the three months ended June 30, 2016 and 2015 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, 2016	\$ (478)	\$ (12)	\$ (1,440)	\$ (1,930)
Change before reclassifications	(96)			(96)
Amounts reclassified from accumulated other comprehensive income		7 (a)	15 (b)	22
Translation effect			10	10
Tax effect		1	1	2
Other comprehensive income (loss) attributable to the Company	(96)	8	26	(62)
Balance on June 30, 2016	\$ (574)	\$ (4)	\$ (1,414)	\$ (1,992)

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments	Employee Benefit Plans	Total Accumulated Other Comprehensive Loss
Balance on April 1, 2015	\$ (308)	\$ (4)	\$ (1,357)	\$ (1,669)
Change before reclassifications	27			27
Amounts reclassified from accumulated other comprehensive income		(2)(a)	17 (b)	15
Translation effect			(9)	(9)
Other comprehensive income (loss) attributable to the Company	27	(2)	8	33
Balance on June 30, 2015	\$ (281)	\$ (6)	\$ (1,349)	\$ (1,636)

- (a) Amount is included in Cost of goods sold on the Condensed Consolidated Results of Operations (see Note 5 for additional information).
- (b) Amount is included in the computation of net periodic pension cost (see Note 7 for additional information) and net postretirement benefit cost.

The activity in accumulated other comprehensive loss for the six months ended June 30, 2016 and 2015 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, 2016	\$ (568)	\$ (10)	\$ (1,398)	\$ (1,976)
Change before reclassifications	(6)			(6)
Amounts reclassified from accumulated other comprehensive income		5 (a)	(28)(b)	(23)
Translation effect			11	11
Tax effect		1	1	2
Other comprehensive income (loss) attributable to the Company	(6)	6	(16)	(16)
Balance on June 30, 2016	\$ (574)	\$ (4)	\$ (1,414)	\$ (1,992)

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments	Employee Benefit Plans	Total Accumulated Other Comprehensive Loss
Balance on January 1, 2015	\$ (55)	\$ (4)	\$ (1,394)	\$ (1,453)
Change before reclassifications	(226)			(226)
Amounts reclassified from accumulated other comprehensive income		(2)(a)	38 (b)	36
Translation effect			6	6
Tax effect			1	1
Other comprehensive income (loss) attributable to the Company	(226)	(2)	45	(183)
Balance on June 30, 2015	\$ (281)	\$ (6)	\$ (1,349)	\$ (1,636)

(a) Amount is included in Cost of goods sold on the Condensed Consolidated Results of Operations (see Note 5 for additional information).

(b) Amount is included in the computation of net periodic pension cost (see Note 7 for additional information) and net postretirement benefit cost.

13. Other Expense (Income), net

Other expense (income), net for the three and six months ended June 30, 2016 and 2015 included the following:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Restructuring, asset impairment and related charges	\$ —	\$ 22	\$ 19	\$ 22
Gain on sale of land in China			(7)	
Strategic transaction costs		6		6
Foreign currency exchange loss	1	3	4	8
Other expense (income)	6	(13)	13	(21)
	\$ 7	\$ 18	\$ 29	\$ 15

14. Supplemental Cash Flow Information

Financial information regarding the Company's supplemental cash flow information is as follows:

	Six months ended June 30,	
	2016	2015
Interest paid in cash	\$ 136	\$ 125
Income taxes paid in cash (all non-U.S.):	75	72

The Company uses various factoring programs to sell certain receivables to financial institutions as part of managing its cash flows. At June 30, 2016 and 2015, the amount of receivables sold by the Company was \$300 million and \$285 million, respectively. Any continuing involvement with the sold receivables is immaterial.

15. Business Combinations

On September 1, 2015, the Company completed the Vitro Acquisition in a cash transaction valued at approximately \$2.297 billion in cash, subject to a working capital adjustment and certain other adjustments. The Vitro Business in Mexico is the largest supplier of glass containers in that country manufacturing glass containers across multiple end uses, including food, soft drinks, beer, wine and spirits. The Vitro Acquisition included five food and beverage glass container plants in Mexico, a plant in Bolivia and a North American distribution business, and provided the Company with a competitive position in the glass packaging market in Mexico. The results of the Vitro Business have been included in the Company's consolidated financial statements since September 1, 2015 and contributed approximately \$444 million of net sales and \$86 million of segment operating profit in the first six months of 2016. Vitro's food and beverage glass container operations in Mexico and Bolivia are included in the Latin American operating segment while its distribution business is included in the North American operating segment.

The Company financed the Vitro Acquisition with the proceeds from a senior notes offering, cash on hand and the incremental term loan facilities (see Note 9).

The total purchase price will be allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values. The purchase agreement contains customary provisions for working capital adjustments, which the Company resolved with the seller in the first quarter of 2016. The purchase price allocation has not been finalized as of June 30, 2016, because the Company has not yet completed its review of the asset and liability values and related amortization and depreciation periods. The Company expects that the purchase price allocation process will be completed no later than the third quarter of 2016. The following table summarizes the preliminary estimates of fair value of the assets and liabilities assumed on September 1, 2015 and subsequent adjustments identified through the ongoing purchase price allocation process and recorded through the measurement period:

	September 1, 2015	Measurement Period Adjustments	June 30, 2016
Cash	\$ 17	\$ —	\$ 17
Other current assets	344	(10)	334
Goodwill	1,073	(254)	819
Customer list intangibles and other	406	206	612
Net property, plant and equipment	597	50	647
Total assets	2,437	(8)	2,429
Current liabilities	93	(8)	85
Long-term debt	11		11
Long-term liabilities	36		36
Net assets acquired	<u>\$ 2,297</u>	<u>\$ —</u>	<u>\$ 2,297</u>

The fair value of the tangible assets was estimated utilizing income and market approaches, considering remaining useful life. The customer list intangible asset includes the Company's established relationships with its customers and the ability of these customers to generate future economic profits for the Company. The value assigned to customer list intangibles is based on the present value of future earnings attributable to the asset group after recognition of required returns to other contributory assets.

Recognized goodwill is attributable to the assembled workforce, expected synergies and other intangible assets that do not qualify for separate recognition. The Vitro Acquisition goodwill is not deductible for tax purposes. The provisional balance sheet adjustments identified above did not result in any significant adjustments to the previous period's income statement.

16. Pro Forma Information – Vitro Acquisition

Had the Vitro Acquisition, described in Note 15 and the related financing described in Note 9, occurred at the beginning of the period, unaudited pro forma consolidated net sales and earnings from continuing operations would have been as follows:

	Three Months Ended June 30, 2015			
	As Reported	Acquisition Adjustments	Financing Adjustments	Pro Forma As Adjusted
Net sales	\$ 1,543	\$ 224	\$	\$ 1,767
Earnings from continuing operations attributable to the Company	\$ 42	\$ 29	\$ (17)	\$ 54

	Six months ended June 30, 2015			
	As Reported	Acquisition Adjustments	Financing Adjustments	Pro Forma As Adjusted
Net sales	\$ 2,964	\$ 431	\$	\$ 3,395
Earnings from continuing operations attributable to the Company	\$ 113	\$ 52	\$ (34)	\$ 131

17. Discontinued Operations

On April 4, 2016, the annulment committee formed by the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") ruled that a subsidiary of the Company is free to pursue the enforcement of a prior arbitration award against Venezuela. That award amounts to more than \$485 million after including interest from the date of the expropriation by Venezuela (October 26, 2010). Venezuela's application to annul the award is still pending and can take up to several years to complete. The Company intends to take appropriate steps to vigorously enforce and collect the award, which is enforceable in approximately 150 member states that are party to the ICSID Convention. However, even with the lifting of the stay of enforcement, the Company recognizes that the collection of the award may present significant practical challenges. Because the award has yet to be satisfied and the annulment proceeding is pending, the Company is unable at this stage to reasonably predict the efforts that will be necessary to successfully enforce collection of the award, the amount of the award or the timing of any such collection efforts. Therefore, the Company has not recognized this award in its financial statements.

A separate arbitration is pending with ICSID to obtain compensation primarily for third-party minority shareholders' lost interests in the two expropriated plants.

The loss from discontinued operations of \$3 million and \$2 million for the six months ended June 30, 2016 and 2015 relates to ongoing costs for the Venezuelan expropriation.

18. New Accounting Pronouncement

Revenue from Contracts with Customers - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers", which delayed by one year the effective date of the new revenue recognition standard, which will be effective for the Company on January 1, 2018. The Company is currently evaluating the effect this standard will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method and is in the process of determining the effect of the standard on its ongoing financial reporting.

Leases - In February 2016, the FASB issued ASU No. 2016-02, "Leases", which will require an entity to recognize lease-related assets and liabilities on their balance sheet. The amendments in this update are effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the effect this standard will have on its

consolidated financial statements and related disclosures.

Stock Compensation - In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which requires all excess tax benefits or deficiencies to be recognized as income tax expense or benefit in the income statement. In addition, excess tax benefits should be classified along with other income tax cash flows as an operating activity in the statement of cash flows. Application of the standard is required for the annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its condensed consolidated financial statements.

19. 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 Inc. (the “Issuer”); (3) those domestic subsidiaries that guarantee the 5.00% senior notes, the 5.875% senior notes, the 5.375% senior notes, and the 6.375% 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.

	June 30, 2016					
			Non-			
Balance Sheet	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	\$ —	\$ 38	\$ 9	\$ 250	\$ 37	\$ 334
Trade receivables, net		90	17	724		831
Inventories		203	35	813		1,051
Prepaid expenses and other current assets		26	12	320		358
Total current assets	—	357	73	2,107	37	2,574
Investments in and advances to subsidiaries	1,391	4,444	1,213		(7,048)	—
Goodwill		582	331	1,623		2,536
Intangibles				517		517
Other assets		124	245	739		1,108
Property, plant and equipment, net		696	5	2,231		2,932
Total assets	\$ 1,391	\$ 6,203	\$ 1,867	\$ 7,217	\$ (7,011)	\$ 9,667
Current liabilities:						
Accounts payable and accrued liabilities	\$	\$ 176	\$ 19	\$ 847	\$	\$ 1,042
Short-term loans and long-term debt due within one year		82		186	37	305
Other liabilities		105	44	369		518
Total current liabilities	—	363	63	1,402	37	1,865
Long-term debt	250	4,005		1,294		5,549
Other long-term liabilities		22	412	568		1,002
Investments by and advances from parent		1,813	1,392	3,843	(7,048)	—
Total share owner's equity of the Company	1,141					1,141
Noncontrolling interests				110		110
Total liabilities and share owners' equity	\$ 1,391	\$ 6,203	\$ 1,867	\$ 7,217	\$ (7,011)	\$ 9,667

December 31, 2015

Balance Sheet	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 6	\$ 393	\$ —	\$ 399
Trade receivables, net		55	15	492		562
Inventories		205	35	767		1,007
Prepaid expenses and other current assets		25	13	328		366
Total current assets	—	285	69	1,980	—	2,334
Investments in and advances to subsidiaries	1,239	3,775	1,002		(6,016)	—
Goodwill		581	317	1,591		2,489
Intangibles				597		597
Other assets		123	267	650		1,040
Property, plant and equipment, net		703	8	2,250		2,961
Total assets	\$ 1,239	\$ 5,467	\$ 1,663	\$ 7,068	\$ (6,016)	\$ 9,421
Current liabilities:						
Accounts payable and accrued liabilities	\$ —	\$ 184	\$ 18	\$ 1,010	\$ —	\$ 1,212
Short-term loans and long-term debt due within one year		50		178		228
Other liabilities		139	35	378		552
Total current liabilities	—	373	53	1,566	—	1,992
Long-term debt	250	3,839		1,256		5,345
Other long-term liabilities		16	371	600	1	988
Investments by and advances from parent		1,239	1,239	3,538	(6,016)	—
Total share owner's equity of the Company	989				(1)	988
Noncontrolling interests				108		108
Total liabilities and share owners' equity	\$ 1,239	\$ 5,467	\$ 1,663	\$ 7,068	\$ (6,016)	\$ 9,421

June 30, 2015

Balance Sheet	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 119	\$ 259	\$ —	\$ 378
Trade receivables, net		94		618		712
Inventories		207		778		985
Prepaid expenses and other current assets		36	5	269		310
Total current assets	—	337	124	1,924	—	2,385
Investments in and advances to subsidiaries	1,634	2,355	(6)		(3,983)	—
Goodwill		581	8	1,200		1,789
Other assets		137	71	850		1,058
Property, plant and equipment, net		709	34	1,643		2,386
Total assets	\$ 1,634	\$ 4,119	\$ 231	\$ 5,617	\$ (3,983)	\$ 7,618
Current liabilities:						
Short-term loans and long-term debt due within one year	\$ —	\$ 328	\$ 2	\$ 225	\$ —	\$ 555
Accounts payable and accrued liabilities		205	16	762		983
Other liabilities		95	42	321		458
Total current liabilities	—	628	60	1,308	—	1,996
Long-term debt	250	1,681	9	1,277		3,217
Other long-term liabilities		26	312	571		909
Investments by and advances from parent		1,784	(150)	2,349	(3,983)	—
Total share owner's equity of the Company	1,384					1,384
Noncontrolling interests				112		112
Total liabilities and share owners' equity	\$ 1,634	\$ 4,119	\$ 231	\$ 5,617	\$ (3,983)	\$ 7,618

Three months ended June 30, 2016

Results of Operations	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Net sales	\$ —	\$ 504	\$ 76	\$ 1,224	\$ (44)	\$ 1,760
Cost of goods sold		(414)	(58)	(989)	43	(1,418)
Gross profit	—	90	18	235	(1)	342
Research, engineering, selling, administrative and other		(26)	(27)	(89)		(142)
Net intercompany interest	5	(11)		1	5	—
Interest expense, net	(5)	(45)		(17)		(67)
Equity earnings from subsidiaries	105	94			(199)	—
Other equity earnings		3		12		15
Other expense, net		37	(5)	(39)		(7)
Earnings (loss) from continuing operations before income taxes	105	142	(14)	103	(195)	141
Provision for income taxes		—		(30)		(30)
Earnings (loss) from continuing operations	105	142	(14)	73	(195)	111
Loss from discontinued operations				(2)		(2)
Net earnings (loss)	105	142	(14)	71	(195)	109
Net earnings attributable to noncontrolling interests				(4)		(4)
Net earnings (loss) attributable to the Company	<u>\$ 105</u>	<u>\$ 142</u>	<u>\$ (14)</u>	<u>\$ 67</u>	<u>\$ (195)</u>	<u>\$ 105</u>

Three months ended June 30, 2016

Comprehensive Income	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Net earnings (loss)	\$ 105	\$ 142	\$ (14)	\$ 71	\$ (195)	\$ 109
Other comprehensive income (loss)	(74)	6		(98)	92	(74)
Total comprehensive income (loss)	31	148	(14)	(27)	(103)	35
Comprehensive income attributable to noncontrolling interests				8		8
Comprehensive income (loss) attributable to the Company	<u>\$ 31</u>	<u>\$ 148</u>	<u>\$ (14)</u>	<u>\$ (19)</u>	<u>\$ (103)</u>	<u>\$ 43</u>

Three months ended June 30, 2015

Results of Operations	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Net sales	\$ —	\$ 511	\$ —	\$ 1,032	\$ —	\$ 1,543
Cost of goods sold		(426)	2	(846)	1	(1,269)
Gross profit	—	85	2	186	1	274
Research, engineering, selling, administrative and other		(39)	(22)	(73)		(134)
Net intercompany interest	5	(6)		1		—
Interest expense, net	(5)	(52)	(1)	(17)	1	(74)
Equity earnings from subsidiaries	40	38			(78)	—
Other equity earnings		5		9		14
Other expense, net		44	(6)	(57)	1	(18)
Earnings (loss) from continuing operations before income taxes	40	75	(27)	49	(75)	62
Provision for income taxes		(2)	(2)	(12)	1	(15)
Earnings (loss) from continuing operations	40	73	(29)	37	(74)	47
Loss from discontinued operations				(1)	(1)	(2)
Net earnings (loss)	40	73	(29)	36	(75)	45
Net earnings attributable to noncontrolling interests				(5)		(5)
Net earnings (loss) attributable to the Company	<u>\$ 40</u>	<u>\$ 73</u>	<u>\$ (29)</u>	<u>\$ 31</u>	<u>\$ (75)</u>	<u>\$ 40</u>

Three months ended June 30, 2015

Comprehensive Income	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Net earnings (loss)	\$ 40	\$ 73	\$ (29)	\$ 36	\$ (75)	\$ 45
Other comprehensive income (loss)	28	(1)		11	(9)	29
Total comprehensive income (loss)	68	72	(29)	47	(84)	74
Comprehensive income attributable to noncontrolling interests				(1)		(1)
Comprehensive income (loss) attributable to the Company	<u>\$ 68</u>	<u>\$ 72</u>	<u>\$ (29)</u>	<u>\$ 46</u>	<u>\$ (84)</u>	<u>\$ 73</u>

Six months ended June 30, 2016

Results of Operations	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Net sales	\$ —	\$ 971	\$ 144	\$ 2,328	\$ (95)	\$ 3,348
Cost of goods sold		(800)	(114)	(1,867)	94	(2,687)
Gross profit	—	171	30	461	(1)	661
Research, engineering, selling, administrative and other		(60)	(56)	(170)		(286)
Net intercompany interest	10	(11)		1		—
Interest expense, net	(10)	(89)		(34)		(133)
Equity earnings from subsidiaries	172	167			(339)	—
Other equity earnings		5		24		29
Other expense, net		60	(9)	(80)		(29)
Earnings (loss) from continuing operations before income taxes	172	243	(35)	202	(340)	242
Provision for income taxes		(3)	(1)	(53)		(57)
Earnings (loss) from continuing operations	172	240	(36)	149	(340)	185
Loss from discontinued operations				(3)		(3)
Net earnings (loss)	172	240	(36)	146	(340)	182
Net earnings attributable to noncontrolling interests				(10)		(10)
Net earnings (loss) attributable to the Company	<u>\$ 172</u>	<u>\$ 240</u>	<u>\$ (36)</u>	<u>\$ 136</u>	<u>\$ (340)</u>	<u>\$ 172</u>

Six months ended June 30, 2016

Comprehensive Income	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Net earnings (loss)	\$ 172	\$ 240	\$ (36)	\$ 146	\$ (340)	\$ 182
Other comprehensive income (loss)	(24)	4		8	(12)	(24)
Total comprehensive income (loss)	148	244	(36)	154	(352)	158
Comprehensive income attributable to noncontrolling interests				(2)		(2)
Comprehensive income (loss) attributable to the Company	<u>\$ 148</u>	<u>\$ 244</u>	<u>\$ (36)</u>	<u>\$ 152</u>	<u>\$ (352)</u>	<u>\$ 156</u>

Six months ended June 30, 2015

Results of Operations	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Net sales	\$ —	\$ 970	\$ 1	\$ 1,994	\$ (1)	\$ 2,964
Cost of goods sold		(802)	4	(1,626)	2	(2,422)
Gross profit		168	5	368	1	542
Research, engineering, selling, administrative and other		(71)	(47)	(154)	(1)	(273)
Net intercompany interest	10	(11)		1		—
Interest expense, net	(10)	(78)	(1)	(32)		(121)
Equity earnings from subsidiaries	111	92			(203)	—
Other equity earnings		10		19		29
Other expense, net		68	(6)	(78)	1	(15)
Earnings (loss) from continuing operations before income taxes	111	178	(49)	124	(202)	162
Provision for income taxes		(4)	(3)	(33)		(40)
Earnings (loss) from continuing operations	111	174	(52)	91	(202)	122
Loss from discontinued operations				(2)		(2)
Net earnings (loss)	111	174	(52)	89	(202)	120
Net earnings attributable to noncontrolling interests				(9)		(9)
Net earnings (loss) attributable to the Company	<u>\$ 111</u>	<u>\$ 174</u>	<u>\$ (52)</u>	<u>\$ 80</u>	<u>\$ (202)</u>	<u>\$ 111</u>

Six months ended June 30, 2015

Comprehensive Income	Non-					Consolidated
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	
Net earnings (loss)	\$ 111	\$ 174	\$ (52)	\$ 89	\$ (202)	\$ 120
Other comprehensive income (loss)	(192)	(1)		(228)	230	(191)
Total comprehensive income (loss)	(81)	173	(52)	(139)	28	(71)
Comprehensive income attributable to noncontrolling interests				(1)		(1)
Comprehensive income (loss) attributable to the Company	<u>\$ (81)</u>	<u>\$ 173</u>	<u>\$ (52)</u>	<u>\$ (140)</u>	<u>\$ 28</u>	<u>\$ (72)</u>

Six months ended June 30, 2016

Cash Flows	Non-					
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (utilized in) operating activities	\$ —	\$ (98)	\$ 40	\$ (27)	\$ (1)	\$ (86)
Cash utilized in investing activities		(39)		(151)		(190)
Cash provided by (utilized in) financing activities		137		77		214
Effect of exchange rate change on cash				(3)		(3)
Net change in cash	—	—	40	(104)	(1)	(65)
Cash at beginning of period			6	393		399
Cash at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 46</u>	<u>\$ 289</u>	<u>\$ (1)</u>	<u>\$ 334</u>

Six months ended June 30, 2015

Cash Flows	Non-					
	Parent	Issuer	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (utilized in) operating activities	\$ —	\$ (98)	\$ 224	\$ (226)	\$ 23	\$ (77)
Cash utilized in investing activities		(80)		(159)	(15)	(254)
Cash provided by financing activities		178	(134)	181	(8)	217
Effect of exchange rate change on cash				(20)		(20)
Net change in cash	—	—	90	(224)	—	(134)
Cash at beginning of period			29	483		512
Cash at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 119</u>	<u>\$ 259</u>	<u>\$ —</u>	<u>\$ 378</u>

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

In connection with the Company's acquisition of the food and beverage glass container business of Vitro S.A.B. de C.V. and its subsidiaries as conducted in the United States, Mexico and Bolivia on September 1, 2015 (see Note 15 to the Condensed Consolidated Financial Statements), the Company has renamed the former South America segment to the Latin America segment. This change in segment name was made to reflect the addition of the Mexican and Bolivian operations from the Vitro Acquisition into the former South America segment. The acquired Vitro food and beverage glass container distribution business located in the United States is included in the North American operating segment.

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 lines titled "reportable segment totals" in both net sales and segment operating profit, however, are non-GAAP measures 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 and believes this information allows the board of directors, management, investors and analysts to better understand the Company's financial performance. 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, 2016 and 2015 regarding the Company's reportable segments is as follows (dollars in millions):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net Sales:				
Europe	\$ 646	\$ 637	\$ 1,209	\$ 1,204
North America	599	530	1,131	1,000
Latin America	345	207	657	412
Asia Pacific	158	153	317	316
Reportable segment totals	1,748	1,527	3,314	2,932
Other	12	16	34	32
Net Sales	<u>\$ 1,760</u>	<u>\$ 1,543</u>	<u>\$ 3,348</u>	<u>\$ 2,964</u>

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Segment operating profit:				
Europe	\$ 73	\$ 64	\$ 128	\$ 113
North America	92	82	168	153
Latin America	57	27	120	57
Asia Pacific	11	14	28	32
Reportable segment totals	233	187	444	355
Items excluded from segment operating profit:				
Retained corporate costs and other	(25)	(18)	(57)	(39)
Restructuring, asset impairment and other charges		(27)	(12)	(27)
Strategic transaction costs		(6)		(6)
Interest expense, net	(67)	(74)	(133)	(121)
Earnings from continuing operations before income taxes	141	62	242	162
Provision for income taxes	(30)	(15)	(57)	(40)
Earnings from continuing operations	111	47	185	122
Loss from discontinued operations	(2)	(2)	(3)	(2)
Net earnings	109	45	182	120
Net (earnings) attributable to noncontrolling interests	(4)	(5)	(10)	(9)
Net earnings attributable to the Company	\$ 105	\$ 40	\$ 172	\$ 111
Net earnings from continuing operations attributable to the Company	\$ 107	\$ 42	\$ 175	\$ 113

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

Executive Overview — Quarters ended June 30, 2016 and 2015

Second Quarter 2016 Highlights

- The September 1, 2015 Vitro Acquisition increased net sales by \$234 million and segment operating profit by \$44 million compared to the prior year quarter
- The unfavorable effect of foreign currency exchange rates reduced net sales by \$31 million and segment operating profit by \$5 million compared to the prior year quarter
- Driven by the Vitro Acquisition and progress on strategic initiatives, segment operating profit was higher in all regions, except for Asia Pacific, in the second quarter of 2016 compared to the prior year quarter

Net sales for the second quarter of 2016 were \$217 million higher than the second quarter of the prior year primarily due to approximately \$234 million of net sales from the acquired Vitro Business, partially offset by the unfavorable effect of changes in foreign currency exchange rates.

Segment operating profit for reportable segments for the second quarter of 2016 was \$46 million higher than the second quarter of the prior year. The increase was largely attributable to approximately \$44 million of segment operating profit from the acquired Vitro Business. Partially offsetting this was the unfavorable effect of changes in foreign currency exchange rates and higher operating costs due to cost inflation.

Net interest expense for the second quarter of 2016 decreased \$7 million compared to the second quarter of 2015. Interest expense in the second quarter of 2015 included \$28 million principally due to note repurchase premiums and the write-off of finance fees related to debt redeemed in the quarter. Exclusive of these items, net interest expense increased \$21 million in the current year quarter primarily due to higher debt levels due to the Vitro Acquisition.

For the second quarter of 2016, the Company recorded earnings from continuing operations attributable to the Company of \$107 million compared to \$42 million in the second quarter of 2015. Earnings in the second quarter of 2015 included items that management considered not representative of ongoing operations. These items decreased net earnings attributable to the Company by \$55 million in the second quarter of 2015 as set forth in the following table (dollars in millions).

Description	Net Earnings
	Increase (Decrease)
	2015
Restructuring, asset impairment and other charges	\$ (27)
Note repurchase premiums and write-off of finance fees	(28)
Strategic transaction costs	(6)
Net tax benefit for income tax on items above	6
Total	\$ (55)

Results of Operations — Second Quarter of 2016 compared with Second Quarter of 2015

Net Sales

The Company's net sales in the second quarter of 2016 were \$1,760 million compared with \$1,543 million for the second quarter of 2015, an increase of \$217 million, or 14%. Driven by incremental shipments related to the Vitro Acquisition, total glass container shipments, in tonnes, were up approximately 15% in the second quarter of 2016 compared to the prior year quarter. This resulted in approximately \$234 million of additional sales. Excluding the impact of the Vitro Acquisition, shipments were up approximately 1% for the second quarter of 2016 compared to the same period in 2015, however, an unfavorable sales mix resulted in comparable net sales in the second quarter of 2016. Unfavorable foreign currency exchange rates, primarily due to a weaker Brazilian real, Colombian peso, Canadian dollar and Australian dollar, impacted sales by \$31 million in the second quarter of 2016 compared to the second quarter of 2015. Slightly higher selling prices benefited net sales by \$18 million in the quarter.

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

Reportable segment net sales— 2015		\$	1,527
Price	\$	18	
Effects of changing foreign currency rates		(31)	
Vitro acquisition		234	
Total effect on reportable segment net sales			221
Reportable segment net sales— 2016		\$	1,748

Europe: Net sales in Europe in the second quarter of 2016 were \$646 million compared with \$637 million for the second quarter of 2015, an increase of \$9 million, or 1%. The primary reason for this increase in net sales was \$18 million of higher glass shipments, which were up approximately 3% compared to the second quarter of 2015. This increase was primarily driven by higher shipments to beer and wine beverage customers in the quarter. The increase in net sales was partially offset by lower selling prices in Europe, which decreased net sales by \$9 million in the second quarter compared to the same period in the prior year. Lower year-over-year pricing trends are expected to be less intense for the remainder of 2016.

North America: Net sales in North America in the second quarter of 2016 were \$599 million compared with \$530 million for the second quarter of 2015, an increase of \$69 million, or 13%. Net sales from the acquired Vitro food and beverage business in the U.S. increased the region's net sales by \$75 million in the quarter. Total glass container shipments in the region were up 8% in the second quarter of 2016 compared to the same quarter in the prior year. Excluding the impact of the newly acquired Vitro food and beverage business in the U.S., glass container shipments were comparable to the prior year quarter, however, an unfavorable sales mix reduced net sales by \$13 million in the second quarter of 2016. This impact to sales mix was due to several customers converting a portion of their glass shipments from carton packaging to bulk shipments. Slightly higher selling prices increased net sales by \$9 million in the second quarter of 2016. Unfavorable foreign currency exchange rate changes decreased net sales by \$2 million, as the Canadian dollar weakened in relation to the U.S. dollar.

Latin America: Net sales in Latin America in the second quarter of 2016 were \$345 million compared with \$207 million for the second quarter of 2015, an increase of \$138 million, or 67%. Net sales from the newly acquired Vitro food and beverage business in Mexico and Bolivia increased the region's net sales by \$159 million in the quarter. Total glass container shipments in the region were up 94% in the second quarter of 2016 compared to the same quarter in the prior

year. Excluding the impact of the newly acquired Vitro food and beverage business in the region, shipments in the region were down nearly 7% in the quarter compared to the same period in 2015 and this decreased sales by \$14 million. This impact was primarily due to a general economic slowdown in Brazil. The unfavorable effects of foreign currency exchange rate changes decreased net sales \$23 million in the second quarter of 2016 compared to 2015, principally due to a decline in the Brazilian real and Colombian peso in relation to the U.S. dollar. Higher pricing increased net sales by \$16 million in the current quarter.

Asia Pacific: Net sales in Asia Pacific in the second quarter of 2016 were \$158 million compared with \$153 million for the second quarter of 2015, an increase of \$5 million, or 3%. Glass container shipments were up 2% in the second quarter of 2016 compared to the same period in the prior year, primarily due to higher shipments to wine and beer customers, and this resulted in \$9 million of higher sales in the quarter. Slightly higher selling prices also increased net sales by \$2 million in the current quarter. The unfavorable effects of foreign currency exchange rate changes during the second quarter of 2016, primarily due to the weakening of the Australian dollar in relation to the U.S. dollar, decreased net sales by \$6 million.

Earnings from Continuing Operations before Income Taxes and Segment Operating Profit

Earnings from continuing operations were \$141 million in the second quarter of 2016 compared with \$62 million for the second quarter of 2015, an increase of \$79 million, or 127%. This increase was primarily due to higher segment operating profit, partially offset by higher retained corporate costs and other, and lower restructuring and strategic transaction costs in 2016.

Operating profit of the reportable segments includes an allocation of some corporate expenses based on 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 1 to the Condensed Consolidated Financial Statements.

Segment operating profit of reportable segments in the second quarter of 2016 was \$233 million compared with \$187 million for the second quarter of 2015, an increase of \$46 million, or 25%. The increase was largely attributable to approximately \$44 million of segment operating profit from the acquired Vitro Business. Partially offsetting this was the unfavorable effect of changes in foreign currency exchange rates and higher operating costs due to cost inflation.

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

Reportable segment operating profit - 2015		\$ 187
Price	\$ 18	
Operating costs	(11)	
Effects of changing foreign currency rates	(5)	
Vitro acquisition	<u>44</u>	
Total net effect on reportable segment operating profit		<u>46</u>
Reportable segment operating profit - 2016		<u>\$ 233</u>

Europe: Segment operating profit in Europe in the second quarter of 2016 was \$73 million compared with \$64 million in the second quarter of 2015, an increase of \$9 million, or 14%. The increase in sales volume discussed above improved segment operating profit by \$4 million. Operating costs were \$18 million lower in the second quarter of 2016 than the prior year quarter due to energy deflation and improved operational performance. In the prior year quarter, production volumes were lower due to asset optimization projects that have now been completed. The unfavorable effects of foreign currency exchange rates decreased segment operating profit by \$4 million in the current year quarter. Lower selling prices decreased segment operating profit by \$9 million in the current quarter compared to the prior year.

The results of the United Kingdom's referendum on withdrawal from the European Union in June 2016 is expected to have an unfavorable foreign currency exchange rate impact of approximately \$5 million to \$10 million (assuming June 30, 2016 exchange rates) on the region's segment operating profit for the remainder of 2016.

North America: Segment operating profit in North America in the second quarter of 2016 was \$92 million compared with \$82 million in the second quarter of 2015, an increase of \$10 million, or 12%. Segment operating profit from the

acquired Vitro food and beverage business in the region contributed \$11 million in the quarter. Selling prices increased segment operating profit by \$9 million in the current quarter compared to the prior year. Cost inflation contributed to a \$7 million increase to operating costs in the second quarter of 2016. The unfavorable sales mix discussed above reduced segment operating profit by \$3 million.

Latin America: Segment operating profit in Latin America in the second quarter of 2016 was \$57 million compared with \$27 million in the second quarter of 2015, an increase of \$30 million, or 111%. Segment operating profit from the newly acquired Vitro food and beverage business contributed approximately \$33 million to the region in the quarter. Excluding the impact of the acquired Vitro food and beverage business in the region, the decrease in sales volume discussed above impacted segment operating profit by \$4 million. The unfavorable effects of foreign currency exchange rates, especially the Brazilian real and the Colombian peso, decreased segment operating profit by \$2 million in the current year quarter. Despite management interventions to contain costs and improve asset optimization, segment operating profit was also unfavorably impacted by \$13 million of higher operating costs, primarily due to energy and soda ash inflation in Brazil. Higher selling prices increased segment operating profit in the second quarter of 2016 by \$16 million.

Asia Pacific: Segment operating profit in Asia Pacific in the second quarter of 2016 was \$11 million compared with \$14 million in the second quarter of 2015, a decrease of \$3 million, or 21%. The increase in sales volume discussed above improved segment operating profit by \$3 million. Higher selling prices also increased segment operating profit in the second quarter of 2016 by \$2 million. The effects of foreign currency exchange rates increased segment operating profit by \$1 million in the current year quarter. However, cost inflation and higher production downtime due to furnace rebuild activity drove operating costs \$9 million higher in the second quarter of 2016 compared to the same quarter in the prior year.

Interest Expense, Net

Net interest expense for the second quarter of 2016 was \$67 million compared with \$74 million for the second quarter of 2015. Interest expense in the second quarter of 2015 included \$28 million principally due to note repurchase premiums and the write-off of finance fees related to debt redeemed in the quarter. Exclusive of these items, net interest expense increased \$21 million in the current year quarter primarily due to higher debt levels due to the Vitro Acquisition.

Earnings from Continuing Operations Attributable to the Company

For the second quarter of 2016, the Company recorded earnings from continuing operations attributable to the Company of \$107 million compared to \$42 million in the second quarter of 2015. Earnings in the second quarter of 2015 included items that management considered not representative of ongoing operations. These items decreased net earnings attributable to the Company by \$55 million in the second quarter of 2015 as set forth in the following table (dollars in millions).

Description	Net Earnings
	Increase (Decrease) 2015
Restructuring, asset impairment and other charges	\$ (27)
Note repurchase premiums and write-off of finance fees	(28)
Strategic transaction costs	(6)
Net tax benefit for income tax on items above	6
Total	\$ (55)

Executive Overview – Six Months ended June 30, 2016 and 2015

2016 Highlights

- The September 1, 2015 Vitro Acquisition increased net sales by \$444 million and segment operating profit by \$86 million in the first six months of 2016 compared to the prior year period
- The unfavorable effect of foreign currency exchange rates reduced net sales by \$93 million and segment operating profit by \$16 million compared to the prior year period
- Driven by the Vitro Acquisition and progress on strategic initiatives, segment operating profit was higher in all

regions, except for Asia Pacific, in the first six months of 2016 compared to the prior year period

Net sales for the first six months of 2016 were \$384 million higher than the same period in the prior year primarily due to approximately \$444 million of net sales from the acquired Vitro Business, partially offset by the unfavorable effect of changes in foreign currency exchange rates.

Segment operating profit for reportable segments for the first six months of 2016 was \$89 million higher than the same period in the prior year. The increase was largely attributable to approximately \$86 million of segment operating profit from the acquired Vitro Business. Partially offsetting this was the unfavorable effect of changes in foreign currency exchange rates and higher operating costs due to cost inflation.

Net interest expense for the first six months of 2016 was \$133 million compared with \$121 million for the first six months of 2015. Interest expense for 2015 included \$28 million due to note repurchase premiums and the write-off of finance fees related to debt redeemed in the second quarter of 2015. Exclusive of these items, net interest expense increased \$40 million in the current year period primarily due to higher debt levels due to the Vitro Acquisition.

Net earnings from continuing operations attributable to the Company for the first six months of 2016 was \$175 million compared with \$113 million for the first six months of 2015. Earnings in 2016 and 2015 included items that management considered not representative of ongoing operations as set forth in the following table (dollars in millions).

Description	Net Earnings Increase (Decrease)	
	2016	2015
Restructuring, asset impairment and other charges	\$ (19)	\$ (27)
Gain on China land compensation	7	
Note repurchase premiums and write-off of finance fees		(28)
Strategic transaction costs		(6)
Net tax benefit for income tax on items above	4	6
Net impact of noncontrolling interests on items above	(2)	
Total	\$ (10)	\$ (55)

Results of Operations – First six months of 2016 compared with first six months of 2015

Net Sales

The Company's net sales in the first six months of 2016 were \$3,348 million compared with \$2,964 million for the first six months of 2015, an increase of \$384 million. Driven by incremental shipments related to the Vitro Acquisition, total glass container shipments, in tonnes, were up approximately 14% in the first six months of 2016 compared to the same period in the prior year. This resulted in approximately \$444 million of additional sales. Excluding the impact of the Vitro Acquisition, shipments were slightly higher for the first six months of 2016 than the same period in 2015, however, an unfavorable sales mix resulted in slightly lower net sales in 2016. Unfavorable foreign currency exchange rates, primarily due to a weaker Euro, Brazilian real, Colombian peso, Canadian dollar and Australian dollar, impacted sales by \$93 million in the first half of 2016 compared to the same period in 2015. Slightly higher selling prices benefited net sales by \$37 million in 2016.

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

Reportable segment net sales— 2015		\$ 2,932
Price	\$ 37	
Sales volume (excluding Vitro acquisition)	(6)	
Effects of changing foreign currency rates	(93)	
Vitro acquisition	444	
Total effect on reportable segment net sales		382
Reportable segment net sales— 2016		\$ 3,314

Europe: Net sales in Europe in the first six months of 2016 were \$1,209 million compared with \$1,204 million for the

first six months of 2015, an increase of \$5 million, or less than 1%. Net sales were higher in the first six months of 2016 due to a 2% increase in glass container shipments driven by higher shipments to beer and wine customers. This increased net sales by \$19 million compared to the prior year period. Unfavorable foreign currency exchange rate decreased net sales by \$5 million, as the Euro weakened in relation to the U.S. dollar. Selling prices in Europe decreased net sales by \$9 million in the first six months of 2016 compared to the same period in the prior year and are expected to trend lower for the remainder of 2016.

North America: Net sales in North America in the first six months of 2016 were \$1,131 million compared with \$1,000 million for the first six months of 2015, an increase of \$131 million, or 13%. Net sales from the acquired Vitro food and beverage business in the U.S. increased the region's net sales by \$143 million in the first six months of 2016. Total glass container shipments in the region were up 9% in the first six months of 2016 compared to the same period in the prior year. Excluding the impact of the newly acquired Vitro food and beverage business in the U.S., glass container shipments were comparable to the prior year period, however, an unfavorable sales mix reduced net sales by \$18 million in the first six months of 2016. This impact to sales mix was due to several customers converting a portion of their glass shipments from carton packaging to bulk shipments. Slightly higher selling prices increased net sales by \$10 million in the first six months of 2016. Unfavorable foreign currency exchange rate changes decreased net sales by \$4 million, as the Canadian dollar weakened in relation to the U.S. dollar.

Latin America: Net sales in Latin America in the first six months of 2016 were \$657 million compared with \$412 million for the first six months of 2015, an increase of \$245 million, or 59%. Net sales from the newly acquired Vitro food and beverage business in Mexico and Bolivia increased the region's net sales by \$301 million in the first six months of 2016. Total glass container shipments in the region were up 89% in the first half of 2016 compared to the same period in the prior year. Excluding the impact of the newly acquired Vitro food and beverage business in the region, shipments were down nearly 6% compared to the same period in the prior year and this decreased sales by \$20 million. This impact was primarily due to a general economic slowdown in Brazil. The unfavorable effects of foreign currency exchange rate changes decreased net sales \$68 million in the first six months of 2016 compared to 2015, principally due to a decline in the Brazilian real and Colombian peso in relation to the U.S. dollar. Higher pricing increased net sales by \$32 million in the first half of 2016.

Asia Pacific: Net sales in Asia Pacific in the first six months of 2016 were \$317 million compared with \$316 million for the first six months of 2015, an increase of \$1 million, or less than 1%. Glass container shipments were up 1% compared to the same period in the prior year, primarily due to higher shipments of wine bottles, which resulted in \$13 million of higher sales. Slightly higher selling prices also increased net sales by \$4 million in the first half of 2016. The unfavorable effects of foreign currency exchange rate changes during the first six months of 2016, primarily due to the weakening of the Australian dollar in relation to the U.S. dollar, decreased net sales by \$16 million.

Earnings from Continuing Operations before Income Taxes and Segment Operating Profit

Earnings from continuing operations were \$242 million in the first six months of 2016 compared with \$162 million for the same period in 2015, an increase of \$80 million, or 49%. This increase was primarily due to higher segment operating profit, partially offset by higher retained corporate costs and other, and lower restructuring and strategic transaction costs in 2016.

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 1 to the Condensed Consolidated Financial Statements.

Segment operating profit of reportable segments in the first six months of 2016 was \$444 million compared with \$355 million for the first six months of 2015, an increase of \$89 million, or 25%. The increase was largely attributable to approximately \$86 million of segment operating profit from the acquired Vitro Business. Partially offsetting this was the unfavorable effect of changes in foreign currency exchange rates and higher operating costs due to cost inflation.

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

Reportable segment operating profit - 2015	\$	355
Price	\$	37
Operating costs		(18)
Effects of changing foreign currency rates		(16)
Vitro acquisition		86
Total net effect on reportable segment operating profit		89
Reportable segment operating profit - 2016	\$	444

Europe: Segment operating profit in Europe in the first six months of 2016 was \$128 million compared with \$113 million in the first six months of 2015, an increase of \$15 million, or 13%. The increase in sales volume discussed above improved segment operating profit by \$5 million. Operating costs were \$23 million lower in the first six months of 2016 than the prior year period due to energy deflation and improved operational performance. In the prior year period, production volumes were lower due to asset optimization projects that have now been completed. The unfavorable effects of foreign currency exchange rates, especially the Euro, decreased segment operating profit by \$4 million in the first six months of 2016. Lower selling prices also decreased segment operating profit in the first half of 2016 by \$9 million.

North America: Segment operating profit in North America in the first six months of 2016 was \$168 million compared with \$153 million in the first six months of 2015, an increase of \$15 million, or 10%. Segment operating profit from the acquired Vitro food and beverage business in the region contributed \$16 million in the first six months of 2016. Higher selling prices increased segment operating profit by \$10 million in the first half of 2016 compared to the same period in the prior year. Cost inflation contributed to a \$7 million increase to operating costs in the first half of 2016. The unfavorable sales mix discussed above reduced segment operating profit by \$4 million.

Latin America: Segment operating profit in Latin America in the first six months of 2016 was \$120 million compared with \$57 million in the first six months of 2015, an increase of \$63 million, or 111%. Segment operating profit from the newly acquired Vitro food and beverage business contributed approximately \$70 million to the region in the first six months of 2016. Excluding the impact of the acquired Vitro food and beverage business in the region, the decrease in sales volume discussed above impacted segment operating profit by \$6 million. The unfavorable effects of foreign currency exchange rates, especially the Brazilian real and the Colombian peso, decreased segment operating profit by \$11 million in the first half of 2016. Despite management interventions to contain costs and improve asset optimization, segment operating profit was also unfavorably impacted by \$22 million of higher operating costs, primarily due to energy and soda ash inflation in Brazil. Partially offsetting these declines were higher selling prices that increased segment operating profit in the first six months of 2016 by \$32 million.

Asia Pacific: Segment operating profit in Asia Pacific in the first six months of 2016 was \$28 million compared with \$32 million in the first six months of 2015, a decrease of \$4 million, or 13%. Cost inflation and higher production downtime due to furnace rebuild activity drove operating costs \$12 million higher in the first six months of 2016 compared to the same period in the prior year. The unfavorable effects of foreign currency exchange rates, especially the Australian dollar, decreased segment operating profit by \$1 million in the first six months of 2016. The increase in sales volume discussed above improved segment operating profit by \$5 million. Higher selling prices also increased segment operating profit in the first half of 2016 by \$4 million.

Interest Expense, Net

Net interest expense for the first six months of 2016 was \$133 million compared with \$121 million for the first six months of 2015. Interest expense for the first six months of 2015 included \$28 million due to note repurchase premiums and the write-off of finance fees related to debt redeemed in the second quarter of 2015. Exclusive of these items, net interest expense increased \$40 million in the current year period primarily due to higher debt levels due to the Vitro Acquisition.

Provision for Income Taxes

The Company's effective tax rate from continuing operations for the six months ended June 30, 2016 was 23.6% compared with 24.7% for the six months ended June 30, 2015.

The Company expects that the full year effective tax rate for 2016 will range between 25% and 26% compared with 24.6% for 2015 (excluding items that management considers not representative of ongoing operations). The increase in expected effective tax rate for the full year 2016 is due to the Company's current expected change in mix of earnings by jurisdictions.

Earnings from Continuing Operations Attributable to the Company

For the first six months of 2015, the Company recorded earnings from continuing operations attributable to the Company of \$175 million compared \$113 million in the first six months of 2015. Earnings in 2016 and 2015 included items that management considered not representative of ongoing operations as set forth in the following table (dollars in millions).

Description	Net Earnings Increase (Decrease)	
	2016	2015
Restructuring, asset impairment and other charges	\$ (19)	\$ (27)
Gain on China land compensation	7	
Note repurchase premiums and write-off of finance fees		(28)
Strategic transaction costs		(6)
Net tax benefit for income tax on items above	4	6
Net impact of noncontrolling interests on items above	(2)	
Total	\$ (10)	\$ (55)

Items Excluded from Reportable Segment Totals

Retained Corporate Costs and Other

Retained corporate costs and other for the second quarter of 2016 were \$25 million compared with \$18 million for the second quarter of 2015, and \$57 million for the first six months of 2016 compared with \$39 million for the first six months of 2015. These costs were higher in the second quarter and first six months of 2016 compared to the same periods in the prior year primarily due to the unfavorable year-over-year impact from currency hedges as well as higher management incentive accruals.

Restructuring, Asset Impairments and Other Charges

During the six months ended June 30, 2016, the Company recorded net restructuring, asset impairment and other charges of \$12 million. These charges primarily related to \$19 million of restructuring in the Latin America region. Partially offsetting this was a \$7 million gain related to compensation received for land that the Company was required to be returned to the Chinese government.

During the three and six months ended June 30, 2015, the Company recorded restructuring, asset impairment and related charges of \$22 million, primarily related to the Latin America, Asia Pacific and North America regions. See Note 5 to the Condensed Consolidated Financial Statements for additional information.

During the three and six months ended June 30, 2015, the Company recorded a charge of \$5 million to equity earnings.

During the three and six months ended June 30, 2015, the Company recorded charges of \$6 million for strategic transaction costs related to the Vitro Acquisition of the food and beverage glass container business of Vitro, S.A.B. de C.V. and its subsidiaries.

Discontinued Operations

On April 4, 2016, the annulment committee formed by the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") ruled that a subsidiary of the Company is free to pursue the enforcement of a prior arbitration award against Venezuela. That award amounts to more than \$485 million after including interest from the date of the expropriation by Venezuela (October 26, 2010). Venezuela's application to annul the award is still pending and can take up to several years to complete. The Company intends to take appropriate steps to vigorously enforce and

collect the award, which is enforceable in approximately 150 member states that are party to the ICSID Convention. However, even with the lifting of the stay of enforcement, the Company recognizes that the collection of the award may present significant practical challenges. Because the award has yet to be satisfied and the annulment proceeding is pending, the Company is unable at this stage to reasonably predict the efforts that will be necessary to successfully enforce collection of the award, the amount of the award or the timing of any such collection efforts. Therefore, the Company has not recognized this award in its financial statements.

A separate arbitration is pending with ICSID to obtain compensation primarily for third-party minority shareholders' lost interests in the two expropriated plants.

The loss from discontinued operations of \$3 million and \$2 million for the six months ended June 30, 2016 and 2015, respectively, is related to ongoing costs related to the Venezuela expropriation.

Acquisition of Vitro, S.A.B. de C.V.'s Food and Beverage Glass Container Business

On September 1, 2015, the Company completed the Vitro Acquisition in a cash transaction valued at approximately \$2.297 billion, subject to a working capital adjustment and certain other adjustments. The Vitro Business in Mexico is the largest supplier of glass containers in that country, manufacturing glass containers across multiple end uses, including food, soft drinks, beer, wine and spirits. The Vitro Acquisition included five food and beverage glass container plants in Mexico, a plant in Bolivia and a North American distribution business, and provided the Company with a competitive position in the glass packaging market in Mexico. The results of the Vitro Business have been included in the Company's consolidated financial statements since September 1, 2015. Vitro's food and beverage glass container operations in Mexico and Bolivia are included in the Latin American operating segment while its distribution business is included in the North American operating segment.

The Company financed the Vitro Acquisition with the proceeds from senior notes offerings, cash on hand and the incremental term loan facilities (see Note 8 to the Condensed Consolidated Financial Statements).

Capital Resources and Liquidity

As of June 30, 2016, the Company had cash and total debt of \$334 million and \$5.9 billion, respectively, compared to \$378 million and \$3.8 billion, respectively, as of June 30, 2015. 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, 2016 was \$288 million.

Current and Long-Term Debt

On April 22, 2015, certain of the Company's subsidiaries entered into a Senior Secured Credit Facility (the "Agreement"), which amended and restated the previous credit agreement (the "Previous Agreement"). The proceeds from the Agreement were used to repay all outstanding amounts under the Previous Agreement and the 7.375% senior notes due 2016.

In connection with the closing of the Vitro Acquisition on September 1, 2015 (see Note 15 to the Condensed Consolidated Financial Statements), the Company entered into Amendment No. 2 ("Amendment No. 2") to the Agreement, which provided for additional incremental availability under the incremental dollar cap in the Agreement of up to \$1,250 million. In addition, in connection with the closing of the Vitro Acquisition, on September 1, 2015, the Company entered into the First Incremental Amendment to the Agreement (the "Incremental Amendment") pursuant to which the Company incurred \$1,250 million of senior secured incremental term loan facilities, comprised of (i) a \$675 million term loan A facility (the "incremental term loan A facility") on substantially the same terms and conditions (including as to maturity) as the term loan A facility in the Agreement and (ii) a \$575 million term loan B facility (the "incremental term loan B facility") maturing seven years after the closing of the Vitro Acquisition using its incremental capacity under the Agreement.

On February 3, 2016, the Company entered into Amendment No. 4 ("Amendment No. 4") to the Agreement which provided for an increase in the maximum Total Leverage Ratio (which is calculated by dividing consolidated total debt, less cash and cash equivalents, by consolidated EBITDA, as defined in the Agreement) for purposes of the financial covenant in the Agreement to 5.0x for the fiscal quarters ending March 31, 2016, June 30, 2016 and September 30, 2016, 4.5x for the fiscal quarters ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017, and stepping down to 4.0x for the fiscal quarter ending December 31, 2017 and each fiscal quarter thereafter.

At June 30, 2016, the Agreement, as amended through Amendment No. 4 (the “Amended Agreement”), includes a \$300 million revolving credit facility, a \$600 million multicurrency revolving credit facility, a \$1,575 million term loan A facility (\$1,525 million net of debt issuance costs), and a €279 million term loan A facility (\$301 million net of debt issuance costs), each of which has a final maturity date of April 22, 2020. The Amended Agreement also includes a \$575 million term loan B facility (\$558 million net of debt issuance costs) with a final maturity date of September 1, 2022. At June 30, 2016, the Company had unused credit of \$586 million available under the Amended Agreement. The weighted average interest rate on borrowings outstanding under the Amended Agreement at June 30, 2016 was 2.57%.

The Amended Agreement contains various covenants that restrict, among other things and subject to certain exceptions, the ability of the Company to incur certain liens, make certain investments, become liable under contingent obligations in certain defined instances only, make restricted payments, make certain asset sales within guidelines and limits, engage in certain affiliate transactions, participate in sale and leaseback financing arrangements, alter its fundamental business, and amend certain subordinated debt obligations.

The Amended Agreement also contains one financial maintenance covenant, a Total Leverage Ratio, that requires the Company as of the last day of a fiscal quarter not to exceed the maximum levels set forth in Amendment No. 4 (as more particularly described above). The Total Leverage Ratio could restrict the ability of the Company to undertake additional financing or acquisitions to the extent that such financing or acquisitions would cause the Total Leverage Ratio to exceed the specified maximum.

Failure to comply with these covenants and restrictions could result in an event of default under the Amended Agreement. In such an event, the Company could not request borrowings under the revolving facility, and all amounts outstanding under the Amended Agreement, together with accrued interest, could then be declared immediately due and payable. If an event of default occurs under the Amended Agreement and the lenders cause all of the outstanding debt obligations under the Amended Agreement to become due and payable, this would result in a default under a number of other outstanding debt securities and could lead to an acceleration of obligations related to these debt securities. As of June 30, 2016, the Company was in compliance with all covenants and restrictions in the Amended Agreement. In addition, the Company believes that it will remain in compliance and that its ability to borrow funds under the Amended Agreement will not be adversely affected by the covenants and restrictions.

The interest rates on borrowings under the Amended Agreement are, at the Company’s option, the Base Rate or the Eurocurrency Rate, as defined in the Amended Agreement, plus an applicable margin. The applicable margin for the term loan A facility and the revolving credit facility is linked to the Company’s Total Leverage Ratio and ranges from 1.25% to 1.75% for Eurocurrency Rate loans and from 0.25% to 0.75% for Base Rate loans. In addition, a facility fee is payable on the revolving credit facility commitments ranging from 0.20% to 0.30% per annum linked to the Total Leverage Ratio. The applicable margin for the term loan B facility is 2.75% for Eurocurrency Rate loans and 1.75% for Base Rate loans. The incremental term loan B facility is subject to a LIBOR floor of 0.75%.

Borrowings under the Amended Agreement are secured by substantially all of the assets, excluding real estate and certain other excluded assets, of certain of the Company’s domestic subsidiaries and certain foreign subsidiaries. Borrowings are also secured by a pledge of intercompany debt and equity investments in certain of the Company’s domestic subsidiaries and, in the case of foreign borrowings, of stock of certain foreign subsidiaries. All borrowings under the Amended Agreement are guaranteed by certain domestic subsidiaries of the Company for the term of the Amended Agreement.

Also, in connection with the Vitro Acquisition, during August 2015, the Company issued senior notes with a face value of \$700 million that bear interest at 5.875% and are due August 15, 2023 (the “Senior Notes due 2023”) and senior notes with a face value of \$300 million that bear interest at 6.375% and are due August 15, 2025 (together with the Senior Notes due 2023, the “2015 Senior Notes”). The 2015 Senior Notes were issued via a private placement and are guaranteed by certain of the Company’s domestic subsidiaries. The net proceeds from the 2015 Senior Notes, after deducting the debt discount and debt issuance costs, totaled approximately \$972 million and were used to finance, in part, the Vitro Acquisition.

The Company has a €185 million European accounts receivable securitization program, which extends through March 2019, subject to periodic renewal of backup credit lines.

Information related to the Company's accounts receivable securitization program is as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Balance (included in short-term loans)	\$ 173	\$ 158	\$ 192
Weighted average interest rate	0.70 %	1.21 %	1.12 %

Cash Flows

Cash flows for the six months ended June 30, 2016 and 2015 are as follows (dollars in millions):

	2016	2015
Cash utilized in continuing operating activities	\$ (83)	\$ (75)
Cash utilized in investing activities	\$ (190)	\$ (254)
Cash provided by financing activities	\$ 214	\$ 217

Free cash flow for the six months ended June 30, 2016 and 2015 is calculated as follows (dollars in millions):

	2016	2015
Cash utilized in continuing operating activities	\$ (83)	\$ (75)
Additions to property, plant and equipment	(207)	(208)
Free cash flow	\$ (290)	\$ (283)

Free cash flow was \$(290) million for the first six months of 2016 compared to \$(283) million for the first six months of 2015. The Company defines free cash flow as cash provided by (utilized in) 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.

Operating activities: Cash utilized in continuing operating activities was \$83 million for the six months ended June 30, 2016, compared with \$75 million for the six months ended June 30, 2015. The primary driver for cash utilized in continuing operating activities in both periods related to changes in working capital, which were a use of cash of \$491 million and \$401 million in the first six months of 2016 and 2015, respectively. These working capital needs reflect the normal seasonality of the business in the first half of the year. Partially offsetting this were higher net earnings and higher non-cash charges, such as depreciation and amortization, in the first six months of 2016.

Investing activities: Cash utilized in investing activities was \$190 million for the six months ended June 30, 2016, compared to \$254 million for the six months ended June 30, 2015. Capital spending for property, plant and equipment was \$207 million during the first six months of 2016 and \$208 million in the same period in 2015. Cash utilized for acquisition activities in 2016 was \$31 million and primarily related to additional contributions made to the Company's investment in a joint venture in Nava, Mexico. Cash utilized for acquisition activities in 2015 was \$52 million and primarily related to the Company's acquisition of a glass container plant in North America. During the first half of 2016, the Company received \$34 million in proceeds on the disposal of assets, which were primarily related to cash received from the Chinese government as partial compensation to sell land use rights and related properties.

Financing activities: Cash provided by financing activities was \$214 million for the six months ended June 30, 2016, compared to \$217 million for the six months ended June 30, 2015. The decrease in cash provided by financing activities was primarily due to lower net borrowings in 2016.

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, 2016 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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) the Company's ability to integrate the Vitro Business in a timely and cost effective manner, to maintain on existing terms the permits, licenses and other approvals required for the Vitro Business to operate as currently operated, and to realize the expected synergies from the Vitro Acquisition, (2) risks related to the impact of integration of the Vitro Acquisition on earnings and cash flow, (3) risks associated with the significant transaction costs and additional indebtedness that the Company incurred in financing the Vitro Acquisition, (4) the Company's ability to realize expected growth opportunities and cost savings from the Vitro Acquisition, (5) foreign currency fluctuations relative to the U.S. dollar, specifically the Euro, Brazilian real, Mexican peso, Colombian peso and Australian dollar, (6) changes in capital availability or cost, including interest rate fluctuations and the ability of the Company to refinance debt at favorable terms, (7) 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, (8) impacts from the United Kingdom's referendum of withdrawal from the European Union on foreign currency exchange rates and the Company's business, (9) consumer preferences for alternative forms of packaging, (10) cost and availability of raw materials, labor, energy and transportation, (11) the Company's ability to manage its cost structure, including its success in implementing restructuring plans and achieving cost savings, (12) consolidation among competitors and customers, (13) the ability of the Company to acquire businesses and expand plants, integrate operations of acquired businesses and achieve expected synergies, (14) unanticipated expenditures with respect to environmental, safety and health laws, (15) the Company's ability to further develop its sales, marketing and product development capabilities, and (16) 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, 2015 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, 2016 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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. The Company acquired the Vitro Business on September 1, 2015, which represented approximately 25% of the Company's total assets as of June 30, 2016. As the Vitro Acquisition was completed during the third quarter of 2015, the scope of the Company's assessment of the effectiveness of its internal control over financial reporting does not include the Vitro Business. This exclusion is pursuant to the SEC's general guidance that an assessment of a recently acquired business' internal control over financial reporting from the Company's assessment of its internal control may be omitted from the scope of the Company's assessment of its internal control over financial reporting for 12 months following the date of acquisition. 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, 2016.

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 control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Based on the foregoing, management concluded that there have been no changes in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to material affect, the Company's internal control over financial reporting. Management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2015.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

For further information on legal proceedings, see Note 10 to the Condensed Consolidated Financial Statements, "Contingencies," that is included in Part I of this Quarterly Report and incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes in risk factors at June 30, 2016 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Item 6. Exhibits.

- 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, 2016, 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 28, 2016

By /s/ Jan A. Bertsch

Jan A. Bertsch

Senior Vice President and Chief Financial Officer

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

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Earnings from continuing operations before income taxes	\$ 242	\$ 162
Less: Equity earnings	(29)	(29)
Add: Total fixed charges deducted from earnings	139	126
Dividends received from equity investees	<u>23</u>	<u>33</u>
Earnings available for payment of fixed charges	<u>\$ 375</u>	<u>\$ 292</u>
Fixed charges		
Interest expense	\$ 136	\$ 124
Portion of operating lease rental deemed to be interest	<u>3</u>	<u>2</u>
Total fixed charges deducted from earnings and fixed charges	<u>\$ 139</u>	<u>\$ 126</u>
Ratio of earnings to fixed charges	2.7	2.3

CERTIFICATIONS

I, Andres A. Lopez, 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 28, 2016

/s/ Andres A. Lopez

Andres A. Lopez
Chairman of the Board of Directors and Chief Executive
Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Jan A. Bertsch, 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 28, 2016

/s/ Jan A. Bertsch

Jan A. Bertsch
Senior Vice 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, 2016 (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 28, 2016

/s/ Andres A. Lopez

Andres A. Lopez
Chairman of the Board of Directors 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, 2016 (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 28, 2016

/s/ Jan A. Bertsch

Jan A. Bertsch
Senior Vice President and Chief Financial 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.
