UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended

December 31, 2017

or

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

Commission file number 33-13061

OWENS-ILLINOIS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**34-1559348**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One Michael Owens Way, Perrysburg, Ohio	**43551**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒ No ☐

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, smaller reporting company, or an emerging growth company. See the definitions of " large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b 2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ (Do not check if smaller reporting company)
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of common stock, $.01 par value of Owens-Illinois Group, Inc. outstanding as of January 31, 2018 was 100.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Owens-Illinois, Inc. Proxy Statement for The Annual Meeting of Share Owners To Be Held Thursday, May 10, 2018 ("Proxy Statement") are incorporated by reference into Part III hereof.

The registrant, along with most of its direct and indirect wholly-owned subsidiaries, has guaranteed certain debt securities issued by one of its indirect wholly-owned subsidiaries, Owens-Brockway Glass Container Inc. (the "issuer"). The consolidating condensed financial statements of the registrant depicting separately the registrant, the issuer, the guarantor subsidiaries and the non-guarantor subsidiaries are presented in the notes to the registrant's consolidated financial statements.

The registrant meets the conditions set forth in General Instructions I (1)(a) and (b) of Form 10-K and is therefore filing this Form with a partially reduced disclosure format which omits the information otherwise required by Item 10, 11, 12 and 13 as permitted under General Instructions I (2)(c) of Form 10-K.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

General Development of Business

Owens-Illinois Group, Inc., a Delaware corporation (the "Company"), through its subsidiaries, is the successor to a business established in 1903. The Company is the largest manufacturer of glass containers in the world with 78 glass manufacturing plants in 23 countries. It competes in the glass container segment of the rigid packaging market and is the leading glass container manufacturer in most of the countries where it has manufacturing facilities.

Company Strategy

The Company's vision is to responsibly provide innovative and competitive packaging solutions for the world's leading food and beverage companies. Its goal is to enable future success for its customers, employees and share owners. The Company will realize its vision and goal by achieving its strategic ambitions including:

- **To be the preferred supplier for glass packaging in the global food and beverage industry** by significantly improving the customer experience; aligning its activity with customers' value; improving quality and flexibility; and improving innovation and speed of commercialization; as well as increasing sales, marketing, end-to-end supply chain capabilities and talent;

- **To be the most cost effective producer in the global glass packaging segment** by ensuring asset stability and total systems cost management; increasing efficiency, leveraging automation, and improving quality; cultivating game changing concepts that create new competitive advantages; and focusing on continuous improvement; and

- **To expand its business in attractive, growing markets and segments** by growing with strategic customers; expanding into attractive new markets; and evaluating expansion into the value chain.

Reportable Segments

The Company has four reportable segments based on its geographic locations: Europe, North America, Latin America and Asia Pacific. These four segments are aligned with the Company's internal approach to managing, reporting, and evaluating performance of its global glass operations. Information as to sales, earnings from continuing operations before interest expense (net), and provision for income taxes and excluding amounts related to certain items that management considers not representative of ongoing operations ("segment operating profit"), and total assets by reportable segment is included in Note 2 to the Consolidated Financial Statements.

Products and Services

The Company produces glass containers for alcoholic beverages, including beer, flavored malt beverages, spirits and wine. The Company also produces glass packaging for a variety of food items, soft drinks, teas, juices and pharmaceuticals. The Company manufactures glass containers in a wide range of sizes, shapes and colors and is active in new product development and glass container innovation.

Customers

In most of the countries where the Company competes, it has the leading position in the glass container segment of the rigid packaging market based on sales revenue. The Company's largest customers consist mainly of the leading global food and beverage manufacturers, including (in alphabetical order) Anheuser-Busch InBev, Brown Forman, Carlsberg, Coca-Cola, Constellation, Diageo, Heineken, MillerCoors, Nestle and Pernod Ricard. No customer represents more than 10% of the Company's consolidated net sales.

The Company sells most of its glass container products directly to customers under annual or multi-year supply agreements. Multi-year contracts typically provide for price adjustments based on cost changes. The

Company also sells some of its products through distributors. Many customers provide the Company with regular estimates of their product needs, which enables the Company to schedule glass container production to maintain reasonable levels of inventory. Glass container manufacturing facilities are generally located in close proximity to customers.

Markets and Competitive Conditions

The Company's principal markets for glass container products are in Europe, North America, Latin America and Asia Pacific.

Europe. The Company has a leading share of the glass container segment of the rigid packaging market in the European countries in which it operates, with 34 glass container manufacturing plants located in the Czech Republic, Estonia, France, Germany, Hungary, Italy, the Netherlands, Poland, Spain and the United Kingdom. These plants primarily produce glass containers for the beer, wine, champagne, spirits, non-alcoholic beverages and food markets in these countries. The Company also has interests in two joint ventures that manufacture glass containers in Italy. Throughout Europe, the Company competes directly with a variety of glass container manufacturers including Verallia, Ardagh Group, Vetropack, Vidrala and BA Vidro.

North America. The Company has 19 glass container manufacturing plants in the U.S. and Canada, and interests in two joint ventures that manufacture glass containers. Also, the Company has a distribution facility used to import glass containers from its business in Mexico. The Company has the leading share of the glass container segment of the U.S. rigid packaging market, based on sales revenue by domestic producers. The principal glass container competitors in the U.S. are the Ardagh Group and Anchor Glass Container. Imports from China, Mexico, Taiwan and other countries also compete in U.S. glass container segments. Additionally, there are several major consumer packaged goods companies that self-manufacture glass containers.

Latin America. The Company has 17 glass manufacturing plants in Latin America, located in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, and Peru. In Latin America, the Company maintains a diversified portfolio serving several markets, including beer, non-alcoholic beverages, spirits, flavored malt beverages, wine, food and pharmaceuticals. The region also has a large infrastructure for returnable/refillable glass containers. The Company competes directly with Verallia in Brazil and Argentina, and does not believe that it competes with any other large, multinational glass container manufacturers in the rest of the region.

Asia Pacific. The Company has eight glass container manufacturing plants in the Asia Pacific region, located in Australia, China, Indonesia and New Zealand. It also has interests in joint venture operations in China, Malaysia and Vietnam. In Asia Pacific, the Company primarily produces glass containers for the beer, wine, food and non-alcoholic beverage markets. The Company competes directly with Orora Limited in Australia, and does not believe that it competes with any other large, multinational glass container manufacturers in the rest of the region. In China, the glass container segments of the packaging market are regional and highly fragmented with a large number of local competitors.

In addition to competing with other large and well-established manufacturers in the glass container segment, the Company competes in all regions with manufacturers of other forms of rigid packaging, principally aluminum cans and plastic containers. Competition is based on quality, price, service, innovation and the marketing attributes of the container. The principal competitors producing metal containers include Ball Corporation, Crown Holdings, Inc., and Silgan Holdings Inc. The principal competitors producing plastic containers include Amcor, Consolidated Container Holdings, LLC, Reynolds Group Holdings Limited, Plastipak Packaging, Inc. and Silgan Holdings Inc. The Company also competes with manufacturers of non-rigid packaging alternatives, including flexible pouches, aseptic cartons and bag-in-box containers.

The Company seeks to provide products and services to customers ranging from large multinationals to small local breweries and wineries in a way that creates a competitive advantage for the Company. The Company believes that it is often the glass container partner of choice because of its innovation and branding capabilities, its global footprint and its expertise in manufacturing know-how and process technology.

Seasonality

Sales of many glass container products such as beer, beverages and food are seasonal. Shipments in North America and Europe are typically greater in the second and third quarters of the year, while shipments in the Asia Pacific region are typically greater in the first and fourth quarters of the year, and shipments in Latin America are typically greater the last three quarters of the year.

Manufacturing

The Company has 78 glass manufacturing plants. It constantly seeks to improve the productivity of these operations through the systematic upgrading of production capabilities, sharing of best practices among plants and effective training of employees.

The Company also provides engineering support for its glass manufacturing operations through facilities located in the U.S., Australia, France, Poland, Colombia and Peru.

Suppliers and Raw Materials

The primary raw materials used in the Company's glass container operations are sand, soda ash, limestone and recycled glass. Each of these materials, as well as the other raw materials used to manufacture glass containers, has historically been available in adequate supply from multiple sources. One of the sources is a soda ash mining operation in Wyoming in which the Company has a 25% interest.

Energy

The Company's glass container operations require a continuous supply of significant amounts of energy, principally natural gas, fuel oil and electrical power. Adequate supplies of energy are generally available at all of the Company's manufacturing locations. Energy costs typically account for 10-20% of the Company's total manufacturing costs, depending on the cost of energy, the type of energy available, the factory location and the particular energy requirements. The percentage of total cost related to energy can vary significantly because of volatility in market prices, particularly for natural gas and fuel oil in volatile markets such as North America and Europe.

In North America, more than 90% of the sales volume is represented by customer contracts that contain provisions that pass the commodity price of natural gas to the customer, effectively reducing the North America segment's exposure to changing natural gas market prices.

In Europe and Asia Pacific, the Company enters into fixed price contracts for a significant amount of its energy requirements. These contracts have terms that can range from one to three years. In Latin America, the Company primarily enters into fixed price contracts for its energy requirements in most of the countries in which it operates and the remaining energy requirements are subject to changing natural gas market prices and economic impacts. These fixed price contracts typically have terms of one to ten years, and generally include annual price adjustments for inflation and for certain contracts price adjustments for foreign currency variation.

Also, in order to limit the effects of fluctuations in market prices for natural gas, the Company uses commodity forward contracts related to its forecasted requirements. The objective of these forward contracts is to reduce potential volatility in cash flows and expense due to changing market prices. The Company continually evaluates the energy markets with respect to its forecasted energy requirements to optimize its use of commodity forward contracts.

Research, Development and Engineering

Research, development and engineering constitute important parts of the Company's technical activities. Expenditures for these activities were $60 million, $65 million and $64 million for 2017, 2016, and 2015, respectively. The Company primarily focuses on advancements in the areas of product innovation, manufacturing process control, melting technology, automatic inspection, light-weighting and further automation of manufacturing activities. The Company's research and development activities are conducted principally at its corporate facilities in Perrysburg, Ohio.

The Company holds a large number of patents related to a wide variety of products and processes and has a substantial number of patent applications pending. While the aggregate of the Company's patents are of material importance to its businesses, the Company does not consider that any patent or group of patents relating to a particular product or process is of material importance when judged from the standpoint of any individual segment or its businesses as a whole.

The Company has agreements to license its proprietary glass container technology and to provide technical assistance to a limited number of companies around the world. These agreements cover areas related to manufacturing and engineering assistance. The worldwide licensee network provides a stream of revenue to help support the Company's development activities. In 2017, 2016, and 2015, the Company earned $11 million, $13 million and $12 million, respectively, in royalties and net technical assistance revenue.

Sustainability and the Environment

The Company is committed to reducing the impact its products and operations have on the environment. As part of this commitment, the Company has set targets for increasing the use of recycled glass in its manufacturing process, while reducing energy consumption and carbon dioxide equivalent ("CO_2") emissions. Specific actions taken by the Company include working with governments and other organizations to establish and financially support recycling initiatives, partnering with other entities throughout the supply chain to improve the effectiveness of recycling efforts, reducing the weight of glass packaging and investing in research and development to reduce energy consumption in its manufacturing process. The Company invests in technology and training to improve safety, reduce energy use, decrease emissions and increase the amount of cullet, or recycled glass, used in the production process.

The Company's worldwide operations, in addition to other companies within the industry, are subject to extensive laws, ordinances, regulations and other legal requirements relating to environmental protection, including legal requirements governing investigation and clean-up of contaminated properties as well as water discharges, air emissions, waste management and workplace health and safety. The Company strives to abide by and uphold such laws and regulations.

Glass Recycling and Bottle Deposits

The Company is an important contributor to recycling efforts worldwide and is among the largest users of recycled glass containers. If sufficient high-quality recycled glass were available on a consistent basis, the Company has the technology to make glass containers containing a high proportion of recycled glass. Using recycled glass in the manufacturing process reduces energy costs and impacts the operating life and efficiency of the glass melting furnaces.

In the U.S., Canada, Europe and elsewhere, government authorities have adopted or are considering legal requirements that would mandate certain recycling rates, the use of recycled materials, or limitations on or preferences for certain types of packaging. The Company believes that governments worldwide will continue to develop and enact legal requirements guiding customer and end-consumer packaging choices.

Sales of beverage containers are affected by governmental regulation of packaging, including deposit laws and extended producer responsibility regulations. As of December 31, 2017, there were a number of U.S. states, Canadian provinces and territories, European countries and Australian states with some form of incentive for consumer returns of glass bottles in their law. The structure and enforcement of such laws and regulations can impact the sales of beverage containers in a given jurisdiction. Such laws and regulations also impact the availability of post-consumer recycled glass for the Company to use in container production.

A number of states and provinces have recently considered or are now considering laws and regulations to encourage curbside, deposit and on premise glass recycling. Although there is no clear trend in the direction of these state and provincial laws and proposals, the Company believes that states and provinces, as well as municipalities within those jurisdictions, will continue to adopt recycling laws, which will impact supplies of recycled glass. As a large user of recycled glass for making new glass containers, the Company has an interest in laws and regulations impacting supplies of such material in its markets.

Air Emissions

In Europe, the European Union Emissions Trading Scheme ("EUETS") is in effect to facilitate emissions reduction. The Company's manufacturing facilities which operate in EU countries must restrict the volume of their CO_2 emissions to the level of their individually allocated emissions allowances as set by country regulators. If the actual level of emissions for any facility exceeds its allocated allowance, additional allowances can be bought to cover deficits; conversely, if the actual level of emissions for any facility is less than its allocation, the excess allowances can be sold. The EUETS has not had a material effect on the Company's results to date. However, should the regulators significantly restrict the number of emissions allowances available, it could have a material effect in the future.

In North America, both the U.S. and Canada are engaged in significant legislative and regulatory activities relating to greenhouse gas ("GHG") emissions, at the federal, state and provincial levels of government. The U.S. Environmental Protection Agency ("EPA") regulates emissions of GHG air pollutants under the Clean Air Act, which grants the EPA authority to establish limits for certain air pollutants and to require compliance, levy penalties and bring civil judicial action against violators. The structure and scope of the EPA's GHG regulations are currently the subject of litigation and are expected to be the subject of federal legislative activity. The EPA regulations, if preserved as proposed, could have a significant long-term impact on the Company's U.S. operations. The EPA also implemented the Cross-State Air Pollution Rule, which requires certain states in the eastern half of the U.S. to improve air quality by reducing power plant emissions that cross state lines and contribute to smog and soot pollution in downwind states. This rule only applies to power plants at the present time. The state of California in the U.S., and the provinces of Quebec and Ontario in Canada, have adopted cap-and-trade legislation aimed at reducing GHG emissions.

In Asia Pacific, the *National Greenhouse and Energy Reporting Act 2007* commenced on July 1, 2008 in Australia and established a mandatory reporting system for corporate GHG emissions and energy production and consumption. In July 2014, the Australian government introduced the Emissions Reduction Fund ("ERF") which comprises an element to credit emissions reductions, a fund to purchase emissions reductions and a safeguard mechanism. The ERF purchases the lowest cost abatement (in the form of Australian carbon credit units) from a wide range of sources, providing an incentive to businesses, households and landowners to proactively reduce their emissions, while the safeguard mechanism (effective from July 1, 2016) ensures that emissions reductions paid for through the crediting and purchasing elements of the ERF are not offset by significant increases in emissions above business-as-usual levels elsewhere in the economy. An emissions trading scheme has been in effect in New Zealand since 2008.

In Latin America, the Brazilian government passed a law in 2009 requiring companies to reduce the level of GHG emissions by the year 2020. In the other Latin American countries, national and local governments are considering proposals that would also impose regulations to reduce CO_2 emissions.

The Company is unable to predict what environmental legal requirements may be adopted in the future. However, the Company continually monitors its operations in relation to environmental impacts and invests in environmentally friendly and emissions-reducing projects. As such, the Company has made significant expenditures for environmental improvements at certain of its facilities over the last several years; however, these expenditures did not have a material adverse effect on the Company's results of operations or cash flows. The Company is unable to predict the impact of future environmental legal requirements on its results of operations or cash flows.

Employees

The Company's worldwide operations employed approximately 26,500 persons as of December 31, 2017. Approximately 74% of North American employees are hourly workers covered by collective bargaining agreements. The principal collective bargaining agreement, which at December 31, 2017, covered approximately 75% of the Company's union-affiliated employees in North America, will expire on March 31, 2019.

Approximately 82% of employees in Latin America are covered by collective bargaining agreements. The majority of the hourly workers in Australia and New Zealand are also covered by collective bargaining agreements. The collective bargaining agreements in Latin America, Australia and New Zealand have varying terms and expiration dates. In Europe, a large number of the Company's employees are employed in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the U.S. Such employment rights require the Company to work collaboratively with the legal representatives of the employees to effect any changes to labor arrangements. The Company considers its employee relations to be good and does not anticipate any material work stoppages in the near term.

Financial Information about Foreign and Domestic Operations

Information as to net sales, segment operating profit, and assets of the Company's reportable segments is included in Note 2 to the Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

Substantial Leverage—The Company's indebtedness could adversely affect the Company's financial health.

The Company has a significant amount of debt. As of December 31, 2017 and December 31, 2016, the Company had approximately $5.3 billion of total debt outstanding.

The Company's indebtedness could result in the following consequences:

- Increased vulnerability to general adverse economic and industry conditions;
- Increased vulnerability to interest rate increases for the portion of the debt under the secured credit agreement;
- Require the Company to dedicate a substantial portion of cash flow from operations to payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions, share repurchases, development efforts and other general corporate purposes;
- Limit flexibility in planning for, or reacting to, changes in the Company's business and the rigid packaging market;
- Place the Company at a competitive disadvantage relative to its competitors that have less debt; and
- Limit, along with the financial and other restrictive covenants in the documents governing indebtedness, among other things, the Company's ability to borrow additional funds

Ability to Service Debt—To service its indebtedness, the Company will require a significant amount of cash. The Company's ability to generate cash and refinance certain indebtedness depends on many factors beyond its control.

The Company's ability to make payments on and to refinance its indebtedness and to fund working capital, capital expenditures, acquisitions, development efforts and other general corporate purposes depends on its ability to generate cash in the future. The Company has no assurance that it will generate sufficient cash flow from operations, or that future borrowings will be available under the secured credit agreement, in an amount sufficient to enable the Company to pay its indebtedness, or to fund other liquidity needs. If short-term interest rates increase, the Company's debt service cost will increase because some of its debt is subject to short-term variable interest rates. At December 31, 2017, the Company's debt, including interest rate swaps, that is subject to variable interest rates represented approximately 41% of total debt.

The Company may need to refinance all or a portion of its indebtedness on or before maturity. If the Company is unable to generate sufficient cash flow and is unable to refinance or extend outstanding borrowings on commercially reasonable terms or at all, it may have to take one or more of the following actions:

- Reduce or delay capital expenditures planned for replacements, improvements and expansions;
- Sell assets;
- Restructure debt; and/or
- Obtain additional debt or equity financing.

The Company can provide no assurance that it could affect or implement any of these alternatives on satisfactory terms, if at all.

Debt Restrictions—The Company may not be able to finance future needs or adapt its business plans to changes because of restrictions placed on it by the secured credit agreement and the indentures and instruments governing other indebtedness.

The secured credit agreement, the indentures governing the senior debentures and notes, and certain of the agreements governing other indebtedness contain affirmative and negative covenants that limit the ability of the Company to take certain actions. For example, these indentures restrict, among other things, the ability of the Company and its restricted subsidiaries to borrow money, pay dividends on, or redeem or repurchase its stock, make investments, create liens, enter into certain transactions with affiliates and sell certain assets or merge with or into other companies. These restrictions could adversely affect the Company's ability to operate its businesses and may limit its ability to take advantage of potential business opportunities as they arise.

Failure to comply with these or other covenants and restrictions contained in the secured credit agreement, the indentures or agreements governing other indebtedness could result in a default under those agreements, and the debt under those agreements, together with accrued interest, could then be declared immediately due and payable. If a default occurs under the secured credit agreement, the Company could no longer request borrowings under the secured credit agreement, and the lenders could cause all of the outstanding debt obligations under such secured credit agreement to become due and payable, which 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. A default under the secured credit agreement, indentures or agreements governing other indebtedness could also lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross-default provisions.

Cash Used to Satisfy Other Obligations – A portion of the Company's cash flow will be used to make payments to OI Inc. to satisfy certain litigation-related obligations, including settlement of asbestos-related claims.

Although OI Inc. does not conduct any operations, it has substantial obligations to satisfy claims of persons for exposure to asbestos and related expenses and to pay other ordinary-course obligations. OI Inc. relies wholly on distributions from the Company to meet these obligations. OI Inc.'s asbestos-related payments were $110 million, $125 million, and $138 million for the years ended December 31, 2017, 2016 and 2015, respectively.

As a result of the magnitude of OI Inc.'s obligations for asbestos-related lawsuits and its dependence on the Company's cash flows, the Company expects that a substantial portion of its cash flow will be used to make payments to OI Inc. to enable it to satisfy these obligations. These payments will reduce the cash flow available to the Company for other purposes. For additional information regarding OI Inc.'s asbestos-related lawsuits, claims and payments, see Note 12 to the Consolidated Financial Statements.

Foreign Currency Exchange Rates—The Company is subject to the effects of fluctuations in foreign currency exchange rates, which could adversely impact the Company's financial results.

The Company's reporting currency is the U.S. dollar. A significant portion of the Company's net sales, costs, assets and liabilities are denominated in currencies other than the U.S. dollar, primarily the Euro, Brazilian real, Colombian peso, Mexican peso and Australian dollar. In its consolidated financial statements, the Company remeasures transactions denominated in a currency other than the functional currency of the reporting entity (e.g. soda ash purchases) and translates local currency financial results into U.S. dollars based on the exchange rates prevailing during the reporting period. During times of a strengthening U.S. dollar, the reported revenues and earnings of the Company's international operations will be reduced because the local currencies will translate into fewer U.S. dollars. This could have a material adverse effect on the Company's financial condition, results of operations and cash flows.

International Operations—The Company is subject to risks associated with operating in foreign countries.

The Company operates manufacturing and other facilities throughout the world. Net sales from non-U.S. operations totaled approximately $4.8 billion, representing approximately 70% of the Company's net sales for the year ended December 31, 2017. As a result of its non-U.S. operations, the Company is subject to risks associated with operating in foreign countries, including:

- Political, social and economic instability;
- War, civil disturbance or acts of terrorism;
- Taking of property by nationalization or expropriation without fair compensation;
- Changes in governmental policies and regulations;
- Devaluations and fluctuations in currency exchange rates;
- Fluctuations in currency exchange rates and other impacts resulting from the United Kingdom's referendum on withdrawal from the European Union;
- Imposition of limitations on conversions of foreign currencies into dollars or remittance of dividends and other payments by foreign subsidiaries;
- Imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- Hyperinflation in certain foreign countries;
- Impositions or increase of investment and other restrictions or requirements by foreign governments;
- Loss or non-renewal of treaties or other agreements with foreign tax authorities;
- Changes in tax laws, or the interpretation thereof, affecting foreign tax credits or tax deductions relating to our non-U.S. earnings or operations; and
- Complying with the U.S. Foreign Corrupt Practices Act, which prohibits companies and their intermediaries from engaging in bribery or other prohibited payments to foreign officials for the purposes of obtaining or retaining business or gaining an unfair business advantage and requires companies to maintain accurate books and records and internal controls.

The risks associated with operating in foreign countries may have a material adverse effect on operations.

Competition—The Company faces intense competition from other glass container producers, as well as from makers of alternative forms of packaging. Competitive pressures could adversely affect the Company's financial health.

The Company is subject to significant competition from other glass container producers, as well as from makers of alternative forms of packaging, such as aluminum cans and plastic containers. The Company also competes with manufacturers of non-rigid packaging alternatives, including flexible pouches and aseptic cartons, in serving the packaging needs of certain end-use markets, including juice customers. The Company competes with each rigid packaging competitor on the basis of price, quality, service and the marketing and functional attributes of the container. Advantages or disadvantages in any of these competitive factors may be sufficient to cause the customer to consider changing suppliers and/or using an alternative form of packaging. The adverse effects of consumer purchasing decisions may be more significant in periods of economic downturn and may lead to longer- term reductions in consumer spending on glass-job act packaged products.

Pressures from competitors and producers of alternative forms of packaging have resulted in excess capacity in certain countries in the past and have led to capacity adjustments and significant pricing pressures in the rigid packaging market.

Lower Demand Levels—Changes in consumer preferences may have a material adverse effect on the Company's financial results.

Changes in consumer preferences for the food and beverages they consume can reduce demand for the Company's products. Because many of the Company's products are used to package consumer goods, the Company's sales and profitability could be negatively impacted by changes in consumer preferences for those products. Examples of changes in consumer preferences include, but are not limited to, lower sales of major domestic beer brands and shifts from beer to wine or spirits that results in the use of fewer glass containers. In periods of lower demand, the Company's sales and production levels may decrease causing a material adverse effect on the Company's profitability.

High Energy Costs—Higher energy costs worldwide and interrupted power supplies may have a material adverse effect on operations.

Electrical power, natural gas, and fuel oil are vital to the Company's operations as it relies on a continuous energy supply to conduct its business. Depending on the location and mix of energy sources, energy accounts for 10% to 20% of total production costs. Substantial increases and volatility in energy costs could cause the Company to experience a significant increase in operating costs, which may have a material adverse effect on operations.

Global Economic Environment—The global credit, financial and economic environment could have a material adverse effect on operations and financial condition.

The global credit, financial and economic environment could have a material adverse effect on operations, including the following:

- Downturns in the business or financial condition of any of the Company's customers or suppliers could result in a loss of revenues or a disruption in the supply of raw materials;
- Tightening of credit in financial markets could reduce the Company's ability, as well as the ability of the Company's customers and suppliers, to obtain future financing;
- Volatile market performance could affect the fair value of the Company's pension assets and liabilities, potentially requiring the Company to make significant additional contributions to its pension plans to maintain prescribed funding levels;
- The deterioration of any of the lending parties under the Company's revolving credit facility or the creditworthiness of the counterparties to the Company's derivative transactions could result in such parties' failure to satisfy their obligations under their arrangements with the Company; and
- A significant weakening of the Company's financial position or results of operations could result in noncompliance with the covenants under the Company's indebtedness.

Business Integration Risks—The Company may not be able to effectively integrate additional businesses it acquires in the future.

The Company may consider strategic transactions, including acquisitions that will complement, strengthen and enhance growth in its worldwide glass operations. The Company evaluates opportunities on a preliminary basis from time to time, but these transactions may not advance beyond the preliminary stages or be completed. Such acquisitions are subject to various risks and uncertainties, including:

- The inability to integrate effectively the operations, products, technologies and personnel of the acquired companies (some of which may be located in diverse geographic regions) and achieve expected synergies;
- The potential disruption of existing business and diversion of management's attention from day-to-day operations;
- The inability to maintain uniform standards, controls, procedures and policies;
- The need or obligation to divest portions of the acquired companies;
- The potential impairment of relationships with customers;
- The potential failure to identify material problems and liabilities during due diligence review of acquisition targets;
- The potential failure to obtain sufficient indemnification rights to fully offset possible liabilities associated with acquired businesses; and
- The challenges associated with operating in new geographic regions.

In addition, the Company cannot make assurances that the integration and consolidation of newly acquired businesses will achieve any anticipated cost savings and operating synergies.

Customer Consolidation—The continuing consolidation of the Company's customer base may intensify pricing pressures and have a material adverse effect on operations.

Many of the Company's largest customers have acquired companies with similar or complementary product lines. This consolidation has increased the concentration of the Company's business with its largest customers. In many cases, such consolidation has been accompanied by pressure from customers for lower prices, reflecting the increase in the total volume of products purchased or the elimination of a price differential between the acquiring customer and the company acquired. Increased pricing pressures from the Company's customers may have a material adverse effect on operations.

Operational Disruptions—Profitability could be affected by unanticipated operational disruptions.

The Company's glass container manufacturing process is asset intensive and includes the use of large furnaces and machines. The Company periodically experiences unanticipated disruptions to its assets and these events can have an adverse effect on its business operations and profitability. The impacts of these operational disruptions include, but are not limited to, higher maintenance, production changeover and shipping costs, higher capital spending, as well as lower absorption of fixed costs during periods of extended downtime. The Company maintains insurance policies in amounts and with coverage and deductibles that are reasonable and in line with industry standards; however, this insurance coverage may not be adequate to protect the Company from all liabilities and expenses that may arise.

Seasonality—Profitability could be affected by varied seasonal demands.

Due principally to the seasonal nature of the consumption of beer and other beverages, for which demand is stronger during the summer months, sales of the Company's products have varied and are expected to vary by quarter. Shipments in the U.S. and Europe are typically greater in the second and third quarters of the year, while shipments in the Asia Pacific region are typically greater in the first and fourth quarters of the year, and shipments in Latin America are typically greater in the last three quarters of the year. Unseasonably cool weather during peak demand periods can reduce demand for certain beverages packaged in the Company's containers.

Raw Materials—Profitability could be affected by the availability and cost of raw materials.

The raw materials that the Company uses have historically been available in adequate supply from multiple sources. For certain raw materials, however, there may be temporary shortages due to weather or other factors, including disruptions in supply caused by raw material transportation or production delays. These shortages, as well as material volatility in the cost of any of the principal raw materials that the Company uses, may have a material adverse effect on operations.

In addition, the Company purchases its soda ash raw materials in U.S. dollars in the Latin America and Asia Pacific regions. Given fluctuations in foreign currency exchange rates, this may cause these regions to experience inflationary or deflationary impacts to their raw material costs.

Environmental Risks—The Company is subject to various environmental legal requirements and may be subject to new legal requirements in the future. These requirements may have a material adverse effect on operations.

The Company's operations and properties are subject to extensive laws, ordinances, regulations and other legal requirements relating to environmental protection, including legal requirements governing investigation and clean-up of contaminated properties as well as water discharges, air emissions, waste management and workplace health and safety. Such legal requirements frequently change and vary among jurisdictions. The Company's operations and properties must comply with these legal requirements. These requirements may have a material adverse effect on operations.

The Company has incurred, and expects to incur, costs for its operations to comply with environmental legal requirements, and these costs could increase in the future. Many environmental legal requirements provide for substantial fines, orders (including orders to cease operations), and criminal sanctions for violations. These legal requirements may apply to conditions at properties that the Company presently or formerly owned or operated, as well as at other properties for which the Company may be responsible, including those at which wastes attributable to the Company were disposed. A significant order or judgment against the Company, the loss of a significant permit or license or the imposition of a significant fine may have a material adverse effect on operations.

A number of governmental authorities have enacted, or are considering enacting, legal requirements that would mandate certain rates of recycling, the use of recycled materials and/or limitations on certain kinds of packaging materials. In addition, some companies with packaging needs have responded to such developments and/or perceived environmental concerns of consumers by using containers made in whole or in part of recycled materials. Such developments may reduce the demand for some of the Company's products and/or increase the Company's costs, which may have a material adverse effect on operations.

Taxes—Potential tax law and U.S. trade policy changes could adversely affect net income and cash flow.

The Company is subject to income tax in the numerous jurisdictions in which it operates. Increases in income tax rates or other tax law changes, as well as ongoing audits by domestic and international authorities, could reduce the Company's net income and cash flow from affected jurisdictions. In particular, additional guidance is likely to be issued providing further clarification on the application of the U.S. Tax Cuts and Jobs Act which was signed into law on December 22, 2017. Further, it is reasonable to expect that global taxing authorities will be reviewing current legislation for potential modifications in reaction to the implementation of the U.S. legislation. This additional guidance, along with the potential for additional global tax legislation changes, could have a material adverse impact on net income and cash flow by impacting significant deductions or income inclusions. In addition, the Company's products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions in which it operates. Increases in these indirect taxes could affect the affordability of the Company's products and, therefore, reduce demand.

In addition, existing free trade laws and regulations, such as the North American Free Trade Agreement, provide certain beneficial duties and tariffs for qualifying imports and exports, subject to compliance with the applicable classification and other requirements. Changes in laws or policies governing the terms of foreign trade, and in particular increased trade restrictions, tariffs or taxes on imports from countries where the Company manufactures products, such as Mexico, could have a material adverse effect on its business and financial results. Also, a government's adoption of "buy national" policies or retaliation by another government against such policies may affect the prices of and demand for the Company's products and could have a negative impact on the Company's results of operations.

Many international legislative and regulatory bodies have proposed legislation and begun investigations of the tax practices of multinational companies and, in the European Union (EU), the tax policies of certain EU member states. One of these efforts has been led by the OECD, an international association of 34 countries including the United States, which has finalized recommendations to revise corporate tax, transfer pricing, and tax treaty provisions in member countries. Since 2013, the European Commission (EC) has been investigating tax rulings granted by tax authorities in a number of EU member states with respect to specific multinational corporations to determine whether such rulings comply with EU rules on state aid, as well as more recent investigations of the tax regimes of certain EU member states. If the EC determines that a tax ruling or tax regime violates the state aid restrictions, the tax authorities of the affected EU member state may be required to collect back taxes for the period of time covered by the ruling. Due to the large scale of the Company's U.S. and international business activities, many of these proposed changes to the taxation of the Company's activities, if enacted, could increase the Company's worldwide effective tax rate and harm results of operations.

Labor Relations—Some of the Company's employees are unionized or represented by workers' councils.

The Company is party to a number of collective bargaining agreements with labor unions which at December 31, 2017, covered approximately 74% of the Company's employees in North America. The principal collective bargaining agreement, which at December 31, 2017 covered approximately 75% of the Company's union-affiliated employees in North America, will expire on March 31, 2019. Approximately 82% of employees in Latin America are covered by collective bargaining agreements. The majority of the hourly workers in Australia and New Zealand are also covered by collective bargaining agreements. The collective bargaining agreements in Latin America, Australia and New Zealand have varying terms and expiration dates. Upon the expiration of any collective bargaining agreement, if the Company is unable to negotiate acceptable contracts with labor unions, it could result in strikes by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. In Europe, a large number of the Company's employees are employed in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the U.S. Such employment rights require the Company to work collaboratively with the legal representatives of the employees to effect any changes to labor arrangements. For example, most of the Company's employees in Europe are represented by workers' councils that must approve any changes in conditions of employment, including salaries and benefits and staff changes, and may impede efforts to restructure the Company's workforce. In addition, if the Company's employees were to engage in a strike or other work stoppage, the Company could experience a significant disruption of operations and/or higher ongoing labor costs, which may have a material adverse effect on operations.

Key Management and Personnel Retention—Failure to retain key management and personnel could have a material adverse effect on operations.

The Company believes that its future success depends, in part, on its experienced management team and certain key personnel. The loss of certain key management and personnel could limit the Company's ability to implement its business plans and meet its objectives.

Joint Ventures—Failure by joint venture partners to observe their obligations could have a material adverse effect on operations.

A portion of the Company's operations is conducted through joint ventures, including joint ventures in the Europe, North America, Asia Pacific segments and in retained corporate costs and other. If the Company's joint venture partners do not observe their obligations or are unable to commit additional capital to the joint ventures, it is possible that the affected joint venture would not be able to operate in accordance with its business plans, which could have a material adverse effect on the Company's financial condition and results of operations.

Cybersecurity and Information Technology—Security threats and the failure or disruption of the confidentiality, integrity and availability of the Company's information technology, or those of third parties, could have a material adverse effect on its business and the results of operations.

The Company relies on information technology ("IT") to operate its plants, to communicate with its employees, customers and suppliers, to store sensitive business information and intellectual property, and to report financial and operating results. In addition, the Company collects and stores certain data, including confidential or personal information of employees, customers and suppliers. As with all IT systems, the Company's IT system, or any third party's system on which the Company relies, could fail on its own accord or may be vulnerable to a variety of interruptions due to events, including, but not limited to, natural disasters, terrorist attacks, sabotage, telecommunications failures, cybersecurity vulnerabilities, and sophisticated and targeted cyber-related attacks or computer crimes.

As the prevalence of cyberattacks on various organizations continues to increase, the Company's IT systems, or those of third parties, may be subject to increased security threats and the Company may incur additional costs to upgrade its security measures. The Company's measures in place to prevent and detect global security threats may be unable to prevent certain security breaches. This may result in transactional errors, business disruptions, loss or damage of intellectual property, loss of customers and business opportunities, unauthorized access to or disclosure of confidential or personal information, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensatory costs, and additional compliance costs, any of which could have a material adverse effect on operations. Any resulting costs or losses may not be covered by, or may exceed the coverage limits of the Company's cyber insurance.

Accounting Estimates—The Company's financial results are based upon estimates and assumptions that may differ from actual results.

In preparing the Company's consolidated financial statements in accordance with U.S. generally accepted accounting principles, several estimates and assumptions are made that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made due to certain information used in the preparation of the Company's financial statements which is dependent on future events, cannot be calculated with a high degree of precision from data available or is not capable of being readily calculated based on generally accepted methodologies. The Company believes that accounting for long-lived assets, pension benefit plans, contingencies and litigation, and income taxes involves the more significant judgments and estimates used in the preparation of its consolidated financial statements. Actual results for all estimates could differ materially from the estimates and assumptions that the Company uses, which could have a material adverse effect on the Company's financial condition and results of operations.

Accounting Standards—The adoption of new accounting standards or interpretations could adversely impact the Company's financial results.

New accounting standards or pronouncements could adversely affect the Company's operating results or cause unanticipated fluctuations in its results in future periods. The accounting rules and regulations that the Company must comply with are complex and continually changing. In addition, many companies' accounting policies are being subjected to heightened scrutiny by regulators and the public. The Company cannot predict the impact of future changes to accounting principles or its accounting policies on its financial statements going forward. In February 2016, the FASB issued ASU 2016-02, "Leases", which requires all operating leases with lease terms longer than twelve months be recorded as lease assets and lease liabilities on the Company's consolidated balance sheets. Implementing changes required by this new standard will require a significant expenditure of time, attention and resources, including significant upgrades to and investments in the Company's lease administration systems and other accounting systems, and could result in significant adverse changes to our financial statements.

Goodwill—A significant write down of goodwill would have a material adverse effect on the Company's reported results of operations and net worth.

Goodwill at December 31, 2017 totaled $2.6 billion. The Company evaluates goodwill annually (or more frequently if impairment indicators arise) for impairment using the required business valuation methods. These methods include the use of a weighted average cost of capital to calculate the present value of the expected future cash flows of the Company's reporting units. Future changes in the cost of capital, expected cash flows, or other factors may cause the Company's goodwill to be impaired, resulting in a non-cash charge against results of operations to write down goodwill for the amount of the impairment. If a significant write down is required, the charge would have a material adverse effect on the Company's reported results of operations and net worth.

Pension Funding—An increase in the underfunded status of the Company's pension plans could adversely impact the Company's operations, financial condition and liquidity.

The Company contributed $31 million, $38 million and $17 million to its defined benefit pension plans in 2017, 2016, and 2015, respectively. The amount the Company is required to contribute to these plans is determined by the laws and regulations governing each plan, and is generally related to the funded status of the plans. A deterioration in the value of the plans' investments or a decrease in the discount rate used to calculate plan liabilities generally would increase the underfunded status of the plans. An increase in the underfunded status of the plans could result in an increase in the Company's obligation to make contributions to the plans, thereby reducing the cash available for working capital and other corporate uses, and may have an adverse impact on the Company's operations, financial condition and liquidity.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The principal manufacturing facilities and other material important physical properties of the Company at December 31, 2017 are listed below. All properties are glass container plants and are owned in fee, except where otherwise noted.

North American Operations	
United States	
Atlanta, GA	Portland, OR
Auburn, NY	Streator, IL
Brockway, PA	Toano, VA
Crenshaw, PA	Tracy, CA
Danville, VA	Waco, TX
Kalama, WA	Windsor, CO
Lapel, IN	Winston-Salem, NC
Los Angeles, CA	Zanesville, OH
Muskogee, OK	
Canada	
Brampton, Ontario	Montreal, Quebec
Asia Pacific Operations	
Australia	
Adelaide	Melbourne
Brisbane	Sydney
China	
Tianjin	Zhaoqing
Indonesia	
Jakarta	
New Zealand	
Auckland	
European Operations	
Czech Republic	
Dubi	Nove Sedlo
Estonia	
Jarvakandi	
France	
Beziers	Vayres
Gironcourt	Veauche
Labegude	Vergeze
Puy-Guillaume	Wingles
Reims	
Germany	
Bernsdorf	Rinteln
Holzminden	
Hungary	
Oroshaza	

Italy	
Asti	Origgio
Aprilia	Ottaviano
Bari	San Gemini
Marsala	San Polo
Mezzocorona	Villotta
The Netherlands	
Leerdam	Maastricht
Poland	
Jaroslaw	Poznan
Spain	
Barcelona	Sevilla
United Kingdom	
Alloa	Harlow
Latin American Operations	
Argentina	
Rosario	
Bolivia	
Cochabamba	
Brazil	
Recife	Sao Paulo
Rio de Janeiro	
Colombia	
Buga (tableware)	Soacha
Envigado	Zipaquira
Ecuador	
Guayaquil	
Mexico	
Guadalajara	Queretaro
Los Reyes	Toluca
Monterrey	
Peru	
Callao	Lurin(1)
Other Operations	
Engineering Support Centers	
Brockway, Pennsylvania	Lurin, Peru
Cali, Colombia	Perrysburg, Ohio
Hawthorn, Australia(1)	Villeurbanne, France
Jaroslaw, Poland	`

Shared Service Centers	
Medellin, Colombia	Perrysburg, Ohio
Monterrey, Mexico	Poznan, Poland(1)
Distribution Center	
Laredo, TX(1)	

Corporate Facilities

Hawthorn, Australia(1)	Perrysburg, Ohio(1)
Miami, Florida(1)	Vufflens-la-Ville, Switzerland(1)

(1) This facility is leased in whole or in part.

The Company believes that its facilities are well maintained and currently adequate for its planned production requirements over the next three to five years.

ITEM 3. LEGAL PROCEEDINGS

For further information on legal proceedings, see Note 12 to the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHARE OWNER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

All of the outstanding common stock of the Company (its only class of equity securities) is owned by its parent company, Owens-Illinois, Inc. The common stock is not traded on any stock exchange. All of the Company's issued and outstanding equity securities are owned by a single holder, and there is not an established public trading market for its common stock. The Company has never paid a cash dividend on its common stock. The Company presently intends to retain future earnings, if any, for use in the operation of the business and does not anticipate paying any cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data presented below relates to each of the five years in the period ended December 31, 2017, which was derived from the audited consolidated financial statements of the Company.

	Years ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in millions)				
Consolidated operating results (a):					
Net sales	$ 6,869	$ 6,702	$ 6,156	$ 6,784	$ 6,967
Cost of goods sold	(5,736)	(5,490)	(5,046)	(5,531)	(5,636)
Gross profit	1,133	1,212	1,110	1,253	1,331
Selling and administrative, research, development and engineering	(562)	(568)	(540)	(586)	(568)
Other expense, net	(28)	(16)	(35)	(84)	(54)
Earnings before interest expense and items below	543	628	535	583	709
Interest expense, net	(268)	(272)	(251)	(230)	(229)
Earnings from continuing operations before income taxes	275	356	284	353	480
Provision for income taxes	(70)	(119)	(106)	(92)	(120)
Earnings from continuing operations	205	237	178	261	360
Loss from discontinued operations	(3)	(7)	(4)	(23)	(18)
Net earnings	202	230	174	238	342
Net (earnings) attributable to noncontrolling interests	(22)	(21)	(23)	(28)	(13)
Net earnings attributable to the Company	$ 180	$ 209	$ 151	$ 210	$ 329

	Years ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in millions)				
Other data:					
The following are included in earnings from continuing operations:					
Depreciation	$ 387	$ 375	$ 323	$ 335	$ 350
Amortization of intangibles	101	103	86	83	47
Amortization of deferred finance fees (included in interest expense)	13	13	15	30	32
Balance sheet data (at end of period):					
Working capital (current assets less current liabilities)	$ 240	$ 309	$ 342	$ 186	$ 446
Total assets	9,756	9,135	9,421	7,843	8,393
Total debt	5,283	5,328	5,573	3,445	3,541
Total share owner's equity	1,509	1,055	1,096	1,710	2,051

(a) Note that the items below relate to items management considers not representative of ongoing operations.

	Years ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in millions)				
Cost of goods sold					
Pension settlement charges	$ 200	$ 98	$ —	$ 50	$ —
Acquisition-related fair value inventory adjustments			22		
Restructuring, asset impairment and related charges				8	
Selling and administrative, research, development and engineering					
Pension settlement charges	18			15	
Other expense, net					
Restructuring, asset impairment and other charges	77	129	75	78	119
Gain on China land sale		(71)			
Non-income tax charge				69	
Acquisition-related fair value intangible adjustments			10		
Strategic transaction costs			23		
Equity earnings related charges			5	5	
Interest expense, net					
Note repurchase premiums and additional interest charges for the write-off of unamortized deferred financing fees related to the early extinguishment of debt	18	9	42	20	11
Provision for income taxes					
Net tax (benefit) expense for income tax on items above	(27)	1	(15)	(34)	(14)
Tax expense (benefit) recorded for certain tax adjustments	(29)	(8)	8	(8)	
Net earnings attributable to noncontrolling interest					
Net impact of noncontrolling interests on items above	(3)	2			(13)
	$ 254	$ 160	$ 170	$ 203	$ 103

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Beginning in the first quarter of 2018, to better leverage its scale and presence across a larger geography and market, and to reduce administrative costs, the Company merged the North America and Latin America segments into one segment named the Americas. This change in segment reporting for the Americas is aligned with the Company's internal approach to managing, reporting, and evaluating performance of this region.

Financial information regarding the Company's reportable segments is as follows (dollars in millions):

	2017	2016	2015
Net sales:			
Europe	$ 2,375	$ 2,300	$ 2,324
North America	2,160	2,220	2,039
Latin America	1,551	1,432	1,064
Asia Pacific	714	684	671
Reportable segment totals	6,800	6,636	6,098
Other	69	66	58
Net sales	$ 6,869	$ 6,702	$ 6,156

	2017	2016	2015
Segment operating profit:			
Europe	$ 263	$ 237	$ 209
North America	318	299	265
Latin America	296	269	183
Asia Pacific	65	77	83
Reportable segment totals	942	882	740
Items excluded from segment operating profit:			
Retained corporate costs and other	(104)	(98)	(70)
Pension settlement charges	(218)	(98)	
Restructuring, asset impairment and other related charges	(77)	(129)	(80)
Gain on China land sale		71	
Strategic transaction costs			(23)
Acquisition-related fair value inventory adjustments			(22)
Acquisition-related fair value intangible adjustments			(10)
Non-income tax charge			
Interest expense, net	(268)	(272)	(251)
Earnings from continuing operations before income taxes	275	356	284
Provision for income taxes	(70)	(119)	(106)
Earnings from continuing operations	205	237	178
Loss from discontinued operations	(3)	(7)	(4)
Net earnings	202	230	174
Net earnings attributable to noncontrolling interests	(22)	(21)	(23)
Net earnings attributable to the Company	$ 180	$ 209	$ 151
Net earnings from continuing operations attributable to the Company	$ 183	$ 216	$ 155

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

Executive Overview—Comparison of 2017 with 2016

2017 Highlights

- Net sales were up nearly 3% compared to the prior year, driven by higher shipments, higher prices and the favorable effects of changes in foreign currency exchange rates
- Driven by higher shipments and progress on strategic initiatives, segment operating profit was higher in all regions, except for Asia Pacific, compared to the prior year
- Issued €225 million and $310 million of senior notes and repaid higher-cost debt
- Received $115 million from selling the Company's right, title and interest in amounts due under a prior arbitration award in Venezuela

Net sales increased by $167 million compared to the prior year primarily due to the favorable effect of changes in foreign currency exchange rates, higher shipments and higher prices.

Earnings from continuing operations before income taxes were $81 million lower in 2017 than the prior year primarily due to higher pension settlement charges, partially offset by higher segment operating profit. Segment operating profit for reportable segments increased by $60 million compared to the prior year. For 2017, segment operating profit in all regions, except for Asia Pacific, exceeded prior year amounts.

Net interest expense in 2017 decreased $4 million compared to 2016. Net interest expense included $18 million and $9 million in 2017 and 2016, respectively, for note repurchase premiums and the write-off of finance fees related to debt that was repaid prior to its maturity. Exclusive of these items, net interest expense decreased $13 million in 2017 primarily due to deleveraging and refinancing actions.

For 2017, the Company recorded earnings from continuing operations attributable to the Company of $183 million, compared with earnings of $216 million for 2016. Earnings in both periods included items that management considered not representative of ongoing operations. These items decreased earnings from continuing operations attributable to the Company by $254 million in 2017 and $160 million in 2016.

Results of Operations—Comparison of 2017 with 2016

Net Sales

The Company's net sales in 2017 were $6,869 million compared with $6,702 million in 2016, an increase of $167 million, or approximately 3%. Higher selling prices benefited net sales by $61 million in 2017. Total glass container shipments, in tonnes, were up approximately 1% in 2017 compared to the same period in the prior year. However, an unfavorable sales mix resulted in approximately $3 million of lower sales. Favorable foreign currency exchange rates, primarily due to a stronger Euro, Brazilian real, Colombian peso, Australian dollar and New Zealand dollar, increased sales by $106 million.

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

Net sales— 2016		$ 6,636
Price	$ 61	
Sales volume	(3)	
Effects of changing foreign currency rates	106	
Total effect on net sales		164
Net sales— 2017		$ 6,800

Europe: Net sales in Europe in 2017 were $2,375 million compared with $2,300 million in 2016, an increase of $75 million, or 3%. Net sales in 2017 were benefited by a 1% increase in glass container shipments driven by higher shipments to beer, spirits and wine customers. This increased net sales by $28 million compared to the prior year. Favorable foreign currency exchange rates increased net sales by $57 million, as the Euro strengthened in relation to the U.S. dollar. As a result of the pass through of 2016 cost deflation to customers under contractual price adjustment formulas, selling prices in Europe were $10 million lower in 2017 compared to the same period in the prior year.

North America: Net sales in North America in 2017 were $2,160 million compared with $2,220 million in 2016, a decrease of $60 million, or 3%. Slightly higher selling prices increased net sales by $21 million in 2017. Total glass shipments in the region were down 3% in 2017 compared to the prior year, driven primarily by lower sales to beer customers. These lower shipments and an unfavorable sales mix resulted in $84 million of lower sales. This impact to sales mix was partially due to several customers converting a portion of their glass shipments from carton packaging to bulk shipments. Favorable foreign currency exchange rates increased net sales by $3 million, as the Canadian dollar strengthened in relation to the U.S. dollar.

Latin America: Net sales in Latin America in 2017 were $1,551 million compared with $1,432 million in 2016, an increase of $119 million, or 8%. Strong shipments in Mexico and higher shipments in Brazil drove total glass container shipments in the region up 4% in 2017 compared to the prior year and this increased sales by $52 million. The favorable effects of foreign currency exchange rate changes increased net sales $29 million in 2017, principally due to a strengthening of the Brazilian real and Colombian peso in relation to the U.S. dollar. Higher pricing increased net sales by $38 million in 2017.

Asia Pacific: Net sales in Asia Pacific in 2017 were $714 million compared with $684 million in 2016, an increase of $30 million, or 4%. The favorable effects of foreign currency exchange rates changes during 2017, primarily due to the strengthening of the Australian dollar and New Zealand dollar in relation to the U.S. dollar, increased net sales by $17 million. Glass container shipments were down 1% in 2017 as higher shipments to food customers were more than offset by lower shipments to beer and non-alcoholic beverage customers. This resulted in a slightly favorable sales mix, which contributed to $1 million of higher sales in 2017. Slightly higher selling prices also increased net sales by $12 million in 2017.

Earnings from Continuing Operations before Income Taxes and Segment Operating Profit

Earnings from continuing operations before income taxes were $275 million in 2017 compared with $356 million for the same period in 2016, a decrease of $81 million, or 23%. This decrease was primarily due to higher pension settlement charges, partially offset by higher segment operating profit.

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

Segment operating profit of reportable segments in 2017 was $942 million compared to $882 million in 2016, an increase of $60 million, or 7%. Higher selling prices increased segment operating profit by $61 million and the favorable effects of foreign currency exchange rates increased segment operating profit by $11 million in 2017. Partially offsetting this was $12 million of higher operating costs.

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

Segment operating profit - 2016		$ 882
Price	$ 61	
Sales volume	—	
Operating costs	(12)	
Effects of changing foreign currency rates	11	
Total net effect on segment operating profit		60
Segment operating profit - 2017		$ 942

Europe: Segment operating profit in Europe in 2017 was $263 million compared with $237 million in 2016, an increase of $26 million, or 11%. Operating costs were $25 million lower in 2017 than the prior year period due to cost savings initiatives, benefits realized from a permanent footprint adjustment and cost deflation. The increase in sales volume discussed above improved segment operating profit by $6 million. Lower selling prices decreased segment operating profit in 2017 by $10 million. The favorable effects of foreign currency exchange rates increased segment operating profit by $5 million in 2017.

North America: Segment operating profit in North America in 2017 was $318 million compared with $299 million in 2016, an increase of $19 million, or 6%. Selling prices were $21 million higher in 2017 compared to the prior year. The unfavorable sales mix and lower shipments discussed above decreased segment operating profit by $19 million. Operating costs in 2017 were lower than the same period in the prior year and this increased segment operating profit by $12 million. Higher cost inflation in 2017 was more than offset by cost reductions, logistics savings and higher equity earnings from the Company's joint-venture with Constellation Brands ("Constellation Brands") in Mexico. Beginning in the first quarter of 2017, equity earnings from this joint-venture were recorded in the North American region. In prior years, equity earnings from this joint-venture were recorded in retained corporate costs and other as it was mostly in construction mode. In addition, approximately $5 million in gains related to non-strategic asset sales were recognized by the region in 2017.

Latin America: Segment operating profit in Latin America in 2017 was $296 million compared with $269 million in 2016, an increase of $27 million, or 10%. Despite significant benefits from cost savings initiatives, substantial cost inflation and the nonoccurrence of gains on non-strategic asset sales recorded in the prior year increased operating costs by $28 million in 2017. Offsetting these declines were higher selling prices that increased segment operating profit in 2017 by $38 million. The increase in sales volume discussed above benefited segment operating profit by $12 million. The favorable effects of foreign currency exchange rates increased segment operating profit by $5 million in 2017.

Asia Pacific: Segment operating profit in Asia Pacific in 2017 was $65 million compared with $77 million in 2016, a decrease of $12 million, or 16%. Despite cost containment efforts, cost inflation, higher supply chain costs and higher costs related to asset improvement projects in the region increased operating costs and decreased segment operating profit by $30 million in 2017. Costs associated with these asset improvement projects are planned to continue and will result in lower segment operating profit in the first half of 2018 in the region than the same period in 2017. Also, in 2017, higher selling prices increased segment operating profit by $12 million and the change in sales volume and mix discussed above increased segment operating profit by $1 million. In addition, the region recorded $4 million of gain related to a land sale in 2017. The favorable effects of foreign currency exchange rates increased segment operating profit by $1 million in 2017.

Interest Expense, net

Net interest expense in 2017 was $268 million compared with $272 million in 2016. Net interest expense included $18 million and $9 million in 2017 and 2016, respectively, for note repurchase premiums and the write-off of finance fees related to debt that was repaid prior to its maturity. Exclusive of these items, net interest expense decreased $13 million in 2017 primarily due to deleveraging and refinancing actions.

Provision for Income Taxes

The Company’s effective tax rate from continuing operations for 2017 was 25.5%, compared with 33.4% for 2016. The Company’s effective tax rate for 2017 was lower than 2016 primarily due to the resolution of a tax matter that resulted in approximately $26 million of tax accruals reversed in 2017.

Excluding the amounts related to items that management considers not representative of ongoing operations, the Company’s effective tax rate for 2017 was approximately 21%, compared with approximately 24% for 2016. The rate for 2017 was lower than 2016 due to favorable resolution of certain tax matters during 2017.

The Tax Cuts and Jobs Act (the “Act”) was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. See Note 10 to the Consolidated Financial Statements for additional information.

Net Earnings Attributable to Noncontrolling Interests

Net earnings attributable to noncontrolling interests for 2017 was $22 million compared to $21 million for 2016.

Earnings from Continuing Operations Attributable to the Company

For 2017, the Company recorded earnings from continuing operations attributable to the Company of $183 million compared with earnings of $216 million for 2016. The after tax effects of the items excluded from segment operating profit, the unusual tax items and the additional interest charges increased or decreased earnings in 2017 and 2016 as set forth in the following table (dollars in millions).

	Net Earnings Increase (Decrease)	
Description	**2017**	**2016**
Pension settlement charges	$ (218)	$ (98)
Restructuring, asset impairment and other charges	(77)	(129)
Note repurchase premiums and write-off of finance fees	(18)	(9)
Tax benefit for certain tax adjustments	29	8
Net benefit (charge) for income tax on items above	27	(1)
Net impact of noncontrolling interests on items above	3	(2)
Gain on China land sale		71
Total	$ (254)	$ (160)

Foreign Currency Exchange Rates

Given the global nature of its operations, the Company is subject to fluctuations in foreign currency exchange rates. As described above, the Company’s reported revenues and segment operating profit in 2017 were increased due to foreign currency effects compared to 2016.

This trend may not continue into 2018. During times of a strengthening U.S. dollar, the reported revenues and segment operating profit of the Company's international operations will be reduced because the local currencies will translate into fewer U.S. dollars. The Company uses certain derivative instruments to mitigate a portion of the risk associated with changing foreign currency exchange rates.

Executive Overview—Comparison of 2016 with 2015

2016 Highlights

- The Company's acquisition on September 1, 2015 (the "Vitro Acquisition") of the food and beverage glass container business of Vitro S.A.B. de C.V. and its subsidiaries (together "Vitro") as constructed in the U.S., Mexico and Bolivia (the "Vitro Business") increased net sales by $608 million and segment operating profit by $122 million in 2016 compared to 2015
- Net sales in 2016 were $6.7 billion, up 9% from the prior year, primarily due to incremental net sales from the Vitro Acquisition. Excluding the acquisition, shipments were comparable in both periods
- Driven by the Vitro Acquisition and progress on strategic initiatives, segment operating profit was higher in all regions, except for Asia Pacific, in 2016 compared to the prior year
- Issued €500 million of senior notes due 2024 and repaid higher-cost floating-rate debt

Net sales increased by $546 million compared to the prior year primarily due to approximately $608 million of incremental net sales from the Vitro Acquisition and slightly higher pricing, partially offset by the unfavorable effect of changes in foreign currency exchange rates and an unfavorable sales mix.

Segment operating profit for reportable segments increased by $142 million compared to the prior year. The increase was largely attributable to approximately $122 million of incremental segment operating profit from the acquired Vitro Business. Higher selling prices also increased segment operating profit. 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 in 2016 increased $21 million compared to 2015. Net interest expense included $9 million and $42 million in 2016 and 2015, respectively, for note repurchase premiums and the write-off of finance fees related to debt that was repaid prior to its maturity. Exclusive of these items, net interest expense increased $54 million in the current year primarily due to higher debt levels associated with the Vitro Acquisition.

For 2016, the Company recorded earnings from continuing operations attributable to the Company of $216 million compared with earnings of $155 million for 2015. Earnings in both periods included items that management considered not representative of ongoing operations. These items decreased earnings from continuing operations attributable to the Company by $160 million in 2016 and $170 million in 2015.

Results of Operations—Comparison of 2016 with 2015

Net Sales

The Company's net sales in 2016 were $6,702 million compared with $6,156 million in 2015, an increase of $546 million, or 9%. Driven by incremental shipments related to the Vitro Acquisition, total glass container shipments, in tonnes, were up approximately 9% in 2016 compared to 2015. The Vitro Acquisition resulted in approximately $608 million of additional sales. Excluding the impact of the Vitro Acquisition, shipments in 2016 were comparable to 2015. On a global basis, sales volumes of beer, wine, spirits, food and non-alcoholic beverages all grew year-on-year. However, an unfavorable sales mix resulted in $41 million of lower net sales in 2016. Net sales also benefited from $79 million in higher selling prices in 2016. Unfavorable foreign currency exchange rates, primarily due to a weaker Brazilian real, Mexican peso, Colombian peso, Canadian dollar and British pound in relation to the U.S. dollar, impacted sales by $108 million in 2016 compared to 2015.

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

Net sales— 2015		$ 6,098
Price	$ 79	
Sales volume (excluding acquisitions)	(41)	
Effects of changing foreign currency rates	(108)	
Vitro Acquisition	608	
Total effect on net sales		538
Net sales— 2016		$ 6,636

Europe: Net sales in Europe in 2016 were $2,300 million compared with $2,324 million in 2015, a decrease of $24 million, or 1%. The primary reason for the decline in net sales in 2016 was a $28 million impact due to foreign currency exchange rates, as the British pound weakened in relation to the U.S. dollar. Glass container shipments in 2016, primarily to beer and wine customers, increased approximately 2% compared to the prior year and this increased net sales by $30 million. Selling prices decreased in Europe due to competitive pressures and resulted in a $26 million decrease in net sales in 2016. This trend in lower prices is expected to continue into the first quarter of 2017.

North America: Net sales in North America in 2016 were $2,220 million compared with $2,039 million in 2015, an increase of $181 million, or 9%. Net sales from the acquired Vitro food and beverage business in the United States increased the region's net sales by $196 million in 2016. Total glass container shipments were up nearly 7% in 2016 compared to 2015, primarily due to the acquired business and higher shipments in all major end uses except beer, which was on par with prior year. Excluding the impact of the Vitro Acquisition in the region, glass container shipments were up nearly 1% in 2016, however, an unfavorable sales mix resulted in $36 million of lower sales. This impact to sales mix was due to several customers converting a portion of their glass shipments from carton packaging to bulk shipments. Higher selling prices as a result of contractual pass throughs increased net sales by $25 million in 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 2016 were $1,432 million compared with $1,064 million in 2015, an increase of $368 million, or 35%. Net sales from the acquired Vitro food and beverage business in Mexico and Bolivia increased the region's net sales by approximately $412 million in 2016. Total glass container shipments were up approximately 41% in 2016. Excluding the impact of the Vitro Acquisition in the region, glass container shipments were down approximately 3% in 2016. This decline impacted net sales by approximately $40 million and was primarily due to a general economic slowdown in Brazil and Ecuador, which is expected to continue into 2017, partially offset by growth in Colombia and Peru. The unfavorable effects of foreign currency exchange rate changes decreased net sales $75 million in 2016 compared to 2015, principally due to a decline in the Brazilian real, Colombian peso, and the Mexican peso in relation to the U.S. dollar. Improved pricing in the current year benefited net sales by $71 million.

Asia Pacific: Net sales in Asia Pacific in 2016 were $684 million compared with $671 million for 2015, an increase of $13 million, or 2%. Glass container shipments were down approximately 3% compared to the prior year, however, a slightly more favorable sales mix increased net sales by $5 million in 2016. Sales volumes in mature markets in the region were higher than prior year, but production volumes in those countries were lower due to planned engineering activity. These lower production volumes in the mature markets were supported by importing from emerging markets in the region, which in turn, led to lower domestic sales in those markets. Higher prices increased net sales by $9 million in the current year. The unfavorable effects of foreign currency exchange rate changes decreased net sales $1 million in 2016 compared to 2015.

Earnings from Continuing Operations before Income Taxes and Segment Operating Profit

Earnings from continuing operations before income taxes were $356 million in 2016 compared to $284 million in 2015, an increase of $72 million, or 25%. This increase was primarily due to higher segment operating profit, partially offset by higher retained corporate costs and higher net interest expense.

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

Segment operating profit of reportable segments in 2016 was $882 million compared to $740 million in 2015, an increase of $142 million, or 19%. The increase was largely attributable to approximately $122 million of segment operating profit from the acquired Vitro Business. Higher selling prices also increased segment operating profit by $79 million. Partially offsetting this was the unfavorable effect of changes in foreign currency exchange rates ($26 million) and higher operating costs ($25 million), primarily due to inflation.

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

Segment operating profit - 2015		$ 740
Price	$ 79	
Sales volume (excluding acquisitions)	(8)	
Operating costs	(25)	
Effects of changing foreign currency rates	(26)	
Vitro Acquisition	122	
Total net effect on segment operating profit		142
Segment operating profit - 2016		$ 882

Europe: Segment operating profit in Europe in 2016 was $237 million compared with $209 million in 2015, an increase of $28 million, or 13%. The increase in sales volume discussed above improved segment operating profit by $7 million. Segment operating profit also benefited from $51 million in lower operating costs in 2016 than in the prior year due to energy deflation and improved operational performance. In 2015, production volumes were lower due to asset optimization projects that have now been completed. In addition, the region received an energy credit of approximately $10 million from a local government entity in 2016 that had been delayed for legislative reasons in 2015. The unfavorable effects of foreign currency exchange rates, especially the British pound, decreased segment operating profit by $14 million in 2016 compared to the prior year. Lower selling prices also decreased segment operating profit by $26 million.

North America: Segment operating profit in North America in 2016 was $299 million compared with $265 million in 2015, an increase of $34 million, or 13%. Segment operating profit from the acquired Vitro food and beverage glass container distribution business in the region contributed $28 million of incremental profit in 2016. Higher selling prices as a result of contractual pass throughs increased segment operating profit by $25 million in 2016 compared to 2015. Higher production volumes and improved operating efficiencies were more than offset by cost inflation. Together, this contributed to a $13 million reduction to segment operating profit in 2016. The unfavorable sales mix discussed above reduced segment operating profit by $5 million. Also, the unfavorable effects of the weakening of the Canadian dollar in relation to the U.S. dollar decreased segment operating profit by $1 million.

Latin America: Segment operating profit in Latin America in 2016 was $269 million compared with $183 million in 2015, an increase of $86 million, or 47%. Segment operating profit from the acquired Vitro food and beverage business contributed approximately $94 million of incremental profit to the region in 2016. Excluding the impact of the Vitro Acquisition, the decline in sales volume discussed above reduced segment operating profit by $13 million. The unfavorable effects of foreign currency rate changes, especially the Brazilian real, Colombian peso and Mexican peso, decreased segment operating profit by $14 million in the current year. Despite management interventions to contain costs and improve asset optimization, segment operating profit was also unfavorably impacted by $57 million of higher operating costs, primarily due to energy and soda ash inflation in the region. Partially offsetting these declines were higher selling prices that increased segment operating profit by $71 million in 2016. In addition, approximately $5 million of gains related to non-strategic asset sales benefited 2016.

Asia Pacific: Segment operating profit in Asia Pacific in 2016 was $77 million compared with $83 million in 2015, a decrease of $6 million, or 7%. Cost inflation, higher production downtime due to furnace rebuild activity and higher costs for intra-regional shipments drove operating costs $21 million higher in 2016 compared to the prior year. The favorable effects of foreign currency exchange rates increased segment operating profit by $3 million in 2016. The more favorable sales mix discussed above improved segment operating profit by $3 million. Higher selling prices also increased segment operating profit by $9 million in the current year.

Interest Expense, net

Net interest expense in 2016 was $272 million compared with $251 million in 2015. Net interest expense included $9 million and $42 million in 2016 and 2015, respectively, for note repurchase premiums and the write-off of finance fees related to debt that was repaid prior to its maturity. Exclusive of these items, net interest expense increased $54 million in the current year primarily due to higher debt levels associated with the Vitro Acquisition.

Provision for Income Taxes

The Company’s effective tax rate from continuing operations for 2016 was 33.4%, compared with 37.3% for 2015. The Company’s effective tax rate for 2016 was lower than 2015 due to the impact of significant costs related to refinancing, restructuring and acquisition-related costs in 2015 within jurisdictions that generated little or no tax benefit.

Excluding the amounts related to items that management considers not representative of ongoing operations, the Company’s effective tax rate for 2016 was approximately 24%, compared with approximately 25% for 2015.

Net Earnings Attributable to Noncontrolling Interests

Net earnings attributable to noncontrolling interests for 2016 was $21 million compared to $23 million for 2015. The decrease in 2016 was largely attributable to the unfavorable effect of changes in foreign currency exchange rates.

Earnings from Continuing Operations Attributable to the Company

For 2016, the Company recorded earnings from continuing operations attributable to the Company of $216 million compared with earnings of $155 million for 2015. The after tax effects of the items excluded from segment operating profit, the unusual tax items and the additional interest charges increased or decreased earnings in 2016 and 2015 as set forth in the following table (dollars in millions).

Description	Net Earnings Increase (Decrease) 2016	2015
Restructuring, asset impairment and other charges	$ (129)	$ (80)
Pension settlement charges	(98)	
Note repurchase premiums and write-off of finance fees	(9)	(42)
Gain on China land sale	71	
Tax benefit (charge) for certain tax adjustments	8	(8)
Net benefit (charge) for income tax on items above	(1)	15
Net impact of noncontrolling interests on items above	(2)	
Strategic transaction costs		(23)
Acquisition-related fair value inventory adjustments		(22)
Acquisition-related fair value intangible adjustments		(10)
Total	$ (160)	$ (170)

Foreign Currency Exchange Rates

Given the global nature of its operations, the Company is subject to fluctuations in foreign currency exchange rates. As described above, the Company's reported revenues and segment operating profit in 2016 were reduced due to foreign currency effects compared to 2015.

This trend has continued into 2017 as a result of a strengthening U.S. dollar. During times of a strengthening U.S. dollar, the reported revenues and segment operating profit of the Company's international operations will be reduced because the local currencies will translate into fewer U.S. dollars. The Company uses certain derivative instruments to mitigate a portion of the risk associated with changing foreign currency exchange rates.

Items Excluded from Reportable Segment Totals

Retained Corporate Costs and Other

Retained corporate costs and other for 2017 were $104 million compared with $98 million for 2016. These costs were higher in 2017 primarily due to lower equity earnings from the Company's joint-venture with Constellation Brands in Mexico. Beginning in the first quarter of 2017, equity earnings from this joint-venture were recorded in the North America region. In prior years, equity earnings from this joint-venture were recorded in Retained Corporate Costs and Other as it was mostly in construction mode.

Retained corporate costs and other for 2016 were $98 million compared with $70 million for 2015. These costs were higher in 2016 primarily due to pension expense, management incentive compensation expense and the impact from currency hedges.

Restructuring, Asset Impairment and Other Charges

During 2017, the Company recorded charges totaling $77 million for restructuring, asset impairment and other charges. These charges reflect $72 million of plant and furnace closures, primarily in the Latin America and Europe regions and other charges of $5 million.

During 2016, the Company recorded charges totaling $129 million for restructuring, asset impairment and other charges. These charges reflect $98 million of plant and furnace closures, primarily in the European and Latin America regions. In addition, other charges of $31 million were recorded during 2017, primarily related to an impairment charge recorded at one of the Company's equity investments.

During 2015, the Company recorded charges totaling $80 million for restructuring, asset impairment and other charges. These charges reflect $63 million of completed furnace closures, primarily in the North America and Latin America regions and other charges of $17 million.

See Note 8 to the Consolidated Financial Statements for additional information.

Pension Settlement Charges

During 2017, the Company recorded charges totaling $218 million for pension settlements in the United States, Canada and United Kingdom.

During 2016, the Company recorded charges totaling $98 million for pension settlements in the United States.

See Note 9 to the Consolidated Financial Statements for additional information.

Gain on China Land Compensation

During 2016, the Company recorded a gain of $71 million related to compensation received for land that the Company was required to return to the Chinese government.

Acquisition-related Fair Value Adjustments and Strategic Transaction Costs

During 2015, the Company recorded charges of $23 million for strategic transaction costs related to the Vitro Acquisition.

During 2015, the Company recorded charges of $22 million for acquisition-related fair value inventory adjustments related to the Vitro Acquisition. These charges were due to the accounting rules requiring inventory purchased in a business combination to be marked up to fair value and then recorded as an increase to cost of goods sold as the inventory is sold. During 2015, the Company also recorded charges of $10 million for acquisition-related fair value intangible asset adjustments related to trademark assets with short-term lives acquired as part of the Vitro Acquisition.

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 OI European Group B.V. ("OIEG"), a subsidiary of the Company, is free to pursue the enforcement of a prior arbitration award (the "Award") against Venezuela. As of December 31, 2017, that Award amounts to more than $500 million, including reimbursement of expenses and accrued interest. Venezuela's application to annul the Award was heard by an ad hoc committee of the ICSID in September 2017, but no decision has been rendered yet.

On July 31, 2017, OIEG sold its right, title and interest in amounts due under the Award to an Ireland-domiciled investment fund. Under the terms of the sale, OIEG received a payment, in cash, at closing equal to $115 million (the "Cash Payment"). OIEG may also receive additional payments in the future ("Deferred Amounts") calculated based on the total compensation that is received from Venezuela as a result of collection efforts or as settlement of the Award with Venezuela. In the event that the Award is partially or completely annulled by the ICSID ad hoc annulment committee, OIEG may be required to repay to the purchaser up to the entire amount of the Cash Payment based on a formula tied to the amount of the Award (if any) that is annulled. In addition, OIEG's right to receive any Deferred Amounts is subject to the limitations described below.

OIEG's interest in any amounts received in the future from Venezuela in respect of the Award is limited to a percentage of such recovery after taking into account reimbursement of the Cash Payment to the purchaser and reimbursement of legal fees and expenses incurred by the Company and the purchaser. OIEG's percentage of such recovery will also be reduced over time. Because the Award has yet to be satisfied, the annulment proceeding is pending, and the ability to successfully enforce the Award in countries that are party to the ICSID Convention is subject to significant challenges, the Company is unable to reasonably predict the amount of recoveries from the Award, if any, to which the Company may be entitled in the future. Any future amounts that the Company may receive from the Award are highly speculative and the timing of any such future payments, if any, is highly uncertain. As such, there can be no assurance that the Company will receive any future payments under the Award beyond the Cash Payment. Except as noted above in connection with the annulment proceeding that is pending before the ICSID ad hoc committee, the Cash Payment is not subject to any forfeiture or future adjustment.

A separate arbitration involving other subsidiaries of the Company was initiated in 2012 to obtain compensation primarily for third-party minority shareholders' lost interests in the two expropriated plants. However, in November 2017, ICSID issued an award that dismissed this arbitration on jurisdiction grounds. The Company is currently exploring potential next steps.

As of December 31, 2017, the Company deferred the gain contingency on the sale of its rights in amounts due under the Award pending the ad hoc committee of the ICSID rendering its decision regarding Venezuela's application to annul the Award.

The loss from discontinued operations of $3 million and $7 million, for the years ended December 31, 2017 and 2016, respectively, relates to ongoing costs for the Venezuelan expropriation.

Vitro Acquisition

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.

Capital Resources and Liquidity

As of December 31, 2017, the Company had cash and total debt of $492 million and $5.3 billion, respectively, compared to $492 million and $5.3 billion, respectively, as of December 31, 2016. 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 December 31, 2017 was $451 million.

Current and Long-Term Debt

On April 22, 2015, the Company entered into a Senior Secured Credit Facility, which subsequently has been amended several times with the most recent amendment being entered into on September 28, 2017 (the "Amended Agreement").

At December 31, 2017, the Amended Agreement includes a $300 million revolving credit facility, a $600 million multicurrency revolving credit facility and a $1,575 million term loan A facility ($1,148 million net of debt issuance costs), each of which has a final maturity date of April 22, 2020. At December 31, 2017, the Company had unused credit of $888 million available under the Amended Agreement. The weighted average interest rate on borrowings outstanding under the Amended Agreement at December 31, 2017 was 3.17%.

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 covenant, a Total Leverage Ratio, that requires the Company not to exceed a ratio calculated by dividing consolidated total debt, less cash and cash equivalents ("Net Indebtedness"), by consolidated EBITDA, as defined in the Amended Agreement. 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 of 4.0x for the fiscal quarter ending December 31, 2017 and each fiscal quarter thereafter.

On September 28, 2017, the Company entered into Amendment No. 5 ("Amendment No. 5") to the Amended Agreement. Amendment No. 5 changes the calculation of the Total Leverage Ratio by excluding from the calculation of Net Indebtedness ordinary course revolver borrowings (except to the extent such borrowings existed at the prior year end) and non-recourse factoring or securitization debt.

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 would be unable to 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 December 31, 2017, 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.

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.

During November 2016, the Company issued senior notes with a face value of €500 million that bear interest at 3.125% and are due November 15, 2024 (the "Senior Notes due 2024"). The notes were issued via a private placement and are guaranteed by certain of the Company's domestic subsidiaries. The net proceeds, after deducting debt issuance costs, totaled approximately $520 million and were used to repay the term loan B facility under the Amended Agreement. In March 2017, the Company expanded its borrowings under the Senior Notes due 2024 by issuing €225 million of additional notes that bear interest at 3.125% and are due November 15, 2024. The notes were issued via a private placement and are guaranteed by certain of the Company's domestic subsidiaries. The net proceeds, after deducting debt issuance costs, totaled approximately $237 million and were used to repay a portion of the Company's revolving credit facility.

During March 2017, OI Inc. purchased in a tender offer approximately $228 million aggregate principal amount of its 7.80% Senior Debentures due in 2018. In November 2017, the remaining $22 million of the 7.80% Senior Debentures were repurchased by OI Inc., the indenture relating thereto was discharged, and all collateral and guarantees thereunder were released. The Company recorded $18 million of additional interest charges for note repurchase premiums and the write-off of unamortized finance fees related to these actions.

During December 2017, the Company issued senior notes with a face value of $310 million that bear interest at 4.000% and are due March 15, 2023. The notes were issued via a private placement and are guaranteed by certain of the Company's domestic subsidiaries. The net proceeds, after deducting debt issuance costs, totaled approximately $305 million and were used to repay a portion of the term loan A facility under the Amended Agreement.

In order to maintain a capital structure containing appropriate amounts of fixed and floating-rate debt, the Company has entered into a series of interest rate swap agreements. These swap agreements were accounted for as fair value hedges (see Note 7 to the Consolidated Financial Statements).

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

The Company has a €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 as of December 31, 2017 and 2016 is as follows:

	2017	2016
Balance (included in short-term loans)	$ 133	$ 152
Weighted average interest rate	0.76 %	0.74 %

Cash Flows

Operating activities: Cash provided by continuing operating activities was $834 million for 2017 compared to $883 million for 2016. The decrease in cash provided by continuing operating activities in 2017 was primarily due to an increase in working capital of $89 million compared to a decrease of $90 million in 2016. This increase in working capital in 2017 was primarily due to the nonreccurrence of a $128 million refund the Company received in 2016 on value added taxes previously paid in conjunction with an acquisition. Lower pension contributions were more than offset by higher amounts of cash paid for restructuring activities in 2017 compared to the prior year.

Investing activities: Cash utilized in continuing investing activities was $466 million for 2017 compared to $417 million for 2016. Capital spending for property, plant and equipment during 2017 was $441 million, compared with $454 million in the prior year.

Acquisition activities were $39 million and $56 million in 2017 and 2016, respectively, and were primarily related to contributions made to the Company's joint venture with Constellation Brands in Nava, Mexico. In 2017, the Company received $14 million in net proceeds from the disposal of assets compared to $85 million in 2016. In 2016, these proceeds included the sale of land use rights in China that did not repeat in 2017. Also, in 2017, a subsidiary of the Company received $115 million from selling its right, title and interest in amounts due under a prior arbitration award against Venezuela related to a discontinued operation. See Note 19 to the Consolidated Financial Statements for additional information.

In October 2017, the Company signed an agreement to expand its joint venture with Constellation. To meet rising demand from Constellation's adjacent brewery, the newly-expanded relationship provides for the addition of a fifth furnace, which is expected to be operational by the end of 2019. This capacity expansion, which is estimated to cost approximately $140 million, will be financed by equal contributions from both partners throughout 2018 and 2019. The term of the joint venture agreement was also expanded for ten additional years, to 2034.

Financing activities: Cash utilized in financing activities was $502 million for 2017 compared to $353 million of cash utilized by financing activities for 2016. Financing activities in 2017 included additions to long-term debt of $1,458 million, which included the issuances of €225 million and $310 million of senior notes. Financing activities in 2017 also included the repayment of long-term debt of $1,764 million, which included the repayment of floating-rate debt in the Company's Senior Secured Credit Facility and the repayment of the Payable to OI Inc. Financing activities in 2016 included additions to long-term debt of $1,235 million, which included the issuance of €500 million of senior notes. Financing activities in 2016 also included the repayment of long-term debt of $1,453 million, which included the repayment of floating-rate debt in the Company's Senior Secured Credit Facility. Borrowings under short-term loans decreased by $36 million in 2017. The Company paid approximately $28 million in note repurchase premiums and finance fees in 2017 compared to $9 million in 2016.

The Company paid $17 million and $16 million in distributions to noncontrolling interests in 2017 and 2016, respectively.

The Company anticipates that cash flows from its operations and from utilization of credit available under the Amended 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.

Contractual Obligations and Off-Balance Sheet Arrangements

The following information summarizes the Company's significant contractual cash obligations at December 31, 2017 (dollars in millions).

	Payments due by period				
	Total	Less than one year	1 - 3 years	3 - 5 years	More than 5 years
Contractual cash obligations:					
Long-term debt	$ 5,078	$ 4	$ 1,750	$ 892	$ 2,432
Capital lease obligations	54	7	13	12	22
Operating leases	258	73	94	54	37
Interest (1)	1,051	226	386	252	187
Purchase obligations (2)	1,910	566	693	290	361
Pension benefit plan contributions (3)	35	35			
Postretirement benefit plan benefit payments (1)	100	11	20	21	48
Equity affiliate investment obligation (4)	70	30	40		
Total contractual cash obligations	$ 8,556	$ 952	$ 2,996	$ 1,521	$ 3,087

	Amount of commitment expiration per period				
	Total	Less than one year	1 - 3 years	3 - 5 years	More than 5 years
Other commercial commitments:					
Standby letters of credit	$ 54	$ 54	$ —	$ —	$ —
Total commercial commitments	$ 54	$ 54	$ —	$ —	$ —

(1) Amounts based on rates and assumptions at December 31, 2017.

(2) The Company's purchase obligations consist principally of contracted amounts for energy and molds. In cases where variable prices are involved, current market prices have been used. The amount above does not include ordinary course of business purchase orders because the majority of such purchase orders may be canceled. The Company does not believe such purchase orders will adversely affect its liquidity position.

(3) In order to maintain minimum funding requirements, the Company is required to make contributions to its defined benefit pension plans of approximately $35 million in 2018. Future funding requirements for the Company's pension plans will depend largely on actual asset returns and future actuarial assumptions, such as discount rates, and can vary significantly.

(4) In 2014, the Company entered into a joint venture agreement with Constellation Brands to operate a glass container plant in Nava, Mexico. To help meet current and rising demand from Constellation's adjacent brewery, the joint venture plans to expand the plant over the next two years. The Company expects to contribute approximately $70 million for the joint venture's expansion plans through 2019.

The Company is unable to make a reasonably reliable estimate as to when cash settlement with taxing authorities may occur for its unrecognized tax benefits. Therefore, the liability for unrecognized tax benefits is not included in the table above. See Note 10 to the Consolidated Financial Statements for additional information.

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 Consolidated Financial Statements, if applicable, where estimates and assumptions affect the Company's reported and expected financial results.

The Company believes that accounting for the impairment of long-lived assets, pension benefit plans, and income taxes involves the more significant judgments and estimates used in the preparation of its consolidated financial statements.

Impairment of Long-Lived Assets

Property, Plant and Equipment—The Company tests for impairment of PP&E whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. PP&E held for use in the Company's business is grouped for impairment testing at the lowest level for which cash flows can reasonably be identified, typically a segment or a component of a segment. The Company evaluates the recoverability of PP&E based on undiscounted projected cash flows, excluding interest and taxes. If an asset group is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset group's carrying amount exceeds its fair value. PP&E held for sale is reported at the lower of carrying amount or fair value less cost to sell.

Impairment testing requires estimation of the fair value of PP&E based on the discounted value of projected future cash flows generated by the asset group. The assumptions underlying cash flow projections represent management's best estimates at the time of the impairment review. Factors that management must estimate include, among other things: industry and market conditions, sales volume and prices, production costs and inflation. Changes in key assumptions or actual conditions which differ from estimates could result in an impairment charge. The Company uses reasonable and supportable assumptions when performing impairment reviews and cannot predict the occurrence of future events and circumstances that could result in impairment charges.

Goodwill –Goodwill is tested for impairment annually as of October 1 (or more frequently if impairment indicators arise). Step 1 compares the business enterprise value ("BEV") of each reporting unit with its carrying value. The BEV is computed based on estimated future cash flows, discounted at the weighted average cost of capital of a hypothetical third-party buyer. If the BEV is less than the carrying value for any reporting unit, then goodwill impairment must be calculated. Goodwill impairment will be calculated by comparing the reporting unit's fair value of goodwill with the carrying amount of goodwill. Any excess of the carrying value of the goodwill over the fair value will be recorded as an impairment loss. The calculations of the BEV in Step 1 are based on significant unobservable inputs, such as projected future cash flows of the reporting units, discount rates, and terminal business value, and are classified as Level 3 in the fair value hierarchy. The Company's projected future cash flows incorporates management's best estimates of the expected future results including, but not limited to, price trends, customer demand, material costs, asset replacement costs and any other known factors.

Goodwill is tested for impairment at the reporting unit level, which is the operating segment or one level below the operating segment, also known as a component. Two or more components of an operating segment shall be aggregated into a single reporting unit if the components have similar economic characteristics, based on an assessment of various factors. The Company has determined that the Europe and North America segments are reporting units. The Company aggregated the components of the Latin America and Asia Pacific segments into single reporting units equal to the reportable segments. The aggregation of the components of these segments was based on their economic similarity as determined by the Company using a number of quantitative and qualitative factors, including gross margins, the manner in which the Company operates the business, the consistent nature of products, services, production processes, customers and methods of distribution, as well as the level of shared resources and assets between the components.

During the fourth quarter of 2017, the Company completed its annual impairment testing and determined that no impairment of goodwill existed. Goodwill at December 31, 2017 totaled approximately $2.6 billion, representing 27% of total assets. The Company has four reporting units of which three of the reporting units have goodwill and include; approximately $900 million of recorded goodwill to the Company's Europe segment, approximately $600 million of recorded goodwill to the Company's Latin America segment and approximately $1.1 billion of recorded goodwill to the Company's North America segment. The testing performed as of October 1, 2017, indicated a substantial excess of BEV over book value for Europe, North America and Latin America. If the Company's projected future cash flows were substantially lower, or if the assumed weighted average cost of capital was substantially higher, the testing performed as of October 1, 2017, may have indicated an impairment of one or more of these reporting units and, as a result, the related goodwill may also have been impaired. Any impairment charges that the Company may take in the future could be material to its consolidated results of operations and financial condition. However, less significant changes in projected future cash flows or the assumed weighted average cost of capital would not have indicated an impairment. For example, if projected future cash flows had been decreased by 5%, or if the weighted average cost of capital had been increased by 5%, or both, the resulting lower BEV's would still have exceeded the book value of each of these reporting units.

During the time subsequent to the annual evaluation, and at December 31, 2017, the Company considered whether any events and/or changes in circumstances had resulted in the likelihood that the goodwill of any of its reporting units may have been impaired and has determined that no such events have occurred. The Company will monitor conditions throughout 2018 that might significantly affect the projections and variables used in the impairment test to determine if a review prior to October 1 may be appropriate. If the results of impairment testing confirm that a write down of goodwill is necessary, then the Company will record a charge in the fourth quarter of 2018, or earlier if appropriate. In the event the Company would be required to record a significant write down of goodwill, the charge would have a material adverse effect on reported results of operations and net worth.

Other Long-Lived Assets - Intangibles – Other long-lived assets consist primarily of purchased customer relationships intangibles and are amortized using the accelerated amortization method over their estimated useful lives. The Company reviews these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In the event that a decline in fair value of an asset occurs, and the decline in value is considered to be other than temporary, an impairment loss is recognized. The test for impairment would require the Company to make estimates about fair value, which may be determined based on discounted cash flows, third party appraisals or other methods that provide appropriate estimates of value. The Company continually monitors the carrying value of their assets.

Pension Benefit Plans

Significant Estimates—The determination of pension obligations and the related pension expense or credits to operations involves significant estimates. The most significant estimates are the discount rate used to calculate the actuarial present value of benefit obligations and the expected long-term rate of return on plan assets. The Company uses discount rates based on yields of high quality fixed rate debt securities at the end of the year. At December 31, 2017, the weighted average discount rate was 3.69 % and 2.76 % for U.S. and non-U.S. plans, respectively. The Company uses an expected long-term rate of return on assets that is based on both past performance of the various plans' assets and estimated future performance of the assets. Due to the nature of the plans' assets and the volatility of debt and equity markets, actual returns may vary significantly from year to year. The Company refers to average historical returns over longer periods (up to 10 years) in determining its expected rates of return because short-term fluctuations in market values do not reflect the rates of return the Company expects to achieve based upon its long-term investing strategy. For purposes of determining pension charges and credits in 2017, the Company's estimated weighted average expected long-term rate of return on plan assets is 7.50% for U.S. plans and 6.32% for non-U.S. plans compared to 7.50% for U.S. plans and 7.15% for non-U.S. plans in 2016. The Company recorded pension expense from continuing operations (exclusive of settlement charges) of $21 million, $23 million, and $24 million for the U.S. plans in 2017, 2016, and 2015, respectively, and $8 million, $8 million, and $7 million for the non-U.S. plans in 2017, 2016, and 2015, respectively. Depending on currency translation rates, the Company expects to record approximately $38 million of total pension expense for the full year of 2018. The 2018 pension expense will reflect a 7.25% and 5.52% expected long-term rate of return for the U.S. assets and non-U.S. assets, respectively.

Future effects on reported results of operations depend on economic conditions and investment performance. For example, a one-half percentage point change in the actuarial assumption regarding discount rates used to calculate plan liabilities or in the expected rate of return on plan assets would result in a change of approximately $6 million and $11 million, respectively, in the pretax pension expense for the full year 2018.

Recognition of Funded Status—The Company recognizes the funded status of each pension benefit plan on the balance sheet. The funded status of each plan is measured as the difference between the fair value of plan assets and actuarially calculated benefit obligations as of the balance sheet date. Actuarial gains and losses are accumulated in Other Comprehensive Income and the portion of each plan that exceeds 10% of the greater of that plan's assets or projected benefit obligation is amortized to income on a straight-line basis over the average remaining service period of employees still accruing benefits or the expected life of participants not accruing benefits if all, or almost all, of the plan's participants are no longer accruing benefits.

Income Taxes

The Company accounts for income taxes as required by general accounting principles under which management judgment is required in determining income tax expense/(benefit) and the related balance sheet amounts. This judgment includes estimating and analyzing historical and projected future operating results, the reversal of taxable and tax deductible temporary differences, tax planning strategies, and the ultimate outcome of uncertain income tax positions. Actual income taxes paid may vary from estimates, depending upon changes in income tax laws, actual results of operations, and the effective settlement of uncertain tax positions. The Company has received tax assessments in excess of established reserves for uncertain tax positions. The Company is contesting these tax assessments, and will continue to do so, including pursuing all available remedies such as appeals and litigation, if necessary.

The Company believes that adequate provisions for all income tax uncertainties have been made. However, if tax assessments are settled against the Company at amounts in excess of established reserves, it could have a material impact to the Company's results of operations, financial position or cash flows. Changes in the estimates and assumptions used for calculating income tax expense and potential differences in actual results from estimates could have a material impact on the Company's results of operations and financial condition.

Deferred tax assets and liabilities are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities measured using enacted tax rates and for tax attributes such as operating losses and tax credit carryforwards. Deferred tax assets and liabilities are determined separately for each tax jurisdiction on a separate or on a consolidated tax filing basis, as applicable, in which the Company conducts its operations or otherwise incurs taxable income or losses. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. The Company considers the following possible sources of taxable income when assessing the realization of deferred tax assets:

- taxable income in prior carryback years;
- future reversals of existing taxable temporary differences;
- future taxable income exclusive of reversing temporary differences and carryforwards; and
- prudent and feasible tax planning strategies that the Company would be willing to undertake to prevent a deferred tax asset from otherwise expiring.

The assessment regarding whether a valuation allowance is required or whether a change in judgment regarding the valuation allowance has occurred also considers all available positive and negative evidence, including but not limited to:

- nature, frequency, and severity of cumulative losses in recent years;
- duration of statutory carryforward and carryback periods;
- statutory limitations against utilization of tax attribute carryforwards against taxable income;
- historical experience with tax attributes expiring unused; and
- near- and medium-term financial outlook.

The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. Accordingly, it is generally difficult to conclude a valuation allowance is not required when there is significant objective and verifiable negative evidence, such as cumulative losses in recent years. The Company uses the actual results for the last two years and current year results as the primary measure of cumulative losses in recent years.

The evaluation of deferred tax assets requires judgment in assessing the likely future tax consequences of events recognized in the financial statements or tax returns and future profitability. The recognition of deferred tax assets represents the Company’s best estimate of those future events. Changes in the current estimates, due to unanticipated events or otherwise, could have a material effect on the Company’s results of operations and financial condition.

In certain tax jurisdictions, the Company’s analysis indicates that it has cumulative losses in recent years. This is considered significant negative evidence which is objective and verifiable and, therefore, difficult to overcome. However, the cumulative loss position is not solely determinative and, accordingly, the Company considers all other available positive and negative evidence in its analysis. Based on its analysis, the Company has recorded a valuation allowance for the portion of deferred tax assets where based on the weight of available evidence it is unlikely to realize those deferred tax assets.

Based on the evidence available including a lack of sustainable earnings, the Company in its judgment previously recorded a valuation allowance against substantially all of its net deferred tax assets in the United States. If a change in judgment regarding this valuation allowance were to occur in the future, the Company will record a potentially material deferred tax benefit, which could result in a favorable impact on the effective tax rate in that period. The utilization of tax attributes to offset taxable income reduces the amount of deferred tax assets subject to a valuation allowance.

The U.S. Tax Cuts and Jobs Act (“Act”) was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. *Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cut and Jobs Act*, allows filers to use prior year methodologies or estimates of the anticipated current impact of the Act in the preparation of their 2017 financial statements. At December 31, 2017, the Company had not completed its accounting for the tax effects of enactment of the Act; however, in certain cases, as described below, it has made a reasonable estimate of the effects on its existing deferred tax balances and the one-time transition tax. In all cases, the Company will continue to make and refine its calculations as additional data is gathered and further analysis is completed. In addition, the Company's estimates may also be affected as it gains a more thorough understanding of the tax law and certain aspects of the Act are clarified by the taxing authorities. Any adjustments to these provisional amounts will be reported as a component of tax expense (benefit) in the reporting period in which any such adjustments are determined, which will be no later than the fourth quarter of 2018.

The Company remeasured certain U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, the Company is still analyzing certain aspects of the Act and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded related to the remeasurement of net deferred tax assets was a net tax charge of $80 million, which was fully offset by an adjustment to valuation allowance. Additionally, the Company recorded a deferred tax benefit of $11 million for the reduction of a deferred tax liability related to an indefinite lived intangible asset. The Act did not change the Company's judgment regarding the realizability of these net deferred tax assets.

The one-time transition tax is based on the Company's total post-1986 earnings and profits ("E&P") that were previously deferred from U.S. income taxes and for which no deferred taxes were recorded since the Company previously claimed the indefinite reinvestment assertion exception on these earnings. The Company recorded a provisional amount for its one-time transition tax liability of $2 million, net of foreign tax credits. The Company has not yet completed its calculation of the total post-1986 E&P and associated foreign tax credits for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when the Company finalizes the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalizes the amounts held in cash or other specified assets. The Company anticipates that additional guidance and clarification regarding the implementation of the transition tax will be issued by federal and state taxing authorities and this estimate is, therefore, subject to future refinement.

No additional income taxes (other than those related to the foreign earnings inclusion taxable under the transition tax) have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts provisionally continue to be indefinitely reinvested in foreign operations. The Company provisionally continues to apply ASC 740 based on the provisions of the tax laws that were in effect immediately prior to the Act being enacted since the Company cannot complete its analysis of whether a change in its indefinite reinvestment assertion would occur until additional guidance is available and the transition tax liability computation is complete.

The Company has elected to treat Global Intangible Low Taxed Income (GILTI) which is effective in 2018 for the Company as a period cost.

Additional guidance is likely to be issued providing further clarification on the application of the Act. Further, it is reasonable to expect that global taxing authorities will be reviewing current legislation for potential modifications in reaction to the implementation of the U.S. legislation. This additional guidance, along with the potential for additional global tax legislation changes, could have a material adverse impact on net income and cash flow by impacting significant deductions or income inclusions.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from fluctuations in foreign currency exchange rates, changes in interest rates, and changes in commodity prices, principally energy and soda ash. The Company uses certain derivative instruments to mitigate a portion of the risk associated with changing foreign currency exchange rates. The Company also uses certain derivative instruments to mitigate a portion of the risk associated with fluctuating energy prices in its North American region. These instruments carry varying degrees of counterparty credit risk. To mitigate this risk, the Company has defined a financial counterparty policy that established criteria to select qualified counterparties based on credit ratings and CDC spreads. The policy also limits the exposure with individual counterparties. The Company monitors these exposures quarterly. The Company does not enter into derivative financial instruments for trading purposes.

Foreign Currency Exchange Rate Risk

Earnings of operations outside the United States

A substantial portion of the Company's operations are conducted by subsidiaries outside the U.S. The primary international markets served by the Company's subsidiaries are in Canada, Australia, China, Latin America (principally Brazil, Colombia, and Mexico), and Europe (principally France, Germany, Italy, the Netherlands, Poland, Spain, and the United Kingdom). In general, revenues earned and costs incurred by the Company's major international operations are denominated in their respective local currencies. Consequently, the Company's reported financial results could be affected by factors such as changes in foreign currency exchange rates or highly inflationary economic conditions in the international markets in which the Company's subsidiaries operate. When the U.S. dollar strengthens against foreign currencies, the reported U.S. dollar value of local currency earnings generally decreases; when the U.S. dollar weakens against foreign currencies, the reported U.S. dollar value of local currency earnings generally increases. For the years ended December 31, 2017, 2016, and 2015, the Company did not have any significant foreign subsidiaries whose functional currency was the U.S. dollar.

Borrowings not denominated in the functional currency

Because the Company's subsidiaries operate within their local economic environment, the Company believes it is appropriate to finance those operations with borrowings denominated in the local currency to the extent practicable where debt financing is desirable or necessary. This strategy mitigates the risk of reported losses or gains in the event the foreign currency strengthens or weakens against the U.S. dollar. Considerations which influence the amount of such borrowings include long- and short-term business plans, tax implications, and the availability of borrowings with acceptable interest rates and terms.

Available excess funds of a subsidiary may be redeployed through intercompany loans to other subsidiaries for debt repayment, capital investment, or other cash requirements. The intercompany loans give rise to foreign currency exchange rate risk, which the Company mitigates through the use of forward exchange contracts that effectively swap the intercompany loan and related interest to the appropriate local currency.

Hedges of Multiple Risks

The Company has variable-interest rate borrowings denominated in currencies other than the functional currency of the borrowing subsidiaries. As a result, the Company is exposed to fluctuations in both the underlying variable interest rate and the currency of the borrowing against the subsidiaries' functional currency. The Company uses derivatives to manage these exposures and designates these derivatives as cash flow hedges of both interest rate and foreign exchange risks. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges of both interest rate risk and foreign exchange risk is recorded in Accumulated OCI and is subsequently reclassified into earnings in the period for which the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivative is recognized directly in earnings.

During the second quarter of 2017, one of the Company's Euro-functional subsidiaries entered into a cross-currency interest rate swap to manage its exposure to fluctuations in the variable interest rate and the U.S. dollar-Euro exchange rate arising from a U.S. dollar denominated borrowing. This swap involves exchanging fixed rate Euro interest payments for floating rate U.S. dollar interest receipts both of which will occur at the forward exchange rates in effect upon entering into the instrument. This instrument, which settled in the third quarter of 2017, had a pay fixed notional amount of €81 million and a receive floating notional amount of $90 million. There was no ineffectiveness related to these cross-currency interest rate swaps for the year ended December 31, 2017.

During the fourth quarter of 2017, one of the Company's Euro-functional subsidiaries entered into a series of cross-currency interest rate swaps to manage its exposure to fluctuations in the Euro-U.S. dollar exchange rate arising from a U.S. dollar denominated borrowing. These swaps involve exchanging fixed rate Euro interest payments for fixed rate U.S. dollar interest receipts both of which will occur at the forward exchange rates in effect upon entering into the instrument. An unrecognized loss of less than $1 million at December 31, 2017 related to these cross-currency interest rate swaps was included in Accumulated OCI, and will be reclassified into earnings within the next twelve months. These instruments, in the aggregate, have a pay fixed notional amount of €263 million and a receive notional amount of $310 million and reach final maturity in 2023. There was no ineffectiveness related to these cross-currency interest rate swaps for the year ended December 31, 2017.

Interest Rate Risk

The Company's interest expense is most sensitive to changes in the general level of interest rates applicable to the term loans under its Secured Credit Agreement (see Note 11 to the Consolidated Financial Statements for further information). The Company's interest rate risk management objective is to limit the impact of interest rate changes on net income and cash flow, while minimizing interest payments and expense. To achieve this objective, the Company regularly evaluates its mix of fixed and floating-rate debt, and, from time to time, may enter into interest rate swap agreements.

Interest Rate Swap Agreements

In the third and fourth quarters of 2017, the Company entered into a series of interest rate swap agreements with a total notional amount of €725 million that reach final maturity in 2024. The swaps were executed in order to maintain a capital structure containing appropriate amounts of fixed and floating-rate debt and to reduce net interest payments and expense in the near-term.

The Company's fixed-to-variable interest rate swaps were accounted for as fair value hedges. The relevant terms of the swap agreements match the corresponding terms of the notes and therefore there is no hedge ineffectiveness. The Company recorded the net of the fair market values of the swaps as a long-term liability and short-term asset along with a corresponding net decrease in the carrying value of the hedged debt.

Under the swaps, the Company receives fixed rate interest amounts (equal to the interest on the corresponding hedged note) and pays interest at a six-month Euribor rate (set in arrears) plus a margin spread (see table below). The interest rate differential on each swap is recognized as an adjustment of interest expense during each six-month period over the term of the agreement.

The following table provides information about the Company's interest rate sensitivity related to its significant debt obligations, including interest rate swap agreements, at December 31, 2017. The table presents principal cash flows and related weighted-average interest rates by expected maturity date.

(Dollars in millions)	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value at 12/31/2017
Long-term debt at variable rate:								
Principal by expected maturity	$ 2	$ 2	$ 1,150	$ 2	$ —	$ 848	$ 2,004	$ 2,004
Avg. principal outstanding	$ 2,003	$ 2,001	$ 1,425	$ 849	$ 848	$ 848		
Avg. interest rate	2.90 %	2.90 %	2.80 %	2.55 %	2.55 %	2.55 %		
Long-term debt at fixed rate:								
Principal by expected maturity	$ 9	$ 9	$ 603	$ 399	$ 503	$ 1,605	$ 3,128	$ 3,453
Avg. principal outstanding	$ 3,128	$ 3,128	$ 2,533	$ 2,133	$ 1,637	$ 639		
Avg. interest rate	5.36 %	5.36 %	5.03 %	5.05 %	5.07 %	5.90 %		

The Company believes the near term exposure to interest rate risk of its debt obligations has not changed materially since December 31, 2017.

In addition, the determination of pension obligations and the related pension expense or credits to operations involves significant estimates. Future funding requirements for the Company's pension plans will depend largely on actual asset returns and future actuarial assumptions, such as discount rates, and can vary significantly. The discount rate is a significant estimate that is used to calculate the actuarial present value of benefit obligations and is based on yields of high quality fixed rate debt securities at the end of the year. For example, a one-half percentage point change in the actuarial assumption regarding discount rates used to calculate plan liabilities or in the expected rate of return on plan assets would result in a change of approximately $6 million and $11 million, respectively, in the pretax pension expense for the full year 2018.

Commodity Price Risk

The Company has exposure to commodity price risk, principally related to energy. In North America, 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. The Company continually evaluates the natural gas market and related price risk and periodically enters into commodity forward contracts in order to hedge a portion of its usage requirements. The majority of the sales volume in North America is tied to customer contracts that contain provisions that pass the price of natural gas to the customer. In certain of these contracts, the customer has the option of fixing the natural gas price component for a specified period of time. At December 31, 2017, the Company had entered into commodity forward contracts covering approximately 8,800,000 MM BTUs, some of which relate to customer requests to lock the price of natural gas. In Europe, the Company enters into fixed price contracts for a significant amount of its energy requirements. These contracts typically have terms of 3 years or less.

The Company believes the near term exposure to commodity price risk of its commodity forward contracts was not material at December 31, 2017.

Forward-Looking Statements

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Share Owner of
Owens-Illinois Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Owens-Illinois Group, Inc. (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of results of operations, comprehensive income, share owner's equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.
Toledo, Ohio
February 14, 2018

Owens-Illinois Group, Inc.

CONSOLIDATED RESULTS OF OPERATIONS

Dollars in millions

Years ended December 31,	**2017**	**2016**	**2015**
Net sales	$ 6,869	$ 6,702	$ 6,156
Cost of goods sold	(5,736)	(5,490)	(5,046)
Gross profit	1,133	1,212	1,110
Selling and administrative expense	(502)	(503)	(476)
Research, development and engineering expense	(60)	(65)	(64)
Interest expense, net	(268)	(272)	(251)
Equity earnings	77	60	60
Other expense, net	(105)	(76)	(95)
Earnings from continuing operations before income taxes	275	356	284
Provision for income taxes	(70)	(119)	(106)
Earnings from continuing operations	205	237	178
Loss from discontinued operations	(3)	(7)	(4)
Net earnings	202	230	174
Net (earnings) attributable to noncontrolling interests	(22)	(21)	(23)
Net earnings attributable to the Company	$ 180	$ 209	$ 151
Amounts attributable to the Company:			
Earnings from continuing operations	$ 183	$ 216	$ 155
Loss from discontinued operations	(3)	(7)	(4)
Net earnings	$ 180	$ 209	$ 151

See accompanying Notes to the Consolidated Financial Statements.

Owens-Illinois Group, Inc.

CONSOLIDATED COMPREHENSIVE INCOME

Dollars in millions

Years ended December 31,	2017	2016	2015
Net earnings	$ 202	$ 230	$ 174
Other comprehensive income (loss):			
Foreign currency translation adjustments	70	(224)	(529)
Pension and other postretirement benefit adjustments, net of tax	289	52	(4)
Change in fair value of derivative instruments, net of tax	(8)	13	(6)
Other comprehensive income (loss)	351	(159)	(539)
Total comprehensive income (loss)	553	71	(365)
Comprehensive income attributable to noncontrolling interests	(27)	(17)	(7)
Comprehensive income (loss) attributable to the Company	$ 526	$ 54	$ (372)

See accompanying Notes to the Consolidated Financial Statements.

Owens-Illinois Group, Inc.

CONSOLIDATED BALANCE SHEETS

Dollars in millions

December 31,	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 492	$ 492
Trade receivables, net of allowances of $34 million and $32 million at December 31, 2017 and 2016, respectively	663	580
Inventories	1,036	983
Prepaid expenses and other current assets	229	199
Total current assets	2,420	2,254
Other assets:		
Equity investments	525	433
Pension assets	49	40
Other assets	602	602
Intangibles	439	464
Goodwill	2,590	2,462
Total other assets	4,205	4,001
Property, plant and equipment:		
Land, at cost	255	241
Buildings and equipment, at cost:		
Buildings and building equipment	1,180	1,090
Factory machinery and equipment	5,015	4,496
Transportation, office and miscellaneous equipment	96	85
Construction in progress	303	238
	6,849	6,150
Less accumulated depreciation	3,718	3,270
Net property, plant and equipment	3,131	2,880
Total assets	$ 9,756	$ 9,135

See accompanying Notes to the Consolidated Financial Statements.

Owens-Illinois Group, Inc.

CONSOLIDATED BALANCE SHEETS (Continued)

Dollars in millions, except per share amounts

December 31,	2017	2016
Liabilities and Share Owner's Equity		
Current liabilities:		
Accounts payable	$ 1,324	$ 1,135
Salaries and wages	166	174
U.S. and foreign income taxes	35	58
Other accrued liabilities	378	383
Other liabilities - discontinued operations	115	
Short-term loans	151	162
Long-term debt due within one year	11	33
Total current liabilities	2,180	1,945
Long-term debt	5,121	5,133
Deferred taxes	99	100
Pension benefits	471	552
Nonpension postretirement benefits	167	162
Other liabilities	209	188
Commitments and contingencies		
Share owner's equity:		
Share owner's equity of the Company:		
Common stock, par value $.01 per share, 1,000 shares authorized, 100 shares issued		
Other contributed capital	553	635
Retained earnings	2,622	2,442
Accumulated other comprehensive loss	(1,785)	(2,131)
Total share owner's equity of the Company	1,390	946
Noncontrolling interests	119	109
Total share owner's equity	1,509	1,055
Total liabilities and share owner's equity	$ 9,756	$ 9,135

See accompanying Notes to the Consolidated Financial Statements.

Owens-Illinois Group, Inc.

CONSOLIDATED SHARE OWNER'S EQUITY

Dollars in millions

	Share Owner's Equity of the Company				
	Other Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Share Owner's Equity
Balance on January 1, 2015	$ 964	2,082	(1,453)	117	1,710
Net distribution to parent	(215)				(215)
Net earnings		151		23	174
Other comprehensive loss			(523)	(16)	(539)
Distributions to noncontrolling interests				(22)	(22)
Acquisitions of noncontrolling interests	(18)			6	(12)
Balance on December 31, 2015	731	2,233	(1,976)	108	1,096
Net distribution to parent	(96)				(96)
Net earnings		209		21	230
Other comprehensive loss			(155)	(4)	(159)
Distributions to noncontrolling interests				(16)	(16)
Balance on December 31, 2016	635	2,442	(2,131)	109	1,055
Net distribution to parent	(82)				(82)
Net earnings		180		22	202
Other comprehensive income			346	5	351
Distributions to noncontrolling interests				(17)	(17)
Balance on December 31, 2017	$ 553	$ 2,622	$ (1,785)	$ 119	$ 1,509

See accompanying Notes to the Consolidated Financial Statements.

Owens-Illinois Group, Inc.

CONSOLIDATED CASH FLOWS

Dollars in millions

Years ended December 31,	2017	2016	2015
Operating activities:			
Net earnings	$ 202	$ 230	$ 174
Loss from discontinued operations	3	7	4
Non-cash charges (credits):			
Depreciation	387	375	323
Amortization of intangibles and other deferred items	101	103	86
Amortization of finance fees and debt discount	13	13	15
Deferred tax provision (benefit)	(12)	(4)	12
Pension expense	29	31	31
Restructuring, asset impairment and related charges	72	98	63
Pension settlement charges	218	98	
Impairment of equity investment		25	
Gain on China land sale		(71)	
Acquisition-related fair value inventory adjustments			22
Acquisition-related fair value intangible adjustments			10
Pension contributions	(31)	(38)	(17)
Cash paid for restructuring activities	(62)	(24)	(38)
Change in components of working capital	(89)	90	88
Other	3	(50)	(23)
Cash provided by continuing operating activities	834	883	750
Cash utilized in discontinued operating activities	(3)	(7)	(4)
Total cash provided by operating activities	831	876	746
Investing activities:			
Cash payments for property, plant, and equipment	(441)	(454)	(402)
Acquisitions, net of cash acquired	(39)	(56)	(2,351)
Net cash proceeds related to sale of assets and other	14	85	1
Net foreign exchange derivative activity		8	4
Cash utilized in continuing investing activities	(466)	(417)	(2,748)
Cash provided by discontinued investing activities	115		
Total cash utilized in investing activities	(351)	(417)	(2,748)
Financing activities:			
Additions to long-term debt	1,458	1,235	4,538
Repayments of long-term debt	(1,764)	(1,453)	(2,321)
Increase (decrease) in short-term loans	(36)	10	51
Payment of finance fees	(28)	(9)	(90)
Other	(6)		
Distributions paid to noncontrolling interests	(17)	(16)	(22)
Distribution to parent	(109)	(120)	(237)
Cash provided by (utilized in) financing activities	(502)	(353)	1,919
Effect of exchange rate fluctuations on cash	22	(13)	(30)
Increase (decrease) in cash	—	93	(113)
Cash and cash equivalents at beginning of period	492	399	512
Cash and cash equivalents at end of period	$ 492	$ 492	$ 399

See accompanying Notes to the Consolidated Financial Statements.

Owens-Illinois Group Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tabular data dollars in millions

1. Significant Accounting Policies

Basis of Consolidated Statements The consolidated financial statements of Owens-Illinois Group, Inc. (the "Company") include the accounts of its subsidiaries. Newly acquired subsidiaries have been included in the consolidated financial statements from dates of acquisition.

The Company uses the equity method of accounting for investments in which it has a significant ownership interest, generally 20% to 50%. Other investments are accounted for at cost. The Company monitors other than temporary declines in fair value and records reductions in carrying values when appropriate.

Relationship with Owens-Illinois, Inc. 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 asbestos-related payments. OI Inc. relies primarily on distributions from its direct and indirect subsidiaries to meet these obligations.

For federal and certain state income tax purposes, the taxable income of the Company is included in the consolidated tax returns of OI Inc. and income taxes are allocated to the Company on a basis consistent with separate returns.

Nature of Operations The Company is a leading manufacturer of glass container products. The Company's principal product lines are glass containers for the food and beverage industries. The Company has glass container operations located in 23 countries. The principal markets and operations for the Company's products are in Europe, North America, Latin America and Asia Pacific.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Company to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, at which time the Company would revise its estimates accordingly.

Foreign Currency Translation The assets and liabilities of non-U.S. subsidiaries are translated into U.S. dollars at year-end exchange rates. Any related translation adjustments are recorded in accumulated other comprehensive income in share owner's equity.

Revenue Recognition The Company recognizes sales, net of estimated discounts and allowances, when the title to the products and risk of loss are transferred to customers. Provisions for rebates to customers are provided in the same period that the related sales are recorded.

Shipping and Handling Costs Shipping and handling costs are included with cost of goods sold in the Consolidated Results of Operations.

Stock-Based Compensation The Company participates in OI Inc.'s stock-based compensation plans consisting of stock option grants and restricted share awards. Costs resulting from all share-based compensation plans are required to be recognized in the financial statements. A public entity is required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the required service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the required service.

Cash The Company defines "cash" as cash and time deposits with maturities of three months or less when purchased. Outstanding checks in excess of funds on deposit are included in accounts payable.

Accounts Receivable Receivables are stated at amounts estimated by management to be the net realizable value. The Company charges off accounts receivable when it becomes apparent based upon age or customer circumstances that amounts will not be collected.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

Allowance for Doubtful Accounts The allowance for doubtful accounts is established through charges to the provision for bad debts. The Company evaluates the adequacy of the allowance for doubtful accounts on a periodic basis. The evaluation includes historical trends in collections and write-offs, management's judgment of the probability of collecting accounts and management's evaluation of business risk.

Inventory Valuation Inventories are valued at the lower of average costs or market.

Goodwill Goodwill represents the excess of cost over fair value of net assets of businesses acquired. Goodwill is evaluated annually, as of October 1, for impairment or more frequently if an impairment indicator exists.

Intangible Assets and Other Long-Lived Assets Intangible assets are amortized over the expected useful life of the asset. Amortization expense directly attributed to the manufacturing of the Company's products is included in cost of goods sold. Amortization expense related to non-manufacturing activities is included in selling and administrative and other. The Company evaluates the recoverability of intangible assets and other long-lived assets based on undiscounted projected cash flows, excluding interest and taxes, when factors indicate that impairment may exist. If impairment exists, the asset is written down to fair value.

Property, Plant and Equipment Property, plant and equipment ("PP&E") is carried at cost and includes expenditures for new facilities and equipment and those costs which substantially increase the useful lives or capacity of existing PP&E. In general, depreciation is computed using the straight-line method and recorded over the estimated useful life of the asset. Factory machinery and equipment is depreciated over periods ranging from 5 to 25 years with the majority of such assets (principally glass-melting furnaces and forming machines) depreciated over 7 to 15 years. Buildings and building equipment are depreciated over periods ranging from 10 to 50 years. Depreciation expense directly attributed to the manufacturing of the Company's products is included in cost of goods sold. Depreciation expense related to non-manufacturing activities is included in selling and administrative. Depreciation expense includes the amortization of assets recorded under capital leases. Maintenance and repairs are expensed as incurred. Costs assigned to PP&E of acquired businesses are based on estimated fair values at the date of acquisition. The Company evaluates the recoverability of PP&E based on undiscounted projected cash flows, excluding interest and taxes, when factors indicate that impairment may exist. If impairment exists, the asset is written down to fair value.

Derivative Instruments The Company uses currency swaps, interest rate swaps, forward exchange contracts, options and commodity forward contracts to manage risks generally associated with foreign exchange rate, interest rate and commodity market volatility. Derivative financial instruments are included on the balance sheet at fair value. When appropriate, derivative instruments are designated as and are effective as hedges, in accordance with accounting principles generally accepted in the United States. If the underlying hedged transaction ceases to exist, all changes in fair value of the related derivatives that have not been settled are recognized in current earnings. The Company does not enter into derivative financial instruments for trading purposes and is not a party to leveraged derivatives. Cash flows from forward exchange contracts not designated as hedges are classified as an investing activity and cash flows from commodity forward contracts are classified as operating activities. Cash flows of currency swaps and interest rate swap contracts are classified within the cash flow statement based on the nature of the underlying cash flows.

Fair Value Measurements Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defines a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs for which there is little or no market data, which requires the Company to develop assumptions.

The carrying amounts reported for cash and short-term loans approximate fair value. In addition, carrying amounts approximate fair value for certain long-term debt obligations subject to frequently redetermined interest rates. Fair values for the Company's significant fixed rate debt obligations are generally based on published market quotations.

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

Reclassifications Certain reclassifications of prior years' data have been made to conform to the current year presentation.

New Accounting Standards

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, and therefore will be effective for the Company on January 1, 2018. The Company is nearing the completion of its implementation process, which included a review of customer contracts, to evaluate the effect this standard will have on its consolidated financial statements and related disclosures. At this time, the Company does not expect that the implementation of this standard in 2018 will have a significant impact on the timing in which it recognizes revenue. The Company does not currently expect the adoption of the new standard to have a material impact on consolidated net income or the consolidated balance sheet. The standard requires new substantial disclosures and the Company continues to evaluate these requirements. The Company plans to select the modified retrospective transition method upon adoption effective January 1, 2018.

Leases - In February 2016, the FASB issued ASU No. 2016-02, "Leases". Under this guidance, lessees will be required to recognize on the balance sheet a lease liability and a right-of-use asset for all leases, with the exception of short-term leases. The lease liability represents the lessee's obligation to make lease payments arising from a lease, and will be measured as the present value of the lease payments. The right-of-use asset represents the lessee's right to use a specified asset for the lease term, and will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. The standard also requires a lessee to recognize a single lease cost allocated over the lease term, generally on a straight-line basis. The new guidance is effective for the Company on January 1, 2019. ASU No. 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. The Company anticipates the new guidance will significantly impact its consolidated financial statements as the Company has a significant number of leases. As further described in Note 16, Operating Leases, as of December 31, 2017, the Company had minimum lease commitments under non-cancellable operating leases totaling $258 million. The Company has begun the implementation of new software to manage its leases in accordance with this new accounting standard.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

Stock Compensation - In March 2016, the FASB issued ASU No. 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. The Company adopted this standard in the first quarter of 2017. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

Credit Losses - In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. This guidance also requires enhanced disclosures regarding significant estimates and judgments used in estimating credit losses. The new guidance is effective for the Company on January 1, 2020. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

Goodwill - In January 2017, the FASB issued ASU No. 2017-05, "Simplifying the Accounting for Goodwill Impairment" which removes Step 2 of the goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, but not exceeding the carrying amount of goodwill. Application of the standard will be applied prospectively and is effective for calendar year-end filers in 2020, with early adoption permitted for any impairment tests performed after January 1, 2017. The Company elected to early adopt this standard in the fourth quarter of 2017. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Compensation - Retirement Benefits - In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" which requires the service cost component to be presented with other employee compensation costs in operating income within the income statement while the other components will be reported separately outside of operations. Application of the standard is required for annual periods beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements, except for the reclassification in the Consolidated Results of Operations of prior period pension settlement charges from the Cost of goods sold and Selling and administrative expense accounts into the Other expenses, net account.

Derivatives and Hedging - In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities" which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Application of the standard is required for annual periods beginning after December 15, 2018. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

2. Segment Information

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

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

certain incentive compensation and other benefit plan costs that are global in nature and are not allocable to the reportable segments.

Beginning in the first quarter of 2017, equity earnings related to the Company's joint-venture with Constellation Brands in Mexico were recorded in the North America region. In prior years, equity earnings from this joint-venture were recorded in Retained corporate costs and other as it was mostly in construction mode.

Beginning in the first quarter of 2018, to better leverage its scale and presence across a larger geography and market, and to reduce administrative costs, the Company merged the North America and Latin America segments into one segment named the Americas. This change in segment reporting for the Americas is aligned with the Company's internal approach to managing, reporting, and evaluating performance of this region.

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 regarding the Company's reportable segments is as follows:

	2017	2016	2015
Net sales:			
Europe	$ 2,375	$ 2,300	$ 2,324
North America	2,160	2,220	2,039
Latin America	1,551	1,432	1,064
Asia Pacific	714	684	671
Reportable segment totals	6,800	6,636	6,098
Other	69	66	58
Net sales	$ 6,869	$ 6,702	$ 6,156

	2017	2016	2015
Segment operating profit:			
Europe	$ 263	$ 237	$ 209
North America	318	299	265
Latin America	296	269	183
Asia Pacific	65	77	83
Reportable segment totals	942	882	740
Items excluded from segment operating profit:			
Retained corporate costs and other	(104)	(98)	(70)
Pension settlement charges	(218)	(98)	
Restructuring, asset impairment and other charges	(77)	(129)	(80)
Gain on China land sale		71	
Strategic transaction costs			(23)
Acquisition-related fair value inventory adjustments			(22)
Acquisition-related fair value intangible adjustments			(10)
Interest expense, net	(268)	(272)	(251)
Earnings from continuing operations before income taxes	$ 275	$ 356	$ 284

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

	Europe	North America	Latin America	Asia Pacific	Reportable Segment Totals	Retained Corp Costs and Other	Consolidated Totals
Total assets:							
2017	$ 3,133	$ 2,794	$ 2,617	$ 1,001	$ 9,545	$ 211	$ 9,756
2016	2,792	2,522	2,537	926	8,777	358	9,135
2015	2,902	2,500	2,807	917	9,126	295	9,421
Equity investments:							
2017	$ 95	$ 259	$ —	$ 114	$ 468	$ 57	$ 525
2016	78	21		117	216	217	433
2015	78	22		145	245	164	409
Equity earnings:							
2017	$ 18	$ 41	$ —	$ —	$ 59	$ 18	$ 77
2016	15	12		4	31	29	60
2015	16	19		7	42	18	60
Capital expenditures:							
2017	$ 152	$ 106	$ 127	$ 55	$ 440	$ 1	$ 441
2016	163	108	123	59	453	1	454
2015	164	97	89	50	400	2	402
Depreciation and amortization expense:							
2017	$ 125	$ 134	$ 176	$ 43	$ 478	$ 10	$ 488
2016	118	139	173	37	467	11	478
2015	120	128	107	40	395	14	409

The Company's net property, plant and equipment by geographic segment are as follows:

	U.S.	Non-U.S.	Total
2017	$ 757	$ 2,374	$ 3,131
2016	749	2,131	2,880
2015	736	2,225	2,961

The Company's net sales by geographic segment are as follows:

	U.S.	Non-U.S.	Total
2017	$ 2,072	$ 4,797	$ 6,869
2016	2,124	4,578	6,702
2015	1,939	4,217	6,156

Intercompany sales in Latin America totaled $150 million, $179 million and $101 for the years ended December 31, 2017, 2016, and 2015, respectively.

For only the year ended December 31, 2015, operations outside the U.S. that accounted for more than 10% of consolidated net sales were in France.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

3. Inventories

Major classes of inventory are as follows:

	2017	2016
Finished goods	$ 873	$ 827
Raw materials	122	118
Operating supplies	41	38
	$ 1,036	$ 983

4. Equity Investments

At December 31, 2017 the Company's ownership percentage in affiliates include:

Affiliates	O-I Ownership Percentage	Business Type
BJC O-I Glass Pte. Ltd.	50 %	Glass container manufacturer
CO Vidrieria SARL ("COV")	50 %	Glass container manufacturer
Rocky Mountain Bottle Company	50 %	Glass container manufacturer
Tata Chemical (Soda Ash) Partners	25 %	Soda ash supplier
Vetrerie Meridionali SpA ("VeMe")	50 %	Glass container manufacturer
Vetri Speciali SpA	50 %	Specialty glass manufacturer

Summarized information pertaining to the Company's equity affiliates follows:

	2017	2016	2015
Equity in earnings:			
Non-U.S.	$ 45	$ 19	$ 23
U.S.	32	41	37
Total	$ 77	$ 60	$ 60
Dividends received	$ 48	$ 38	$ 53

Summarized combined financial information for equity affiliates is as follows (unaudited):

	2017	2016
At end of year:		
Current assets	$ 466	$ 425
Non-current assets	1,021	779
Total assets	1,487	1,204
Current liabilities	232	190
Other liabilities and deferred items	198	145
Total liabilities and deferred items	430	335
Net assets	$ 1,057	$ 869

	2017	2016	2015
For the year:			
Net sales	$ 883	$ 755	$ 719
Gross profit	$ 242	$ 182	$ 193
Net earnings	$ 165	$ 145	$ 139

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

Based on an evaluation of each of the Company's equity investments for the three years ending December 31, 2017, no investments exceeded the significant subsidiary thresholds per Rule 3-09 of Regulation S-X. As such, separate financial statements for the Company's equity investments are not required to be filed.

The Company made purchases of approximately $180 million and $176 million from equity affiliates in 2017 and 2016, respectively, and owed approximately $90 million and $76 million to equity affiliates as of December 31, 2017 and 2016, respectively.

There is a difference of approximately $10 million as of December 31, 2017, between the amount at which certain investments are carried and the amount of underlying equity in net assets. The portion of the difference related to inventory or amortizable assets is amortized as a reduction of the equity earnings. The remaining difference is considered goodwill.

5. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2017, 2016, and 2015 are as follows:

	Europe	North America	Latin America	Other	Total
Balance as of January 1, 2015	$ 926	$ 723	$ 239	$ 5	$ 1,893
Acquisition related adjustments		316	480		796
Translation effects	(86)	(19)	(95)		(200)
Balance as of December 31, 2015	840	1,020	624	5	2,489
Acquisition related adjustments		15	26		41
Translation effects	(32)	3	(39)		(68)
Balance as of December 31, 2016	808	1,038	611	5	2,462
Translation effects	105	8	15		128
Balance as of December 31, 2017	$ 913	$ 1,046	$ 626	$ 5	$ 2,590

The acquisition related adjustments in 2016 and 2015 primarily relate to the Vitro Acquisition (see Note 18).

Goodwill for the Asia Pacific segment is $0 and net of accumulated impairment losses of $1,135 million as of December 31, 2017, 2016, and 2015.

Goodwill is tested for impairment annually as of October 1 (or more frequently if impairment indicators arise) by comparing the business enterprise value ("BEV") of each reporting unit with its carrying value. The BEV is computed based on estimated future cash flows, discounted at the weighted average cost of capital of a hypothetical third-party buyer. If the BEV is less than the carrying value for any reporting unit, then any excess of the BEV of the goodwill over the carrying value will be recorded as an impairment loss. The calculations of the BEV are based on significant unobservable inputs, such as price trends, customer demand, material costs, discount rates and asset replacement costs, and are classified as Level 3 in the fair value hierarchy.

During the fourth quarter of 2017, the Company completed its annual impairment testing and determined that no impairment existed.

Intangible assets

Customer list intangible assets are amortized using the accelerated amortization method over their 20 year lives. Net intangible asset values were $439 million and $464 million for the years ended December 31, 2017 and 2016, respectively. Amortization expense for intangible assets was $41 million, $39 million and $21 million for the years ended December 31, 2017, 2016, and 2015, respectively. Estimated amortization related to intangible assets through 2022 is as follows: 2018, $44 million; 2019, $42 million; 2020, $41 million; 2021, $39 million; and 2022, $36 million. No impairment existed on these assets at December 31, 2017.

Tabular data dollars in millions

The Company has determined that the fair value measurements related to the customer list intangibles are based on significant unobservable inputs and are classified as Level 3 in the fair value hierarchy.

6. Other Assets

Other assets (noncurrent) consist of the following at December 31, 2017 and 2016:

	2017	2016
Deferred tax assets	$ 194	$ 185
Deferred returnable packaging costs	119	115
Repair part inventories	106	107
Capitalized software	82	85
Value added taxes	24	22
Other	77	88
	$ 602	$ 602

Capitalized software includes costs related to the acquisition and development of internal-use software. These costs are amortized over the estimated useful life of the software. Amortization expense for capitalized software was $12 million, $13 million and $19 million for 2017, 2016, and 2015, respectively. Estimated amortization related to capitalized software through 2022 is as follows: 2018, $13 million; 2019, $14 million; 2020, $13 million; 2021, $12 million and 2022, $11 million.

7. 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 2016, which included the execution of commodity forward contracts for certain contracted natural gas requirements. At December 31, 2017 and 2016, the Company had entered into commodity forward contracts covering approximately 8,800,000 MM BTUs and 12,300,000 MM BTUs, respectively.

The Company accounts for the above forward contracts as cash flow hedges at December 31, 2017 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 at December 31, 2017 and an unrecognized gain of $6 million at December 31, 2016 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 year ended December 31, 2017 and 2016 was not material.

Tabular data dollars in millions

The effect of the commodity forward contracts on the results of operations for the years ended December 31, 2017, 2016, and 2015 is as follows:

Amount of gain (loss) 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)		
2017	2016	2015	2017	2016	2015
$ 6	$ 7	$ (4)	$ —	$ —	$ (1)

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 foreign 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 foreign exchange agreements on the balance sheet at fair value and changes in the fair value are recognized in current earnings.

At December 31, 2017 and 2016, the Company had outstanding foreign exchange and option agreements denominated in various currencies covering the equivalent of approximately $460 million and $490 million, respectively, related primarily to intercompany transactions and loans.

The effect of the foreign exchange derivative contracts on the results of operations for the years ended December 31, 2017, 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		
	2017	2016	2015
Other expense, net	$ 10	$ 6	$ 10

Hedges of Multiple Risks

The Company has variable-interest rate borrowings denominated in currencies other than the functional currency of the borrowing subsidiaries. As a result, the Company is exposed to fluctuations in both the underlying variable interest rate and the currency of the borrowing against the subsidiaries' functional currency. The Company uses derivatives to manage these exposures and designates these derivatives as cash flow hedges of both interest rate and foreign exchange risks. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges of both interest rate risk and foreign exchange risk is recorded in Accumulated OCI and is subsequently reclassified into earnings in the period for which the hedged forecasted transaction affects earnings. If there is an ineffective portion of the change in fair value of the derivative it is recognized directly in earnings.

During the second quarter of 2017, one of the Company's Euro-functional subsidiaries entered into a cross-currency interest rate swap to manage its exposure to fluctuations in the variable interest rate and the U.S. dollar-

Tabular data dollars in millions

Euro exchange rate arising from a U.S. dollar denominated borrowing. This swap involves exchanging fixed rate Euro interest payments for floating rate U.S. dollar interest receipts both of which will occur at the forward exchange rates in effect upon entering into the instrument. This instrument, which settled in the third quarter of 2017, had a pay fixed notional amount of €81 million and a receive floating notional amount of $90 million. There was no ineffectiveness related to these cross-currency interest rate swaps for the year ended December 31, 2017.

During the fourth quarter of 2017, one of the Company's Euro-functional subsidiaries entered into a series of cross-currency interest rate swaps to manage its exposure to fluctuations in the Euro-U.S dollar exchange rate arising from a U.S. dollar denominated borrowing. These swaps involve exchanging fixed rate Euro interest payments for fixed rate U.S. dollar interest receipts both of which will occur at the forward exchange rates in effect upon entering into the instrument. An unrecognized loss of less than $1 million at December 31, 2017 related to these cross-currency interest rate swaps was included in Accumulated OCI, and will be reclassified into earnings within the next twelve months. These instruments, in the aggregate, have a pay fixed notional amount of €263 million and a receive notional amount of $310 million and reach final maturity in 2023. There was no ineffectiveness related to these cross-currency interest rate swaps for the year ended December 31, 2017.

Interest Rate Swaps Designated as Fair Value Hedges

During the third and fourth quarters of 2017, the Company entered into a series of interest rate swap agreements with a total notional amount of €725 million that reach final maturity in 2024. The swaps were executed in order to maintain a capital structure containing appropriate amounts of fixed and floating-rate debt and to reduce net interest payments and expense in the near-term.

The Company's fixed-to-variable interest rate swaps were accounted for as fair value hedges. The relevant terms of the swap agreements match the corresponding terms of the notes and therefore there is no hedge ineffectiveness. The Company recorded the net of the fair market values of the swaps as a long-term liability and short-term asset along with a corresponding net decrease in the carrying value of the hedged debt.

Under the swaps, the Company receives fixed rate interest amounts (equal to the interest on the corresponding hedged note) and pays interest at a six-month Euribor rate (set in arrears) plus a margin spread (see table below). The interest rate differential on each swap is recognized as an adjustment of interest expense during each six-month period over the term of the agreement.

The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The Company has determined that the majority of the inputs used to value these derivatives fall within Level 2 of the fair value hierarchy.

The following selected information relates to fair value swaps at December 31, 2017:

	Amount Hedged	Receive Rate	Average Spread
Senior Notes due 2024	€ 725	3.125 %	2.6 %

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

Balance Sheet Classification

The Company records the fair values of derivative financial instruments on the balance sheet as follows: (a) receivables if the instrument has a positive fair value and maturity within one year, (b) deposits, receivables, and other assets if the instrument has a positive fair value and maturity after one year, (c) other accrued liabilities or other liabilities (current) if the instrument has a negative fair value and maturity within one year, and (d) other accrued liabilities or other liabilities if the instrument has a negative fair value and maturity after one year. The following table shows the amount and classification (as noted above) of the Company's derivatives as of December 31, 2017 and 2016:

	Balance Sheet Location	Fair Value 2017	Fair Value 2016
Asset Derivatives:			
Derivatives designated as hedging instruments:			
Commodity futures contracts	b	$ 3	$ 6
Interest rate swaps designated as fair value hedges	a	6	
Hedges of multiple risks designated as cash flow hedges	a	4	
Derivatives not designated as hedging instruments:			
Foreign exchange derivative contracts	a	$ 4	$ 9
Total asset derivatives		$ 17	$ 15
Liability Derivatives:			
Derivatives designated as hedging instruments:			
Commodity futures contracts	c	$ —	$ —
Interest rate swaps designated as fair value hedges	d	13	
Hedges of multiple risks designated as cash flow hedges	d	10	
Derivatives not designated as hedging instruments:			
Foreign exchange derivative contracts	d	1	5
Total liability derivatives		$ 24	$ 5

8. Restructuring Accruals, Asset Impairments and Other Costs Related to Closed Facilities

The Company continually reviews its manufacturing footprint and operating cost structure and may decide to close operations or reduce headcount to gain efficiencies, integrate acquired operations, reduce future expenses and other market factors. The Company incurs costs associated with these actions including employee severance and benefits, other exit costs such as those related to contract terminations, and asset impairment charges. The Company also may incur other costs related to closed facilities including environmental remediation, clean up, dismantling and preparation for sale or other disposition.

The Company accounts for restructuring and other costs under applicable provisions of generally accepted accounting principles. Charges for employee severance and related benefits are generally accrued based on contractual arrangements with employees or their representatives. Other exit costs are accrued based on the estimated cost to settle related contractual arrangements. Estimated environmental remediation costs are accrued when specific claims have been received or are probable of being received.

The Company's decisions to curtail selected production capacity have resulted in write downs of certain long-lived assets to the extent their carrying amounts exceeded fair value or fair value less cost to sell. The Company classified the significant assumptions used to determine the fair value of the impaired assets as Level 3 in the fair value hierarchy as set forth in the general accounting principles for fair value measurements.

When a decision is made to take these actions, the Company manages and accounts for them programmatically apart from the on-going operations of the business. Information related to major programs is

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

presented separately while minor initiatives are presented on a combined basis. As of December 31, 2017 and 2016, no major restructuring programs were in effect.

In 2017, the Company implemented a number of minor restructuring initiatives and recorded restructuring, asset impairment and other charges of $72 million. These charges primarily consisted of employee costs, write-down of assets, and other exit costs in the following regions: Latin America ($45 million), Europe ($19 million), North America ($4 million) and Asia Pacific ($4 million). The restructuring charges recorded in 2017 were discrete actions and are expected to approximate the total cumulative cost for those actions as no significant additional costs are expected to be incurred. As part of the total restructuring charges recorded in Europe in 2016 and 2017, the Company has recorded total cumulative charges of $56 million related to a plant closure in this region and does not expect to execute any further significant actions related to this facility. The restructuring charges recorded in 2017 in the Latin American and European regions primarily relate to capacity curtailments and products produced at those facilities have, in large part, been reallocated to others in their respective regions. The Company expects that the majority of the remaining cash expenditures related to the above charges will be paid out by the end of 2019.

In 2016, the Company implemented a number of minor restructuring initiatives and the Company recorded restructuring, asset impairment and other charges of $98 million. These charges primarily consisted of employee costs, write-down of assets, and other exit costs in the following regions: Latin America ($18 million), Europe ($48 million), North America ($4 million), Asia Pacific ($4 million) and other corporate restructuring actions ($24 million). Except for the charges recorded in Europe, the other discrete restructuring charges recorded in 2016 are expected to approximate the total cumulative costs for those actions as no significant additional costs are expected to be incurred. The Company has recorded total cumulative charges of $47 million related to a plant closure in Europe. These restructuring charges primarily relate to several capacity curtailments and the Company reallocated the products produced at these facility to others in the region.

The following table presents information related to restructuring, asset impairment and other costs related to closed facilities from January 1, 2016 through December 31, 2017:

	Total Restructuring
Balance at January 1, 2016	$ 43
Charges	98
Write-down of assets to net realizable value	(28)
Net cash paid, principally severance and related benefits	(24)
Other, including foreign exchange translation	(4)
Balance at December 31, 2016	85
Charges	72
Write-down of assets to net realizable value	(11)
Net cash paid, principally severance and related benefits	(62)
Other, including foreign exchange translation	1
Balance at December 31, 2017	$ 85

The restructuring accrual balance represents the Company's estimates of the remaining future cash amounts to be paid related to the actions noted above. As of December 31, 2017, the Company's estimates include approximately $65 million for employee benefits costs, $19 million for environmental remediation costs, and $1 million for other exit costs.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

9. Pension Benefit Plans and Other Postretirement Benefits

Pension Benefit Plans

The Company has defined benefit pension plans covering a substantial number of employees located in the United States and several other non-U.S. jurisdictions. Benefits generally are based on compensation for salaried employees and on length of service for hourly employees. The Company's policy is to fund pension plans such that sufficient assets will be available to meet future benefit requirements. The Company's defined benefit pension plans use a December 31 measurement date.

The changes in the pension benefit obligations for the year are as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Obligations at beginning of year	$ 1,956	$ 2,190	$ 1,235	$ 1,210
Change in benefit obligations:				
Service cost	14	15	15	16
Interest cost	78	90	40	44
Actuarial (gain) loss, including the effect of change in discount rates	123	36	(15)	160
Curtailment, settlement, and plan amendment	(393)	(200)	(171)	
Participant contributions			1	2
Benefit payments	(128)	(175)	(60)	(71)
Other				3
Foreign currency translation			103	(129)
Net change in benefit obligations	(306)	(234)	(87)	25
Obligations at end of year	$ 1,650	$ 1,956	$ 1,148	$ 1,235

The changes in the fair value of the pension plans' assets for the year are as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Fair value at beginning of year	$ 1,654	$ 1,909	$ 1,011	$ 1,012
Change in fair value:				
Actual gain (loss) on plan assets	254	118	87	139
Benefit payments	(128)	(175)	(60)	(71)
Employer contributions	7	2	24	38
Participant contributions			1	2
Settlements	(393)	(200)	(171)	
Foreign currency translation			83	(111)
Other				2
Net change in fair value of assets	(260)	(255)	(36)	(1)
Fair value at end of year	$ 1,394	$ 1,654	$ 975	$ 1,011

The Company recognizes the funded status of each pension benefit plan on the balance sheet. The funded status of each plan is measured as the difference between the fair value of plan assets and actuarially calculated benefit obligations as of the balance sheet date. Actuarial gains and losses are accumulated in Other Comprehensive Income and the portion of each plan that exceeds 10% of the greater of that plan's assets or projected benefit obligation is amortized to income on a straight-line basis over the average remaining service period of employees still accruing benefits or the expected life of participants not accruing benefits if all, or almost all, of the plan's participants are no longer accruing benefits.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

The funded status of the pension plans at year end is as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Plan assets at fair value	$ 1,394	$ 1,654	$ 975	$ 1,011
Projected benefit obligations	1,650	1,956	1,148	1,235
Plan assets less than projected benefit obligations	(256)	(302)	(173)	(224)
Items not yet recognized in pension expense:				
Actuarial loss	811	1,046	284	352
Prior service cost (credit)	1	1	(2)	(1)
	812	1,047	282	351
Net amount recognized	$ 556	$ 745	$ 109	$ 127

The net amount recognized is included in the Consolidated Balance Sheets at December 31, 2017 and 2016 as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Pension assets	$ —	$ —	$ 49	$ 40
Current pension liability, included with other accrued liabilities	(2)	(7)	(5)	(7)
Pension benefits	(254)	(295)	(217)	(257)
Accumulated other comprehensive loss	812	1,047	282	351
Net amount recognized	$ 556	$ 745	$ 109	$ 127

The following changes in plan assets and benefit obligations were recognized in accumulated other comprehensive income at December 31, 2017 and 2016 as follows (amounts are pretax):

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Current year actuarial (gain) loss	$ (2)	$ 66	$ (40)	$ 87
Amortization of actuarial loss	(57)	(67)	(16)	(12)
Settlement	(176)	(98)	(42)	
	(235)	(99)	(98)	75
Translation			30	(43)
Change in accumulated other comprehensive income	$ (235)	$ (99)	$ (68)	$ 32

The accumulated benefit obligation for all defined benefit pension plans was $2,735 million and $3,126 million at December 31, 2017 and 2016, respectively.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

The components of the net pension expense for the year are as follows:

	U.S.			Non-U.S.		
	2017	2016	2015	2017	2016	2015
Service cost	$ 14	$ 15	$ 24	$ 15	$ 16	$ 15
Interest cost	78	90	96	40	44	44
Expected asset return	(128)	(149)	(170)	(63)	(65)	(67)
Amortization:						
Actuarial loss	57	67	74	16	13	15
Net expense	$ 21	$ 23	$ 24	$ 8	$ 8	$ 7

Effective January 1, 2016 the Company amended its salary pension plan in North America to freeze future pension benefits. This action required an obligation remeasurement for the curtailment of benefits, which resulted in a reduction of the Company's pension expense.

In 2017, the Company settled a portion of its pension obligations in the U.S., Canada and the United Kingdom, resulting in settlement charges of $176 million, $27 million and $15 million, respectively. Retiree annuity contract purchase transactions in the U.S. and Canada amounting to approximately $369 million and $123 million, respectively, with several insurers, gave rise to the majority of the settlement transactions, with lump-sum payments directly to plan participants comprising the remainder. In 2016, the Company settled a portion of its U.S. pension obligation via a retiree annuity contract purchase of approximately $200 million, which resulted in a settlement charge of $98 million.

Amounts that are expected to be amortized from accumulated other comprehensive income into net pension expense during 2018:

	U.S.	Non-U.S.
Actuarial loss	$ 52	$ 13

The following information is for plans with projected and accumulated benefit obligations in excess of the fair value of plan assets at year end:

	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets				Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets			
	U.S.		Non-U.S.		U.S.		Non-U.S.	
	2017	2016	2017	2016	2017	2016	2017	2016
Projected benefit obligations	$ 1,650	$ 1,956	$ 905	$ 897	$ 1,650	$ 1,956	$ 261	$ 897
Accumulated benefit obligation	1,650	1,956	878	867	1,650	1,956	241	867
Fair value of plan assets	1,394	1,654	682	632	1,394	1,654	39	632

Tabular data dollars in millions

The weighted average assumptions used to determine benefit obligations are as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Discount rate	3.69 %	4.17 %	2.76 %	2.94 %
Rate of compensation increase	N/A	N/A	2.78 %	2.90 %

The weighted average assumptions used to determine net periodic pension costs are as follows:

	U.S.			Non-U.S.		
	2017	2016	2015	2017	2016	2015
Discount rate	4.17 %	4.43 %	4.05 %	2.94 %	3.68 %	3.65 %
Rate of compensation increase	N/A	N/A	2.96 %	2.90 %	2.84 %	2.89 %
Expected long-term rate of return on assets	7.50 %	7.50 %	8.00 %	6.32 %	7.15 %	7.21 %

Future benefits are assumed to increase in a manner consistent with past experience of the plans, which, to the extent benefits are based on compensation, includes assumed salary increases as presented above.

For 2017, the Company's weighted average expected long-term rate of return on assets was 7.50% for the U.S. plans and 6.32% for the non-U.S. plans. In developing this assumption, the Company considered its historical 10-year average return (through December 31, 2016) and evaluated input from its third party pension plan asset consultants, including their review of asset class return expectations.

It is the Company's policy to invest pension plan assets in a diversified portfolio consisting of an array of asset classes within established target asset allocation ranges. The investment risk of the assets is limited by appropriate diversification both within and between asset classes. The assets for the U.S. plans are maintained in a group trust. The U.S. plans hold no individual assets other than the investment in the group trust. The assets of the group trust and the Company's non-U.S. plans are primarily invested in a broad mix of domestic and international equities, domestic and international bonds, and real estate, subject to the target asset allocation ranges. The assets are managed with a view to ensuring that sufficient liquidity will be available to meet expected cash flow requirements.

The investment valuation policy of the Company is to value investments at fair value. All investments are valued at their respective net asset values. Equity securities for which market quotations are readily available are valued at the last reported sales price on their principal exchange on valuation date or official close for certain markets. Fixed income investments are valued by an independent pricing service. Investments in registered investment companies or collective pooled funds are valued at their respective net asset values. Short-term investments are stated at amortized cost, which approximates fair value. The fair value of real estate is determined by periodic appraisals.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

The Company's U.S. pension plan assets held in the group trust are measured at net asset value in the fair value hierarchy. The total U.S. plan assets amounted to $1,394 million and $1,654 million as of December 31, 2017 and 2016, respectively. In 2017, the U.S. plan assets consisted of approximately 65% equity securities, 28% debt securities, and 7% real estate and other. In 2017, the non-U.S. plan assets consisted of approximately 22% equity securities, 54% debt securities, and 24% real estate and other. The following table sets forth by level, within the fair value hierarchy, the Company's non-U.S. pension plan assets at fair value as of December 31, 2017 and 2016:

	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9	$ —	$ —	$ 9	$ 24	$ —	$ —	$ 24
Equity securities				—				—
Debt securities	33			33	37	2		39
Real estate				—			4	4
Other		27		27		37	6	43
Total	$ 42	$ 27	$ —		$ 61	$ 39	$ 10	
Investments measured at net asset value				$ 906				$ 901
Total non-U.S. assets at fair value				$ 975				$ 1,011

The following is a reconciliation of the Company's pension plan assets recorded at fair value using significant unobservable inputs (Level 3):

	2017	2016
Beginning balance	$ 10	$ 11
Net increase (decrease)	(10)	(1)
Ending balance	$ —	$ 10

The net increase (decrease) in the fair value of the Company's Level 3 pension plan assets is primarily due to purchases and sales of unlisted real estate funds. The change in the fair value of Level 3 pension plan assets due to actual return on those assets was immaterial in 2017.

In order to maintain minimum funding requirements, the Company is required to make contributions to its defined benefit pension plans of approximately $35 million in 2018.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year(s)	U.S.	Non-U.S.
2018	$ 111	$ 51
2019	112	47
2020	112	51
2021	109	53
2022	109	55
2023 - 2027	517	289

The Company also sponsors several defined contribution plans for all salaried and hourly U.S. employees, and employees in Canada, the U.K., The Netherlands and Australia. Participants' contributions are based on their compensation. The Company matches contributions of participants, up to various limits, in substantially all plans. Company contributions to these plans amounted to $33 million in 2017, $34 million in 2016, and $29 million in 2015.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

Postretirement Benefits Other Than Pensions

The Company provides retiree health care and life insurance benefits covering certain U.S. salaried and hourly employees, and substantially all employees in Canada. Benefits provided by the Company for hourly retirees are determined by collective bargaining. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. The Company uses a December 31 measurement date to measure its postretirement benefit obligations.

The changes in the postretirement benefit obligations for the year are as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Obligations at beginning of year	$ 92	$ 97	$ 81	$ 68
Change in benefit obligations:				
Service cost			1	1
Interest cost	4	4	3	3
Actuarial (gain) loss, including the effect of changing discount rates		(1)	1	9
Benefit payments	(7)	(9)	(2)	(2)
Foreign currency translation			5	2
Other		1		
Net change in benefit obligations	(3)	(5)	8	13
Obligations at end of year	$ 89	$ 92	$ 89	$ 81

The funded status of the postretirement benefit plans at year end is as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Postretirement benefit obligations	$ (89)	$ (92)	$ (89)	$ (81)
Items not yet recognized in net postretirement benefit cost:				
Actuarial gain (loss)	(19)	(21)	(7)	(6)
Prior service credit	22	30		
	3	9	(7)	(6)
Net amount recognized	$ (86)	$ (83)	$ (96)	$ (87)

The net amount recognized is included in the Consolidated Balance Sheets at December 31, 2017 and 2016 as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Current nonpension postretirement benefit, included with Other accrued liabilities	$ (8)	$ (8)	$ (3)	$ (3)
Nonpension postretirement benefits	(81)	(84)	(86)	(78)
Accumulated other comprehensive income (loss)	3	9	(7)	(6)
Net amount recognized	$ (86)	$ (83)	$ (96)	$ (87)

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

The following changes in benefit obligations were recognized in accumulated other comprehensive income at December 31, 2017 and 2016 as follows (amounts are pretax):

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Current year actuarial (gain) loss	$ —	$ (1)	$ 1	$ 9
Amortization of actuarial loss	(2)	(2)		
Amortization of prior service credit	8	8		
	$ 6	$ 5	$ 1	$ 9

The components of the net postretirement benefit cost for the year are as follows:

	U.S.			Non-U.S.		
	2017	2016	2015	2017	2016	2015
Service cost	$ —	$ —	$ —	$ 1	$ 1	$ 1
Interest cost	4	4	4	3	3	3
Amortization:						
Actuarial loss	2	2	2			
Prior service credit	(8)	(8)	(8)			
Net amortization	(6)	(6)	(6)	—	—	—
Net postretirement benefit (income) cost	$ (2)	$ (2)	$ (2)	$ 4	$ 4	$ 4

Amounts that are expected to be amortized from accumulated other comprehensive income into net postretirement benefit cost during 2018:

	U.S.	Non-U.S.
Amortization:		
Actuarial loss	$ 1	$ —
Prior service credit	(8)	
Net amortization	$ (7)	$ —

Amortization included in net postretirement benefit cost is based on the average remaining service of employees. The weighted average discount rates used to determine the accumulated postretirement benefit obligation and net postretirement benefit cost are as follows:

	U.S.			Non-U.S.		
	2017	2016	2015	2017	2016	2015
Accumulated postretirement benefit obligation	3.61 %	4.11 %	4.35 %	3.35 %	3.55 %	3.80 %
Net postretirement benefit cost	4.11 %	4.35 %	3.99 %	3.55 %	3.80 %	3.75 %

Tabular data dollars in millions

The weighted average assumed health care cost trend rates at December 31 are as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Health care cost trend rate assumed for next year	6.20 %	6.40 %	5.00 %	5.00 %
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00 %	5.00 %	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2024	2024	N/A	N/A

Assumed health care cost trend rates affect the amounts reported for the postretirement benefit plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	U.S. 1-Percentage-Point		Non-U.S. 1-Percentage-Point	
	Increase	Decrease	Increase	Decrease
Effect on total of service and interest cost	$ —	$ —	$ —	$ 1
Effect on accumulated postretirement benefit obligations	(4)	4	(6)	8

Amortization included in net postretirement benefit cost is based on the average remaining service of employees.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year(s)	U.S.	Non-U.S.
2018	$ 8	$ 3
2019	7	3
2020	7	3
2021	7	4
2022	6	4
2023 - 2027	28	20

Other U.S. hourly retirees receive health and life insurance benefits from a multi-employer trust established by collective bargaining. Payments to the trust as required by the bargaining agreements are based upon specified amounts per hour worked and were $6 million in 2017, $6 million in 2016 and $6 million in 2015. Postretirement health and life benefits for retirees of foreign subsidiaries are generally provided through the national health care programs of the countries in which the subsidiaries are located.

10. Income Taxes

The provision for income taxes was calculated based on the following components of earnings (loss) before income taxes:

Continuing operations	2017	2016	2015
U.S.	$ (43)	$ (27)	$ 15
Non-U.S.	318	383	269
	$ 275	$ 356	$ 284

Discontinued operations	2017	2016	2015
U.S.	$ —	$ —	$ —
Non-U.S.	(3)	(7)	(4)
	$ (3)	$ (7)	$ (4)

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

The provision (benefit) for income taxes consists of the following:

	2017	2016	2015
Current:			
U.S.	$ (5)	$ —	$ 9
Non-U.S.	87	123	85
	82	123	94
Deferred:			
U.S.	6	3	10
Non-U.S.	(18)	(7)	2
	(12)	(4)	12
Total:			
U.S.	1	3	19
Non-U.S.	69	116	87
Total for continuing operations	70	119	106
Total for discontinued operations	—	—	—
	$ 70	$ 119	$ 106

A reconciliation of the provision for income taxes based on the statutory U.S. Federal tax rate of 35% to the provision for income taxes is as follows:

	2017	2016	2015
Tax provision on pretax earnings from continuing operations at statutory U.S. Federal tax rate	$ 96	$ 124	$ 94
Increase (decrease) in provision for income taxes due to:			
Non-U.S. tax rates	(29)	(22)	(12)
U.S. Tax Cut and Jobs Act: transition tax, net of foreign tax credits	2		
Tax law changes	70	(3)	(3)
Change in valuation allowance: U.S. tax law change	(80)		
Change in valuation allowance: other	(283)	3	1
Tax attribute expiration	330		
Withholding tax, net	8	7	10
Non-deductible acquisition costs			6
Non-deductible expenses	9	20	7
U.S. tax on intercompany dividends and interest	2	3	16
Tax exempt income	(3)	(2)	(3)
Intraperiod tax allocation		(8)	
Tax credit	(37)	(19)	(14)
Changes in tax reserves	(18)	8	5
Mexico inflationary adjustments	13	6	3
Equity earnings	(13)	(9)	(7)
Intercompany financing	(4)	(5)	1
Other taxes based on income	10	11	3
Other items	(3)	5	(1)
Provision for income taxes	$ 70	$ 119	$ 106

Deferred income taxes reflect: (1) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes; and (2) carryovers and credits for income tax purposes.

Tabular data dollars in millions

Significant components of the Company's deferred tax assets and liabilities at December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred tax assets:		
Accrued postretirement benefits	$ 44	$ 53
Foreign tax credit carryovers	124	413
Operating and capital loss carryovers	342	389
Other credit carryovers	17	34
Accrued liabilities	69	95
Pension liabilities	77	138
Other	25	53
Total deferred tax assets	698	1,175
Deferred tax liabilities:		
Property, plant and equipment	101	131
Intangibles and deferred software	97	119
Other	(1)	2
Total deferred tax liabilities	197	252
Valuation allowance	(406)	(838)
Net deferred taxes	$ 95	$ 85

Deferred taxes are included in the Consolidated Balance Sheets at December 31, 2017 and 2016 as follows:

	2017	2016
Other assets	$ 194	$ 185
Deferred taxes	(99)	(100)
Net deferred taxes	$ 95	$ 85

The deferred tax benefit associated with the reduction in the valuation allowance of $432 million was primarily allocated $363 million to income from continuing operations due to the primacy of continuing operations, the change in tax law and expiration of certain tax attribute carryovers, and $79 million to other comprehensive income.

Deferred tax assets and liabilities are determined separately for each tax jurisdiction on a separate or on a consolidated tax filing basis, as applicable, in which the Company conducts its operations or otherwise incurs taxable income or losses. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. The Company considers the following possible sources of taxable income when assessing the realization of deferred tax assets:

- taxable income in prior carryback years;
- future reversals of existing taxable temporary differences;
- future taxable income exclusive of reversing temporary differences and carryforwards; and
- prudent and feasible tax planning strategies that the Company would be willing to undertake to prevent a deferred tax asset from otherwise expiring.

The assessment regarding whether a valuation allowance is required or whether a change in judgment regarding the valuation allowance has occurred also considers all available positive and negative evidence, including but not limited to:

- nature, frequency, and severity of cumulative losses in recent years;
- duration of statutory carryforward and carryback periods;
- statutory limitations against utilization of tax attribute carryforwards against taxable income;
- historical experience with tax attributes expiring unused; and
- near- and medium-term financial outlook.

The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. Accordingly, it is generally difficult to conclude a valuation allowance is not required when there is significant objective and verifiable negative evidence, such as cumulative losses in recent years. The Company uses the actual results for the last two years and current year results as the primary measure of cumulative losses in recent years.

The evaluation of deferred tax assets requires judgment in assessing the likely future tax consequences of events recognized in the financial statements or tax returns and future profitability. The recognition of deferred tax assets represents the Company's best estimate of those future events. Changes in the current estimates, due to unanticipated events or otherwise, could have a material effect on the Company's results of operations and financial condition.

In certain tax jurisdictions, the Company's analysis indicates that it has cumulative losses in recent years. This is considered significant negative evidence which is objective and verifiable and, therefore, difficult to overcome. However, the cumulative loss position is not solely determinative and, accordingly, the Company considers all other available positive and negative evidence in its analysis. Based on its analysis, the Company has recorded a valuation allowance for the portion of deferred tax assets where based on the weight of available evidence it is unlikely to realize those deferred tax assets.

Based on the evidence available including a lack of sustainable earnings, the Company in its judgment previously recorded a valuation allowance against substantially all of its net deferred tax assets in the United States. If a change in judgment regarding this valuation allowance were to occur in the future, the Company will record a potentially material deferred tax benefit, which could result in a favorable impact on the effective tax rate in that period.

The U.S. Tax Cuts and Jobs Act ("Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. *Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cut and Jobs Act*, allows filers to use prior year methodologies or estimates of the anticipated current impact of the Act in the preparation of their 2017 financial statements. At December 31, 2017, the Company had not completed its accounting for the tax effects of enactment of the Act; however, in certain cases, as described below, it has made a reasonable estimate of the effects on its existing deferred tax balances and the one-time transition tax. In all cases, the Company will continue to make and refine its calculations as additional data is gathered and further analysis is completed. In addition, the Company's estimates may also be affected as it gains a more thorough understanding of the tax law and certain aspects of the Act are clarified by the taxing authorities. Any adjustments to these provisional amounts will be reported as a component of tax expense (benefit) in the reporting period in which any such adjustments are determined, which will be no later than the fourth quarter of 2018.

The Company remeasured certain U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, the Company is still analyzing certain aspects of the Act and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded related to the remeasurement of net deferred tax assets was a net tax charge of $80 million, which was fully offset by an adjustment to valuation allowance. Additionally, the Company recorded a deferred tax benefit of $11 million for the reduction of a deferred tax liability related to an indefinite lived intangible asset. The Act did not change the Company's judgment regarding the realizability of these net deferred tax assets.

The one-time transition tax is based on the Company's total post-1986 earnings and profits ("E&P") that were previously deferred from U.S. income taxes and for which no deferred taxes were recorded since the Company previously claimed the indefinite reinvestment assertion exception on these earnings. At the date of enactment, the Company's equity in the undistributed earnings of foreign subsidiaries for which income taxes had not been provided approximated $2.3 billion on a U.S. taxable E&P basis. The Act had the effect of subjecting approximately $1.8 billion of these undistributed earnings to the one-time transition tax. This tax, amounting to a provisional amount of $331 million, is expected to be substantially offset by available foreign tax credits resulting in a provisional net tax expense of $2 million primarily attributable to state taxes. The Company has not yet completed its calculation of the total post-1986 E&P and associated foreign tax credits for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when the Company finalizes the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalizes the amounts held in cash or other specified assets. The Company anticipates that additional guidance and clarification regarding the implementation of the transition tax will be issued by federal and state taxing authorities and this estimate is, therefore, subject to future refinement.

The Company has elected to treat Global Intangible Low Taxed Income (GILTI) which is effective in 2018 for the Company as a period cost.

At December 31, 2017, before valuation allowance, the Company had unused foreign tax credits of $124 million expiring in 2020 through 2027 and research tax credits of $16 million expiring from 2019 to 2036. Approximately $160 million of the deferred tax assets related to operating and capital loss carryforwards can be carried over indefinitely, with the remaining $182 million expiring between 2018 and 2037.

The Company maintains its assertion on a provisional basis that it intends to continue to indefinitely reinvest the gross book-tax basis differences in its non-US consolidated subsidiaries. However, the Company records deferred foreign taxes on gross book-tax basis differences to the extent of foreign distributable reserves for certain foreign subsidiaries. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities (i.e., basis difference in excess of that subject to the one-time transition tax) is not practicable.

The Company records a liability for unrecognized tax benefits related to uncertain tax positions. The Company accrues interest and penalties associated with unrecognized tax benefits as a component of its income tax expense.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

The following is a reconciliation of the Company's total gross unrecognized tax benefits for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Balance at January 1	$ 74	$ 74	$ 77
Additions and reductions for tax positions of prior years	1		1
Additions based on tax positions related to the current year	17	15	10
Reductions due to the lapse of the applicable statute of limitations	(7)	(3)	(5)
Reductions due to settlements	(9)	(12)	(1)
Foreign currency translation	3		(8)
Balance at December 31	$ 79	$ 74	$ 74
Unrecognized tax benefits, which if recognized, would impact the Company's effective income tax rate	$ 72	$ 66	$ 67
Accrued interest and penalties at December 31	$ 8	$ 23	$ 25
Interest and penalties included in tax expense for the years ended December 31	$ (14)	$ (2)	$ (1)

Based upon the outcome of tax examinations, judicial proceedings, or expiration of statute of limitations, it is reasonably possible that the ultimate resolution of these unrecognized tax benefits may result in a payment that is materially different from the current estimate of the tax liabilities. The Company believes that it is reasonably possible that the estimated liability could decrease up to $7 million within the next 12 months. This is primarily the result of anticipated audit settlements or statute expirations in several taxing jurisdictions.

The Company is currently under income tax examination in various tax jurisdictions in which it operates, including Bolivia, Brazil, Canada, China, Colombia, France, Germany, and Indonesia. The years under examination range from 2004 through 2015. The Company has received tax assessments in excess of established reserves. The Company is contesting these tax assessments, and will continue to do so, including pursuing all available remedies such as appeals and litigation, if necessary.

The Company believes that adequate provisions for all income tax uncertainties have been made. However, if tax assessments are settled against the Company at amounts in excess of established reserves, it could have a material impact to the Company's results of operations, financial position or cash flows. During 2017, the Company concluded income tax audits in several jurisdictions, including Canada, Ecuador, France, and Italy.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

11. Debt

The following table summarizes the long-term debt of the Company at December 31, 2017 and 2016:

	2017	2016
Secured Credit Agreement:		
Revolving Credit Facility:		
Revolving Loans	$ —	$ —
Term Loans:		
Term Loan A	1,148	1,395
Term Loan A (€279 million at December 31, 2016)		282
Senior Notes:		
6.75%, due 2020 (€500 million)	594	523
4.875%, due 2021 (€330 million)	392	345
5.00%, due 2022	496	495
4.00%, due 2023	305	
5.875%, due 2023	685	682
3.125%, due 2024 (€725 million at December 31, 2017 and €500 million at December 31, 2016)	849	520
5.375%, due 2025	297	297
6.375%, due 2025	295	294
Payable to OI Inc.		250
Capital leases	54	57
Other	17	26
Total long-term debt	5,132	5,166
Less amounts due within one year	11	33
Long-term debt	$ 5,121	$ 5,133

On April 22, 2015, the Company entered into a Senior Secured Credit Facility, which subsequently has been amended several times with the most recent amendment being entered into on September 28, 2017 (the "Amended Agreement").

At December 31, 2017, the Amended Agreement includes a $300 million revolving credit facility, a $600 million multicurrency revolving credit facility, and a $1,575 million term loan A facility ($1,148 million net of debt issuance costs), each of which has a final maturity date of April 22, 2020. At December 31, 2017, the Company had unused credit of $888 million available under the Amended Agreement. The weighted average interest rate on borrowings outstanding under the Amended Agreement at December 31, 2017 was 3.17%.

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 covenant, a Total Leverage Ratio, that requires the Company not to exceed a ratio calculated by dividing consolidated total debt, less cash and cash equivalents ("Net Indebtedness"), by consolidated EBITDA, as defined in the Amended Agreement. 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 of 4.0x for the fiscal quarter ending December 31, 2017 and each fiscal quarter thereafter.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

On September 28, 2017, the Company entered into Amendment No. 5 (“Amendment No. 5”) to the Amended Agreement. Amendment No. 5 changes the calculation of the Total Leverage Ratio by excluding from the calculation of Net Indebtedness ordinary course revolver borrowings (except to the extent such borrowings existed at the prior year end) and non-recourse factoring or securitization debt.

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 would be unable to 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 December 31, 2017, 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.

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.

During November 2016, the Company issued senior notes with a face value of €500 million that bear interest at 3.125% and are due November 15, 2024 (the “Senior Notes due 2024”). The notes were issued via a private placement and are guaranteed by certain of the Company’s domestic subsidiaries. The net proceeds, after deducting debt issuance costs, totaled approximately $520 million and were used to repay the term loan B facility under the Amended Agreement. In March 2017, the Company expanded its borrowings under the Senior Notes due 2024 by issuing €225 million of additional notes that bear interest at 3.125% and are due November 15, 2024. The notes were issued via a private placement and are guaranteed by certain of the Company’s domestic subsidiaries. The net proceeds, after deducting debt issuance costs, totaled approximately $237 million and were used to repay a portion of the Company’s revolving credit facility.

During March 2017, OI Inc. purchased in a tender offer approximately $228 million aggregate principal amount of its 7.80% Senior Debentures due in 2018. In November 2017, the remaining $22 million of the 7.80% Senior Debentures were repurchased by OI Inc., the indenture relating thereto was discharged, and all collateral and guarantees thereunder were released. The Company recorded $18 million of additional interest charges for note repurchase premiums and the write-off of unamortized finance fees related to these actions.

During December 2017, the Company issued senior notes with a face value of $310 million that bear interest at 4.00% and are due March 15, 2023. The notes were issued via a private placement and are guaranteed by certain of the Company‘s domestic subsidiaries. The net proceeds, after deducting debt issuance costs, totaled approximately $305 million and were used to repay a portion of the term loan A facility under the Amended Agreement.

Tabular data dollars in millions

In order to maintain a capital structure containing appropriate amounts of fixed and floating-rate debt, the Company has entered into a series of interest rate swap agreements. These swap agreements were accounted for as fair value hedges (see Note 7).

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

The Company has a €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 as of December 31, 2017 and 2016 is as follows:

	2017	2016
Balance (included in short-term loans)	$ 133	$ 152
Weighted average interest rate	0.76 %	0.74 %

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.

Annual maturities for all of the Company's long-term debt through 2022 are as follows: 2018, $11 million; 2019, $11 million; 2020, $1,753 million; 2021, $401 million, 2022, $503 million and 2023 and thereafter $2,453 million.

Fair values at December 31, 2017, 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)	$ 597	$ 116.99	$ 699
4.875%, due 2021 (€330 million)	394	113.43	447
5.00%, due 2022	500	104.24	521
5.875%, due 2023	700	108.15	757
4.00%, due 2023	310	100.21	311
3.125%, due 2024 (€725 million)	866	105.34	912
6.375%, due 2025	300	112.62	338
5.375%, due 2025	300	105.31	316

12. 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 pipe and block 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").

Tabular data dollars in millions

The following table shows the approximate number of plaintiffs and claimants who had asbestos claims pending against OI Inc. at the beginning of each listed year, the number of claims disposed of during that year, the year's filings and the claims pending at the end of each listed year (eliminating duplicate filings):

	2017	2016	2015
Pending at beginning of year	1,400	2,080	2,260
Disposed	1,320	1,750	1,460
Filed	1,250	1,070	1,280
Pending at end of year	1,330	1,400	2,080

Based on an analysis of the lawsuits pending as of December 31, 2017, approximately 89% 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 8% of plaintiffs specifically plead damages above the jurisdictional minimum up to, and including, $15 million or less, and 3% 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 December 31, 2017, has disposed of the asbestos claims of approximately 399,000 plaintiffs and claimants at an average indemnity payment per claim of approximately $9,600. 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 2017, 2016, and 2015 were $110 million, $125 million, and $138 million, respectively. OI Inc.'s cash payments per claim disposed (inclusive of legal costs) were approximately $83,000, $71,000 and $95,000 for the years ended December 31, 2017, 2016, and 2015, 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 2017, 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 total 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 current 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 it in estimating the total number of future claims to be filed. OI Inc. uses this estimate of its total future claims, along with an estimation of disposition costs and related legal costs, as inputs to develop its best estimate of OI Inc.'s total 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 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.

For the years ended December 31, 2017 and 2016, OI Inc. concluded that accruals in the amounts of $582 million and $692 million, respectively, were required. These amounts have not been discounted for the time value of money. OI Inc.'s comprehensive legal reviews resulted in charges of $0, $0 and $16 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

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 $582 million as of December 31, 2017. OI Inc. estimates that reasonably possible losses could result in asbestos-related liabilities up to $725 million. This estimate of additional reasonably possible loss reflects a qualitative legal judgment regarding the nature of contingencies that could impact future claims and legal costs, which include, but are not limited to, successful attempts by plaintiffs to challenge existing legal barriers to liability, enact plaintiff-oriented liability or damage-related legislation, establish new theories of liability, or revive long-dormant inventories of non-mesothelioma cases. However, it is also possible that the ultimate amount of asbestos-related liabilities 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 these projections, and estimates, as well as changes in the significant assumptions noted above, have the potential to significantly impact the estimation of OI Inc.'s asbestos-related liability.

Other Matters

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 OI Inc.'s 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.

13. Accumulated Other Comprehensive Income (Loss)

The components of comprehensive income are: (a) net earnings; (b) change in fair value of certain derivative instruments; (c) pension and other postretirement benefit adjustments; and (d) foreign currency translation adjustments. The net effect of exchange rate fluctuations generally reflects changes in the relative strength of the U.S. dollar against major foreign currencies between the beginning and end of the year.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

The following table lists the beginning balance, annual activity and ending balance of each component of accumulated other comprehensive income (loss):

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments	Employee Benefit Plans	Total Accumulated Other Comprehensive Income (Loss)
Balance on January 1, 2016	$ (568)	$ (10)	$ (1,398)	$ (1,976)
Change before reclassifications	(220)	7	(2)	(215)
Amounts reclassified from accumulated other comprehensive income		6 (a)	72 (b)	78
Translation effect			(25)	(25)
Tax effect			15	15
Intraperiod tax allocation			(8)	(8)
Other comprehensive income (loss) attributable to the Company	(220)	13	52	(155)
Balance on December 31, 2016	(788)	3	(1,346)	(2,131)
Change before reclassifications	65	(3)	(8)	54
Amounts reclassified from accumulated other comprehensive income		(6)(a)	285 (b)	279
Translation effect			32	32
Tax effect		1	(20)	(19)
Other comprehensive income (loss) attributable to the Company	65	(8)	289	346
Balance on December 31, 2017	$ (723)	$ (5)	$ (1,057)	$ (1,785)

(a) Amount is included in Cost of goods sold on the Consolidated Results of Operations (see Note 7 for additional information).

(b) Amount is included in the computation of net periodic pension cost and net postretirement benefit cost (see Note 9 for additional information).

14. Stock Based Compensation

The Company participates in OI Inc.'s various nonqualified plans approved by share owners under which OI Inc. has granted stock options, restricted shares and performance vested restricted share units. Starting with the 2017 equity awards, OI Inc. has allocated these awards solely in the form of restricted shares and performance vested restricted share units. As such, the Company's annual compensation expense related to stock option awards is immaterial. At December 31, 2017, there were 5,620,022 shares available for grants under these plans. Total compensation cost for all grants of shares and units under these plans was $18 million, $11 million and $15 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Restricted Shares and Restricted Share Units

Restricted share units granted to employees vest 25% per year beginning on the first anniversary. Granted but unvested restricted share units are forfeited upon termination, unless certain retirement criteria are met. Holders of vested restricted share units receive one share of OI Inc.'s common stock for each unit as units vest. Restricted share units granted to directors vest after one year.

The fair value of the restricted shares and restricted share units is equal to the market price of OI Inc.'s common stock on the date of the grant. The fair value of restricted shares and restricted share units is amortized over the vesting periods which range from one to four years.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

The activity of restricted shares and restricted share units is as follows:

	Number of Restricted Shares (thousands)	Weighted Average Grant-Date Fair Value (per share)
Nonvested at January 1, 2017	836	$ 19.44
Granted	601	20.01
Vested	(255)	21.30
Forfeited	(74)	18.31
Nonvested at December 31, 2017	1,108	19.39
Awards granted during 2016		$ 15.70
Awards granted during 2015		$ 22.69

	2017	2016	2015
Total fair value of shares vested	$ 5	$ 6	$ 4

Performance Vested Restricted Share Units

Performance vested restricted share units vest on January 1 of the third year following the year in which they are granted. Holders of vested units may receive up to 2 shares of OI Inc.'s common stock for each unit, depending upon the attainment of consolidated performance goals established by the Compensation Committee of OI Inc.'s Board of Directors. If minimum goals are not met, no shares will be issued. Granted but unvested restricted share units are forfeited upon termination of employment, unless certain retirement criteria are met.

The fair value of each performance vested restricted share unit is equal to the product of the fair value of OI Inc.'s common stock on the date of grant and the estimated number of shares into which the performance vested restricted share unit will be converted. The fair value of performance vested restricted share units is amortized ratably over the vesting period. Should the estimated number of shares into which the performance vested restricted share unit will be converted change, an adjustment will be recorded to recognize the accumulated difference in amortization between the revised and previous estimates.

Performance vested restricted share unit activity is as follows:

	Number of Performance Vested Restricted Shares Units (thousands)	Weighted Average Grant-Date Fair Value (per unit)
Nonvested at January 1, 2017	1,355	$ 20.76
Granted	528	19.57
Vested	(66)	33.39
Forfeited/Cancelled	(223)	29.23
Nonvested at December 31, 2017	1,594	18.66
Awards granted during 2016		$ 15.10
Awards granted during 2015		$ 23.63

Approximately 66,000 shares were issued in 2017 with a fair value at issuance date of $2 million related to performance vested restricted share units.

As of December 31, 2017, there was $19 million of total unrecognized compensation cost related to all unvested stock options, restricted shares, restricted share units and performance vested restricted share units. That cost is expected to be recognized over a weighted average period of approximately two years.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

15. Other Expense, net

Other expense, net for the years ended December 31, 2017, 2016, and 2015 included the following:

	2017	2016	2015
Restructuring, asset impairment and other charges	$ 77	$ 104	$ 75
Intangible amortization expense	41	39	21
Impairment of equity investment		25	
Gain on China land compensation		(71)	
Royalty income	(11)	(13)	(12)
Strategic transaction costs			23
Acquisition-related fair value intangible adjustments			10
Foreign currency exchange loss (gain)	5	6	(10)
Other expense (income)	(7)	(14)	(12)
	$ 105	$ 76	$ 95

In 2016, the Company evaluated the future estimated earnings and cash flow of an equity investment and determined that it was other-than-temporarily impaired. As such, the Company recorded an impairment charge of $25 million to reduce its carrying value down to its estimated fair value. The Company classified the significant assumptions used to determine the fair value of the impaired assets as Level 3 in the fair value hierarchy as set forth in the general accounting principles for fair value measurements.

16. Operating Leases

Rent expense attributable to all warehouse, office buildings and equipment operating leases was $84 million in 2017, $80 million in 2016, and $72 million in 2015. Minimum future rentals under operating leases are as follows: 2018, $73 million; 2019, $55 million; 2020, $40 million; 2021, $29 million; 2022, $24 million; and 2023 and thereafter, $37 million.

17. Supplemental Cash Flow Information

Changes in the components of working capital related to operations (net of the effects related to acquisitions and divestitures) were as follows:

	2017	2016	2015
Decrease (increase) in current assets:			
Receivables	$ (37)	$ (32)	$ (14)
Inventories	2	16	(13)
Prepaid expenses and other	(10)	145	(4)
Increase (decrease) in current liabilities:			
Accounts payable	69	(58)	100
Accrued liabilities	(49)	(31)	21
Salaries and wages	(21)	32	12
U.S. and foreign income taxes	(43)	18	(14)
	$ (89)	$ 90	$ 88

The Company uses various factoring programs to sell certain receivables to financial institutions as part of managing its cash flows. At December 31, 2017 and 2016, the amount of receivables sold by the Company was $454 million and $318 million, respectively. Any continuing involvement with the sold receivables is immaterial.

Tabular data dollars in millions

Income taxes paid in cash were as follows:

	2017	2016	2015
U.S.	$ 4	$ —	$ —
Non-U.S.	127	99	101
Total income taxes paid in cash	$ 131	$ 99	$ 101

Interest paid in cash, including note repurchase premiums, for the years ended December 31, 2017, 2016 and 2015 was $261 million, $261 million and $227 million, respectively. Cash interest for the years ended December 31, 2017, 2016 and 2015 included $18 million, $9 million and $32 million of note repurchase premiums, respectively.

18. Business Combinations and Pro Forma Information

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 $608 million of incremental net sales and $122 million of incremental segment operating profit in the year ended December 31, 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.

Had the Vitro Acquisition occurred at the beginning of 2015, unaudited pro forma consolidated net sales and earnings from continuing operations would have been as follows:

	Year Ending December 31, 2015			
	As Reported	Acquisition Adjustments	Financing Adjustments	Pro Forma As Adjusted
Net sales	$ 6,156	$ 574	$ —	$ 6,730
Earnings from continuing operations attributable to the Company	$ 155	$ 79	$ (46)	$ 188

19. 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 OI European Group B.V. ("OIEG"), a subsidiary of the Company, is free to pursue the enforcement of a prior arbitration award (the "Award") against Venezuela. As of December 31, 2017, that Award amounts to more than $500 million, including reimbursement of expenses and accrued interest. Venezuela's application to annul the Award was heard by an ad hoc committee of the ICSID in September 2017, but no decision has been rendered yet.

On July 31, 2017, OIEG sold its right, title and interest in amounts due under the Award to an Ireland-domiciled investment fund. Under the terms of the sale, OIEG received a payment, in cash, at closing equal to $115 million (the "Cash Payment"). OIEG may also receive additional payments in the future ("Deferred Amounts") calculated based on the total compensation that is received from Venezuela as a result of collection efforts or as settlement of the Award with Venezuela. In the event that the Award is partially or completely annulled by the ICSID ad hoc annulment committee, OIEG may be required to repay to the purchaser up to the entire amount of the Cash Payment based on a formula tied to the amount of the Award (if any) that is annulled. In addition, OIEG's right to receive any Deferred Amounts is subject to the limitations described below.

OIEG's interest in any amounts received in the future from Venezuela in respect of the Award is limited to a percentage of such recovery after taking into account reimbursement of the Cash Payment to the purchaser and reimbursement of legal fees and expenses incurred by the Company and the purchaser. OIEG's percentage of such recovery will also be reduced over time. Because the Award has yet to be satisfied, the annulment proceeding is pending, and the ability to successfully enforce the Award in countries that are party to the ICSID Convention is subject to significant challenges, the Company is unable to reasonably predict the amount of recoveries from the Award, if any, to which the Company may be entitled in the future. Any future amounts that the Company may receive from the Award are highly speculative and the timing of any such future payments, if any, is highly uncertain. As such, there can be no assurance that the Company will receive any future payments under the Award beyond the Cash Payment. Except as noted above in connection with the annulment proceeding that is pending before the ICSID ad hoc committee, the Cash Payment is not subject to any forfeiture or future adjustment.

A separate arbitration involving other subsidiaries of the Company was initiated in 2012 to obtain compensation primarily for third-party minority shareholders' lost interests in the two expropriated plants. However, in November 2017, ICSID issued an award that dismissed this arbitration on jurisdiction grounds. The Company is currently exploring potential next steps.

As of December 31, 2017, the Company deferred the gain contingency on the sale of its rights in amounts due under the Award pending the ad hoc committee of the ICSID rendering its decision regarding Venezuela's application to annul the Award.

The loss from discontinued operations of $3 million and $7 million, for the years ended December 31, 2017 and 2016, respectively, relates to ongoing costs for the Venezuelan expropriation.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

20. 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.

Subsidiaries of the Parent and of the Issuer are presented on the equity basis of accounting. 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.

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

	December 31, 2017					
Balance Sheet	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 41	$ 451	$ —	$ 492
Trade receivables, net		79	17	567		663
Inventories		208	31	797		1,036
Prepaid expenses and other current assets		16	35	178		229
Total current assets	—	303	124	1,993	—	2,420
Investments in and advances to subsidiaries	1,390	2,916	1,150		(5,456)	—
Property, plant and equipment, net		730	5	2,396		3,131
Goodwill		581	332	1,677		2,590
Intangibles				439		439
Other assets		100	220	856		1,176
Total assets	$ 1,390	$ 4,630	$ 1,831	$ 7,361	$ (5,456)	$ 9,756
Current liabilities:						
Short-term loans and long-term debt due within one year	$	$ 12	$	$ 150	$	$ 162
Accounts payable and accrued liabilities		178	24	1,122		1,324
Other liabilities		114	45	420		579
Other liabilities-disc ops				115		115
Total current liabilities	—	304	69	1,807	—	2,180
Long-term debt		2,927		2,194		5,121
Other non-current liabilities		9	373	564		946
Investments by and advances from parent		1,390	1,389	2,677	(5,456)	—
Total share owner's equity of the Company	1,390					1,390
Noncontrolling interests				119		119
Total liabilities and share owner's equity	$ 1,390	$ 4,630	$ 1,831	$ 7,361	$ (5,456)	$ 9,756

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

	December 31, 2016					
Balance Sheet	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 33	$ 459	$ —	$ 492
Trade receivables, net		64	14	502		580
Inventories		202	27	754		983
Prepaid expenses and other current assets		27	16	156		199
Total current assets	—	293	90	1,871	—	2,254
Investments in and advances to subsidiaries	1,196	2,980	1,028		(5,204)	—
Property, plant and equipment, net		721	6	2,153		2,880
Goodwill		582	332	1,548		2,462
Intangibles				464		464
Other assets		111	237	727		1,075
Total assets	$ 1,196	$ 4,687	$ 1,693	$ 6,763	$ (5,204)	$ 9,135
Current liabilities:						
Accounts payable and accrued liabilities	$	$ 177	$ 22	$ 936	$	$ 1,135
Short-term loans and long-term debt due within one year		12		183		195
Other liabilities		129	68	418		615
Total current liabilities	—	318	90	1,537	—	1,945
Long-term debt	250	3,163		1,720		5,133
Other non-current liabilities		11	408	583		1,002
Investments by and advances from parent		1,195	1,195	2,814	(5,204)	—
Total share owner's equity of the Company	946					946
Noncontrolling interests				109		109
Total liabilities and share owner's equity	$ 1,196	$ 4,687	$ 1,693	$ 6,763	$ (5,204)	$ 9,135

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

	Year ended December 31, 2017					
Results of Operations	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net sales	$ —	$ 1,883	$ 259	4,882	(155)	$ 6,869
Cost of goods sold		(1,585)	(350)	(3,956)	155	(5,736)
Gross profit		298	(91)	926	—	1,133
Research, engineering, selling, administrative and other		(111)	(121)	(330)		(562)
Net intercompany interest	23	(25)		2		—
Interest expense, net	(23)	(153)	(1)	(91)		(268)
Equity earnings from subsidiaries	180	325			(505)	—
Other equity earnings		15		62		77
Other expense, net		129	(12)	(222)		(105)
Earnings before income taxes	180	478	(225)	347	(505)	275
Provision for income taxes		(11)	10	(69)	0	(70)
Earnings from continuing operations	180	467	(215)	278	(505)	205
Loss from discontinued operations				(3)		(3)
Net earnings	180	467	(215)	275	(505)	202
Net earnings attributable to noncontrolling interests				(22)		(22)
Net earnings attributable to the Company	$ 180	$ 467	$ (215)	$ 253	$ (505)	$ 180

	Year ended December 31, 2017					
Comprehensive Income	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net earnings	$ 180	$ 467	$ (215)	$ 275	$ (505)	$ 202
Other comprehensive income (loss)	351	(5)		126	(121)	351
Total comprehensive income (loss)	531	462	(215)	401	(626)	553
Comprehensive income attributable to noncontrolling interests				(27)		(27)
Comprehensive income (loss) attributable to the Company	$ 531	$ 462	$ (215)	$ 374	$ (626)	$ 526

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

	Year ended December 31, 2016					
Results of Operations	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net sales	$ —	$ 1,919	$ 276	$ 4,676	$ (169)	$ 6,702
Cost of goods sold		(1,609)	(319)	(3,731)	169	(5,490)
Gross profit		310	(43)	945	—	1,212
Research, engineering, selling, administrative and other		(123)	(105)	(340)		(568)
Net intercompany interest	20	(21)		1		—
Interest expense, net	(20)	(182)		(70)		(272)
Equity earnings from subsidiaries	209	336			(545)	—
Other equity earnings		11		49		60
Other expense, net		107	(26)	(157)		(76)
Earnings before income taxes	209	438	(174)	428	(545)	356
Provision for income taxes		(7)	4	(116)		(119)
Earnings from continuing operations	209	431	(170)	312	(545)	237
Loss from discontinued operations				(7)		(7)
Net earnings	209	431	(170)	305	(545)	230
Net earnings attributable to noncontrolling interests				(21)		(21)
Net earnings attributable to the Company	$ 209	$ 431	$ (170)	$ 284	$ (545)	$ 209

	Year ended December 31, 2016					
Comprehensive Income	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net earnings	$ 209	$ 431	$ (170)	$ 305	$ (545)	$ 230
Other comprehensive income (loss)	(162)	10		(169)	162	(159)
Total comprehensive income (loss)	47	441	(170)	136	(383)	71
Comprehensive income attributable to noncontrolling interests				(17)		(17)
Comprehensive income (loss) attributable to the Company	$ 47	$ 441	$ (170)	$ 119	$ (383)	$ 54

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

	Year ended December 31, 2015					
Results of Operations	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net sales	$ —	$ 1,891	$ 80	$ 4,249	$ (64)	$ 6,156
Cost of goods sold		(1,592)	(68)	(3,450)	64	(5,046)
Gross profit		299	12	799	—	1,110
Research, engineering, selling, administrative and other		(138)	(83)	(319)		(540)
Net intercompany interest	20	(21)		1		—
Interest expense, net	(20)	(165)	(1)	(65)		(251)
Equity earnings from subsidiaries	151	195			(346)	—
Other equity earnings		19		41		60
Other expense, net		93	(27)	(161)		(95)
Earnings before income taxes	151	282	(99)	296	(346)	284
Provision for income taxes		(16)	(4)	(86)		(106)
Earnings from continuing operations	151	266	(103)	210	(346)	178
Loss from discontinued operations				(4)		(4)
Net earnings	151	266	(103)	206	(346)	174
Net earnings attributable to noncontrolling interests				(23)		(23)
Net earnings attributable to the Company	$ 151	$ 266	$ (103)	$ 183	$ (346)	$ 151

	Year ended December 31, 2015					
Comprehensive Income	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Net earnings	$ 151	$ 266	$ (103)	$ 206	$ (346)	$ 174
Other comprehensive income (loss)	(539)	(4)		(529)	533	(539)
Total comprehensive income (loss)	(388)	262	(103)	(323)	187	(365)
Comprehensive income attributable to noncontrolling interests				(7)		(7)
Comprehensive income (loss) attributable to the Company	$ (388)	$ 262	$ (103)	$ (330)	$ 187	$ (372)

Owens-Illinois Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tabular data dollars in millions

	Year ended December 31, 2017					
Cash Flows	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Cash provided by continuing operating activities	$ —	347	$ 11	$ 476	$ —	$ 834
Cash utilized in discontinued operating activities				(3)		(3)
Cash utilized in investing activities		(106)	(1)	(244)		(351)
Cash utilized in financing activities		(241)		(261)		(502)
Effect of exchange rate change on cash				22		22
Net change in cash	—	—	10	(10)	—	—
Cash at beginning of period			35	457		492
Cash at end of period	$ —	$ —	$ 45	$ 447	$ —	$ 492

	Year ended December 31, 2016					
Cash Flows	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Cash provided by continuing operating activities	$ —	168	$ 27	$ 688	$ —	$ 883
Cash utilized in discontinued operating activities				(7)		(7)
Cash utilized in investing activities		(92)	(1)	(324)		(417)
Cash utilized in financing activities		(76)		(277)		(353)
Effect of exchange rate change on cash				(13)		(13)
Net change in cash	—	—	26	67	—	93
Cash at beginning of period			9	390		399
Cash at end of period	$ —	$ —	$ 35	$ 457	$ —	$ 492

	Year ended December 31, 2015					
Cash Flows	**Parent**	**Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Cash provided by continuing operating activities	$ —	318	$ 218	$ 194	$ 20	$ 750
Cash utilized in discontinued operating activities				(4)		(4)
Cash provided by (utilized in) investing activities		(2,416)	(566)	(2,047)	2,281	(2,748)
Cash provided by (utilized in) activities		2,098	328	1,794	(2,301)	1,919
Effect of exchange rate change on cash				(30)		(30)
Net change in cash	—	—	(20)	(93)	—	(113)
Cash at beginning of period			29	483		512
Cash at end of period	$ —	$ —	$ 9	$ 390	$ —	$ 399

Selected Quarterly Financial Data (unaudited)

The following tables present selected financial data by quarter for the years ended December 31, 2017 and 2016:

	2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net sales	$ 1,615	$ 1,751	$ 1,791	$ 1,712	$ 6,869
Gross profit	$ 315	$ 346	$ 353	$ 120	$ 1,133
Earnings (loss) from continuing operations attributable to the Company (a)	$ 49	$ 140	$ 128	$ (133)	$ 183
Loss from discontinued operations attributable to the Company			(2)		(3)
Net earnings (loss) attributable to the Company	$ 49	$ 140	$ 126	$ (133)	$ 180

(a) Amounts management considers not representative of ongoing operations include:

For the first quarter, included net charges totaling $46 million after-tax amount attributable to the Company.

For the second quarter, included net benefits totaling $16 million after-tax amount attributable to the Company.

For the fourth quarter, included net charges totaling $224 million after-tax amount attributable to the Company.

	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net sales	$ 1,588	$ 1,760	$ 1,712	$ 1,642	$ 6,702
Gross profit	$ 319	$ 342	$ 336	$ 215	$ 1,212
Earnings (loss) from continuing operations attributable to the Company (c)	$ 68	$ 107	$ 111	$ (70)	$ 216
Loss from discontinued operations attributable to the Company	(1)	(2)	(3)	(1)	(7)
Net earnings (loss) attributable to the Company	$ 67	$ 105	$ 108	$ (71)	$ 209

(a) Amounts management considers not representative of ongoing operations include:

For the first quarter, included net charges totaling $10 million after-tax amount attributable to the Company.

For the fourth quarter, included net charges totaling $150 million after-tax amount attributable to the Company.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure 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 Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2017.

Management's Report on Internal Control over Financial Reporting

The management of Owens-Illinois Group, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed 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 in the United States. However, all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and reporting.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment management used the criteria for effective internal control over financial reporting as described in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO framework) in 2013.

Based on this assessment, using the criteria above, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2017.

Changes in Internal Control over Financial Reporting

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.

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to principal accountant fees and services is included in OI Inc.'s 2018 Proxy Statement in the section entitled "Independent Registered Public Accounting Firm" and such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Index of Financial Statements and Financial Statement Schedules Covered by Report of Independent Auditors.

(a) DOCUMENTS FILED AS PART OF THIS REPORT

1. See Index to Consolidated Financial Statements on page 44 hereof.
2. See Quarterly Results (Unaudited) beginning on page 96 hereof.
3. Financial Statement Schedule.

	10-K Page
For the years ended December 31, 2017, 2016, and 2015:	
II—Valuation and Qualifying Accounts (Consolidated)	S-1
All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule.	

4. See Exhibit Index beginning on page 100 hereof.

EXHIBIT INDEX

S-K Item 601 No.		Document
2.1	—	Stock Purchase Agreement, dated as of May 12, 2015, by and between Owens-Brockway Glass Container Inc. and Vitro, S.A.B. de C.V., Distribuidora Alcali, S.A. de C.V. and Vitro Packaging, LLC (filed as Exhibit 2.1 to the Owens-Illinois Group, Inc.'s Form 8-K/A filed on May 13, 2015, File No. 33-13061, and incorporated herein by reference).
3.1	—	Certificate of Incorporation of OI Group, Inc., dated as of March 10, 1987 (filed as Exhibit 3.95 to Owens-Illinois Group, Inc.'s Form S-4 filed May 30, 2002, File No. 333-85690, and incorporated herein by reference).
3.2	—	Certificate of Amendment of Certificate of Incorporation of OI Group, Inc., dated as of March 24, 1987 (filed as Exhibit 3.96 to Owens-Illinois Group, Inc.'s Form S-4 filed May 30, 2002, File No. 333-85690, and incorporated herein by reference).
3.3	—	Certificate of Ownership Merging OIB Consumers Glass Inc. into Owens-Illinois Group, Inc., dated as of June 29, 1990 (filed as Exhibit 3.97 to Owens-Illinois Group, Inc.'s Form S-4 filed May 30, 2002, File No. 333-85690, and incorporated herein by reference).
3.4	—	Certificate of Ownership and Merger Merging OIB Finance FTS Inc. into Owens-Illinois Group, Inc., dated as of December 30, 1991 (filed as Exhibit 3.98 to Owens-Illinois Group, Inc.'s Form S-4 filed May 30, 2002, File No. 333-85690, and incorporated herein by reference).
3.5	—	Form of Bylaws for Owens-Illinois Group, Inc. (filed as Exhibit 3.117 to Owens-Illinois Group, Inc.'s Amendment No. 2 to Form S-4 filed May 30, 2002, File No. 333-85690, and incorporated herein by reference).
4.1	—	Indenture dated as of May 20, 1998, between Owens-Illinois, Inc. and The Bank of New York, as Trustee (filed as Exhibit 4.1 to Owens-Illinois, Inc.'s Form 8-K dated May 20, 1998, File No. 1-9576, and incorporated herein by reference).
4.2	—	Officers' Certificate, dated May 20, 1998, establishing the terms of the 7.80% Senior Notes due 2018; including the Form of 7.80% Senior Note due 2018 (filed as Exhibits 4.5 and 4.9, respectively, to Owens-Illinois, Inc.'s Form 8-K dated May 20, 1998, File No. 1-9576, and incorporated herein by reference).
4.3	—	Supplemental Indenture, dated as of June 26, 2001, to the Indenture dated May 20, 1998, among Owens-Illinois, Inc., Owens-Illinois Group, Inc., Owens-Brockway Packaging, Inc. and The Bank of New York, as Trustee (filed as Exhibit 4.1 to Owens-Illinois Inc.'s Form 10-Q for the quarter ended September 30, 2001, File No. 1-9576, and incorporated herein by reference).
4.4	—	Indenture, dated as of September 15, 2010, by and among OI European Group B.V.; the guarantors party thereto; Deutsche Trustee Company Limited as trustee; Deutsche Bank AG, London Branch as principal paying agent and transfer agent; and Deutsche Bank Luxembourg S.A. as the registrar, Luxembourg paying agent and transfer agent, including the form of the Senior Notes (filed as Exhibit 4.1 to Owens-Illinois Group, Inc.'s Form 8-K dated September 10, 2010, File No. 33-13061, and incorporated herein by reference).
4.5	—	Indenture dated as of March 22, 2013, by and among OI European Group B.V.; the guarantors party thereto; Deutsche Trustee Company Limited as trustee; Deutsche Bank AG, London Branch as principal paying agent and transfer agent; and Deutsche Bank Luxembourg S.A. as the registrar and Luxembourg transfer agent, including the form of Notes (filed as Exhibit 4.1 to Owens-Illinois Group, Inc.'s Form 8-K dated March 22, 2013, File No. 33-13061, and incorporated herein by reference).

S-K Item 601 No.		Document
4.6	—	Indenture dated as of December 3, 2014, by and among Owens-Brockway Glass Container Inc., the guarantors party thereto and U.S. Bank National Association, as trustee, including the form of 2022 Senior Notes and the form of 2025 Senior Notes (filed as Exhibit 4.1 to Owens-Illinois Group, Inc.'s Form 8-K dated December 3, 2014, File No. 33-13061, and incorporated herein by reference).
4.7	—	Indenture dated as of August 24, 2015, by and among Owens-Brockway Glass Container Inc., the guarantors party thereto and U.S. Bank National Association, as trustee, including the form of 2023 Senior Notes and the form of 2025 Senior Notes (filed as Exhibit 4.1 to Owens-Illinois Group, Inc.'s Form 8-K dated August 24, 2015, File No. 33-13061, and incorporated herein by reference).
4.8	—	Indenture, dated as of November 3, 2016, by and among OI European Group B.V., the guarantors party thereto, Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as principal paying agent and transfer agent, and Deutsche Bank Luxembourg S.A., as Luxembourg transfer agent and registrar, including the form of Notes (filed as Exhibit 4.1 to Owens-Illinois, Inc.'s and Owens-Illinois Group, Inc.'s combined Form 8-K dated November 3, 2016, File Nos. 1-9576 and 33-13061, and incorporated herein by reference).
4.9	—	Amended and Restated Credit Agreement and Syndicated Facility Agreement, dated as of April 22, 2015, by and among the Borrowers named therein, Owens-Illinois General, Inc., as Borrowers' Agent, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein (filed as Exhibit 4.1 to Owens-Illinois Group, Inc.'s Form 8-K dated April 22, 2015, File No. 33-13061, and incorporated herein by reference).
4.10	—	Amendment No. 1, dated July 24, 2015, to the Amended and Restated Credit Agreement and Syndicated Facility Agreement, dated April 22, 2015, by and among the Borrowers named therein, Owens-Illinois General Inc., as Borrowers' Agent, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein (filed as Exhibit 4.2 to Owens-Illinois Group, Inc.'s Form 10-Q for the quarter ended September 30, 2015, File No. 33-13061, and incorporated herein by reference).
4.11	—	Amendment No. 2, dated September 1, 2015, to the Amended and Restated Credit Agreement and Syndicated Facility Agreement, dated April 22, 2015, by and among the Borrowers named therein, Owens-Illinois General Inc., as Borrowers' Agent, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein (filed as Exhibit 10.1 to Owens-Illinois Group, Inc.'s Form 8-K dated September 1, 2015, File No. 33-13061, and incorporated herein by reference).
4.12	—	Amendment No. 3, dated September 29, 2015, to the Amended and Restated Credit Agreement and Syndicated Facility Agreement, dated April 22, 2015, by and among the Borrowers named therein, Owens-Illinois General Inc., as Borrowers' Agent, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein (filed as Exhibit 4.4 to Owens-Illinois Group, Inc.'s Form 10-Q for the quarter ended September 30, 2015, File No. 33-13061, and incorporated herein by reference).

S-K Item 601 No.		Document
4.13	—	Amendment No. 4, dated February 3, 2016, to the Amended and Restated Credit Agreement and Syndicated Facility Agreement, dated as of April 22, 2015, by and among the Borrowers named therein, Owens-Illinois General Inc., as Borrowers' Agent, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein (filed as Exhibit 4.1 to Owens-Illinois Group, Inc.'s Form 8-K dated February 3, 2016, File No. 33-13061, and incorporated herein by reference).
4.14	—	Amendment No. 5, dated September 28, 2017, to the Amended and Restated Credit Agreement and Syndicated Facility Agreement, dated as of April 22, 2015, by and among the Borrowers named therein, Owens-Illinois General Inc., as Borrowers' Agent, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein (filed as Exhibit 4.1 to Owens-Illinois Group, Inc.'s Form 8-K dated September 29, 2017, File No. 33-13061, and incorporated herein by reference).
4.15	—	First Incremental Amendment, dated September 1, 2015, to the Amended and Restated Credit Agreement and Syndicated Facility Agreement, dated April 22, 2015, by and among the Borrowers named therein, Owens-Illinois General Inc., as Borrowers' Agent, Deutsche Bank AG, New York Branch, as Administrative Agent, and the other Agents, Arrangers and Lenders named therein (filed as Exhibit 10.2 to Owens-Illinois Group, Inc.'s Form 8-K dated September 1, 2015, File No. 33-13061, and incorporated herein by reference).
4.16	—	Third Amended and Restated Intercreditor Agreement, dated as of May 19, 2011, by and among Deutsche Bank AG, New York Branch, as Administrative Agent for the lenders party to the Credit Agreement (as defined therein) and Deutsche Bank Trust Company Americas, as Collateral Agent (as defined therein) and any other parties thereto (filed as Exhibit 4.2 to Owens-Illinois Group, Inc.'s Form 8-K dated May 19, 2011, File No. 33-13061, and incorporated herein by reference).
4.17	—	Fourth Amended and Restated Pledge Agreement, dated as of April 22, 2015, between Owens-Illinois Group, Inc., Owens-Brockway Packaging, Inc., and Deutsche Bank AG, New York Branch, as Collateral Agent (as defined therein) and any other parties thereto (filed as Exhibit 4.2 to Owens-Illinois Group, Inc.'s Form 8-K dated April 22, 2015, File No. 33-13061, and incorporated herein by reference).
4.18	—	Amended and Restated Security Agreement, dated as of April 22, 2015, between Owens-Illinois Group, Inc., each of the direct and indirect subsidiaries of Owens-Illinois Group, Inc. signatory thereto, and Deutsche Bank AG, New York Branch, as Collateral Agent (as defined therein) (filed as Exhibit 4.3 to Owens-Illinois Group, Inc.'s Form 8-K dated April 22, 2015, File No. 33-13061, and incorporated herein by reference).
4.19	—	Indenture, dated as of December 12, 2017, by and among OI European Group B.V., the guarantors party thereto, and Deutsche Bank Trust Company Americas, as Trustee (filed as Exhibit 4.1 to Owens-Illinois, Inc.'s and Owens-Illinois Group, Inc.'s combined Form 8-K dated December 12, 2017, File Nos. 1-9576 and 33-13061, and incorporated herein by reference).
10.1*	—	Amended and Restated Owens-Illinois Supplemental Retirement Benefit Plan (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 10-Q for the quarter ended June 30, 1998, File No. 1-9576, and incorporated herein by reference).
10.2*	—	First Amendment to Amended and Restated Owens-Illinois Supplemental Retirement Benefit Plan (filed as Exhibit 10.3 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 2000, File No. 1-9576, and incorporated herein by reference).

S-K Item 601 No.		Document
10.3*	—	Second Amendment to Amended and Restated Owens-Illinois Supplemental Retirement Benefit Plan (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 10-Q for the quarter ended March 31, 2002, File No. 1-9576, and incorporated herein by reference).
10.4*	—	Third Amendment to Amended and Restated Owens-Illinois Supplemental Retirement Benefit Plan (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 10-Q for the quarter ended March 31, 2003, File No. 1-9576, and incorporated herein by reference).
10.5*	—	Owens-Illinois, Inc. Directors Deferred Compensation Plan (filed as Exhibit 10.26 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).
10.6*	—	First Amendment to Owens-Illinois, Inc. Directors Deferred Compensation Plan (filed as Exhibit 10.27 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).
10.7*	—	Second Amendment to Owens-Illinois, Inc. Directors Deferred Compensation Plan (filed as Exhibit 10.2 to Owens-Illinois, Inc.'s Form 10-Q for the quarter ended March 31, 1997, File No. 1-9576, and incorporated herein by reference).
10.8*	—	Amended and Restated 1997 Equity Participation Plan of Owens-Illinois, Inc. (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 10-Q for the quarter ended June 30, 1999, File No. 1-9576, and incorporated herein by reference).
10.9*	—	First Amendment to Amended and Restated 1997 Equity Participation Plan of Owens-Illinois, Inc. (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 10-Q for the quarter ended June 30, 2002, File No. 1-9576, and incorporated herein by reference).
10.10*	—	Owens-Illinois, Inc. Executive Deferred Savings Plan (filed as Exhibit 10.10 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 2016, File No. 1-9576, and incorporated herein by reference).
10.11*	—	2004 Equity Incentive Plan for Directors of Owens-Illinois, Inc. (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 10-Q for the quarter ended June 30, 2004, File No. 1-9576, and incorporated herein by reference).
10.12*	—	Owens-Illinois 2004 Executive Life Insurance Plan (filed as Exhibit 10.32 to Owens-Illinois Group, Inc.'s Form 10-K for the year ended December 31, 2004, File No. 33-13061, and incorporated herein by reference).
10.13*	—	Owens-Illinois 2004 Executive Life Insurance Plan for Non-U.S. Employees (filed as Exhibit 10.33 to Owens-Illinois Group, Inc.'s Form 10-K for the year ended December 31, 2004, File No. 33-13061, and incorporated herein by reference).
10.14*	—	Amended and Restated Owens-Illinois, Inc. 2005 Incentive Award Plan dated as of April 24, 2009 (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 10-Q for the quarter ended March 31, 2009, File No. 1-9576, and incorporated herein by reference).
10.15*	—	Form of Non-Qualified Stock Option Agreement for use under the Owens-Illinois, Inc. 2005 Incentive Award Plan (filed as Exhibit 10.25 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 2011, File No. 1-9576, and incorporated herein by reference).
10.16*	—	Form of Restricted Stock Agreement for use under the Owens-Illinois, Inc. 2005 Incentive Award Plan (filed as Exhibit 10.30 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 2005, File No. 1-9576, and incorporated herein by reference).

S-K Item 601 No.		Document
10.17*	—	Form of Phantom Stock Agreement for use under the Owens-Illinois, Inc. 2005 Incentive Award Plan (filed as Exhibit 10.31 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 2005, File No. 1-9576, and incorporated herein by reference).
10.18*	—	Form of Restricted Stock Unit Agreement for use under the Owens-Illinois, Inc. 2005 Incentive Award Plan (filed as Exhibit 10.28 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 2011, File No. 1-9576, and incorporated herein by reference).
10.19*	—	Form of Performance Share Unit Agreement for use under the Owens-Illinois, Inc. 2005 Incentive Award Plan (filed as Exhibit 10.29 to Owens-Illinois, Inc.'s Form 10-K for the year ended December 31, 2011, File No. 1-9576, and incorporated herein by reference).
10.20*	—	Second Amended and Restated Owens-Illinois, Inc. 2005 Incentive Award Plan (filed as Appendix B to Owens-Illinois, Inc.'s Definitive Proxy Statement on Schedule 14A filed March 31, 2014, File No. 1-9576, and incorporated herein by reference).
10.21*	—	Form of Non-Qualified Stock Option Agreement for use under Owens-Illinois, Inc.'s Second Amended and Restated 2005 Incentive Award Plan (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 8-K dated March 7, 2015, File No. 1-9576, and incorporated herein by reference).
10.22*	—	Form of Restricted Stock Unit Agreement for use under Owens-Illinois, Inc.'s Second Amended and Restated 2005 Incentive Award Plan (filed as Exhibit 10.2 to Owens-Illinois Group, Inc.'s Form 10-Q for the quarter ended March 31, 2017, File No. 33-13061, and incorporated herein by reference).
10.23*	—	Form of Performance Stock Unit Agreement for use under Owens-Illinois, Inc.'s Second Amended and Restated 2005 Incentive Award Plan (filed as Exhibit 10.1 to Owens- Illinois Group, Inc.'s Form 10-Q for the quarter ended March 31, 2017, File No. 33-13061, and incorporated herein by reference).
10.24*	—	Owens-Illinois, Inc. 2017 Incentive Award Plan (filed as Appendix B to Owens-Illinois, Inc.'s Definitive Proxy Statement on Schedule 14A filed March 30, 2017, File No. 1-9576, and incorporated herein by reference).
10.25*	—	Owens-Illinois, Inc. Executive Severance Policy (filed as Exhibit 10.4 to Owens-Illinois, Inc.'s Form 8-K dated March 7, 2015, File No. 1-9576, and incorporated herein by reference).
10.26*	—	Amended and Restated Letter Agreement between Owens-Illinois, Inc. and Albert P.L. Stroucken (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 8-K dated October 26, 2011, File No. 1-9576, and incorporated herein by reference).
10.27*	—	Letter Agreement dated March 7, 2015, between Owens-Illinois, Inc. and Stephen P. Bramlage, Jr. (filed as Exhibit 10.5 to Owens-Illinois, Inc.'s Form 8-K dated March 7, 2015, File No. 1-9576, and incorporated herein by reference).
10.28*	—	Letter Agreement signed November 20, 2015, between Owens-Illinois, Inc. and Jan Bertsch (filed as Exhibit 10.1 to Owens-Illinois, Inc.'s Form 8-K dated November 23, 2015, File No. 1-9576, and incorporated herein by reference).
10.29*	—	Letter Agreement dated March 7, 2016, between Owens-Illinois, Inc. and James W. Baehren (filed as Exhibit 99.1 to Owens-Illinois, Inc.'s Form 8-K dated March 7, 2016, File No. 1-9576, and incorporated herein by reference).
12	—	Computation of Ratio of Earnings to Fixed Charges (filed herewith).
21	—	Subsidiaries of Owens-Illinois Group, Inc. (filed herewith).

S-K Item 601 No.		Document
24	—	Owens-Illinois Group, Inc. Power of Attorney (filed herewith).
31.1	—	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	—	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1**	—	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith).
32.2**	—	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 (furnished herewith).
101	—	Financial statements from the Annual Report on Form 10-K of Owens-Illinois Group, Inc. for the year ended December 31, 2017, formatted in XBRL: (i) the Consolidated Results of Operations, (ii) the Consolidated Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Share Owner's Equity, (v) the Consolidated Cash Flows and (vi) the Notes to Consolidated Financial Statements.

*Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 15(c).

**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.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
(Registrant)

By: /s/ Mary Beth Wilkinson
Mary Beth Wilkinson
Attorney-in-fact

Date: February 14, 2018

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title
Andres A. Lopez	Chairman and Chief Executive Officer (Principal Executive Officer)
Jan A. Bertsch	President and Chief Financial Officer (Principal Financial Officer; Principal Accounting Officer); Director
Mary Beth Wilkinson	Vice President; Secretary
John A. Haudrich	Vice President; Director

By: /s/ Mary Beth Wilkinson
Mary Beth Wilkinson
Attorney-in-fact

Date: February 14, 2018

INDEX TO FINANCIAL STATEMENT SCHEDULE

Financial Statement Schedule of Owens-Illinois Group, Inc. and Subsidiaries:

For the years ended December 31, 2017, 2016, and 2015:

Table of Contents

OWENS-ILLINOIS GROUP, INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS (CONSOLIDATED)

Years ended December 31, 2017, 2016, and 2015

(Millions of Dollars)

Reserves deducted from assets in the balance sheets:

Allowances for losses and discounts on receivables

		Additions			
	Balance at beginning of period	Charged to costs and expenses	Other	Deductions (Note 1)	Balance at end of period
2017	$ 32	$ 12	$ (2)	$ (8)	$ 34
2016	$ 29	$ 15	$ (2)	$ (10)	$ 32
2015	$ 34	$ 12	$ (5)	$ (12)	$ 29

1) Deductions from allowances for losses and discounts on receivables represent uncollectible notes and accounts written off.

Valuation allowance on net deferred tax assets

	Balance at beginning of period	Charged to income	Charged to other comprehensive income	Foreign currency translation	Other (Note 1)	Balance at end of period
2017	$ 838	$ 15	$ (79)	$ 4	$ (372)	$ 406
2016	$ 833	$ 3	$ (32)	$ (3)	$ 37	$ 838
2015	$ 884	$ 1	$ 5	$ (20)	$ (37)	$ 833

1) The Tax Cut and Jobs Act ("the Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21%. The reduction in tax rates reduced certain U.S. deferred tax assets by $80 million, with an offsetting impact to valuation allowance. In 2017, $327 million of foreign tax credits expired, against which a valuation allowance had previously been asserted.

-

EXHIBIT 12

OWENS-ILLINOIS GROUP, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Millions of dollars, except ratios)

	Years ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Earnings from continuing operations before income taxes	$ 275	$ 356	$ 284	$ 353	$ 480
Less: Equity earnings	(77)	(60)	(60)	(64)	(67)
Add: Total fixed charges deducted from earnings	279	284	264	238	242
Dividends received from equity investees	48	38	53	54	67
Earnings available for payment of fixed charges	$ 525	$ 618	$ 541	$ 581	$ 722
Fixed charges (including the Company's proportional share of 50% owned associates):					
Interest expense	$ 276	$ 279	$ 259	$ 235	$ 239
Portion of operating lease rental deemed to be interest	3	5	5	3	3
Total fixed charges deducted from earnings	$ 279	$ 284	$ 264	$ 238	$ 242
Ratio of earnings to fixed charges	1.9	2.2	2.0	2.4	3.0

EXHIBIT 21

SUBSIDIARIES OF OWENS-ILLINOIS GROUP, INC.

Owens-Illinois Group, Inc. had the following subsidiaries at December 31, 2017 (subsidiaries are indented following their respective parent companies):

Name	**State/Country of Incorporation or Organization**
OI General Finance Inc.	Delaware
OI General FTS Inc.	Delaware
OI Castalia STS Inc.	Delaware
OI Levis Park STS Inc.	Delaware
Owens-Illinois General Inc.	Delaware
Owens Insurance, Ltd.	Bermuda
Universal Materials, Inc.	Ohio
OI Advisors, Inc.	Delaware
OI Securities, Inc.	Delaware
OI Transfer, Inc.	Delaware
Sovereign Air, LLC	Texas
Maumee Air Associates Inc.	Delaware
OI Australia Inc.	Delaware
Continental PET Holdings Pty. Ltd.	Australia
ACI America Holdings Inc.	Delaware
ACI Ventures, Inc.	Delaware
Owens-Brockway Packaging, Inc.	Delaware
Owens-Brockway Glass Container Inc.	Delaware
O-I Packaging Solutions LLC	Delaware
O-I Bolivia Holdings Limited	United Kingdom
Vidrio Lux S.A.	Bolivia
OI Andover Group Inc.	Delaware
The Andover Group, Inc.	Delaware
Brockway Realty Corporation	Pennsylvania
NHW Auburn, LLC	Delaware
OI Auburn Inc.	Delaware
SeaGate, Inc.	Ohio
SeaGate II, Inc.	Ohio
SeaGate III, Inc.	Ohio
OIB Produvisa Inc.	Delaware
OI California Containers, Inc.	Delaware
O-I Latam Services S.A.S.	Colombia
OI Puerto Rico STS Inc.	Delaware
O-I Caribbean Sales & Distribution Inc.	Delaware
O-I Latam HQ, Inc.	Delaware
Bolivian Investments, Inc.	Delaware
Fabrica Boliviana de Vidrios S.A.	Bolivia
OI International Holdings Inc.	Delaware
O-I Global Holdings LLC	Delaware
O-I Global Holdings C.V.	Netherlands
O-I Holding LLC	Delaware
OI Global C.V.	Netherlands
O-I Americas LLC	Delaware
O-I Glass C.V.	Netherlands
O-I Mexico Holdings I B.V.	Netherlands

Name	State/Country of Incorporation or Organization
O-I Mexico Holdings II B.V.	Netherlands
Envases de Vidrio de las Americas, S. de R.L. de C.V.	Mexico
Especialidades Operativas de America, S. de R.L. de C.V.	Mexico
Glass International OISPV, S.A.P.I. de C.V.	Mexico
Owens America, S. de R.L. de C.V.	Mexico
Owens Vimosa, S. de R.L. de C.V.	Mexico
Owens Vigusa, S. de R.L. de C.V.	Mexico
Owens Virreyes, S. de R.L. de C.V.	Mexico
Owens Viquesa, S. de R.L. de C.V.	Mexico
Owens Vitolsa, S. de R.L. de C.V.	Mexico
OI Hungary LLC	Delaware
O-I Manufacturing Hungary Limited	Hungary
O-I Sales & Distribution Hungary Kft.	Hungary
O-I Ecuador LLC	Ohio
Cristaleria del Ecuador, S.A.	Ecuador
OI European Group B.V.	Netherlands
Owens-Illinois Singapore Pte. Ltd.	Singapore
OI China LLC	Delaware
Wuhan Owens Glass Container Company Limited	China
ACI Beijing Limited	Hong Kong
O-I (Tianjin) Glass Container Co., Ltd.	China
Owens-Illinois Services H.K. Limited	Hong Kong
ACI Guangdong Limited	Hong Kong
ACI Guangdong Glass Company Limited	China
ACI Shanghai Limited	Hong Kong
O-I (Shanghai) Glass Container Co.. Ltd.	China
Owens-Illinois (HK) Limited	Hong Kong
O-I (Shanghai) Management Co Ltd.	China
O-I (Zhaoqing) Glass Container Co. Ltd.	China
O-I Sihui Glass Recycling Co. Ltd.	China
Owens-Illinois (Australia) Pty Ltd	Australia
ACI Packaging Services Pty Ltd	Australia
ACI Operations Pty. Ltd.	Australia
ACI International Pty Ltd	Australia
ACI Glass Packaging Penrith Pty Ltd	Australia
PT Kangar Consolidated Industries	Indonesia
ACI Operations NZ Limited	New Zealand
O-I Asia-Pacific Holdings	Mauritius
O-I Sales and Distribution Netherlands B.V.	Netherlands
O-I Europe Sarl	Switzerland
O-I Sales and Distribution UK Limited.	United Kingdom
O-I Sales and Distribution Poland Sp Z.o.o.	Poland
O-I Business Service Center Sp. Z.o.o.	Poland
O-I Manufacturing Poland S.A.	Poland
O-I Manufacturing UK Ltd.	United Kingdom
O-I Sales and Distribution Spain SL	Spain
Vidrieria Rovira, S. L.	Spain
OI Spanish Holdings B.V.	Netherlands
Owens-Illinois Peru S. A.	Peru
O-I Manufacturing Italy S.p.A.	Italy
O-I Manufacturing Czech Republic A.S.	Czech Republic

Name	State/Country of Incorporation or Organization
O-I Sales and Distribution Czech Republic s.r.o.	Czech Republic
San Domenico Vetraria S.r.l.	Italy
O-I Sales and Distribution Italy S.r.l.	Italy
O-I Manufacturing Netherlands B.V.	Netherlands
Veglarec B.V.	Netherlands
O-I Europe SAS	France
O-I Manufacturing France SAS	France
O-I Sales and Distribution France SAS	France
O-I Distribution SO	France
Champagne Emballage	France
O-I Glasspack Beteiligungs & Verwaltungsgesellschaft GmbH	Germany
OI Glasspack GmbH & Co. KG	Germany
O-I Sales and Distribution Germany GmbH	Germany
O-I Glasspack Verwaltungs GmbH	Germany
OI Canada Holdings B.V.	Netherlands
O-I Canada Corp.	Canada
Manufacturera de Vidrios Planos, C.A.	Venezuela
Owens-Illinois de Venezuela, C. A.	Venezuela
Fabrica de Vidrio Los Andes, C. A.	Venezuela
CMC S.A.	Colombia
Cristaleria Peldar, S.A.	Colombia
Cristar S.A.	Colombia
Industria de Materias Primas S.A.	Colombia
Vidrieria Fenicia	Colombia
Owens-Illinois do Brasil Industria e Comercio Ltda.	Brazil
Mineracao Silminas Ltda.	Brazil
Mineracao Descalvado Ltda.	Brazil
OI Finnish Holdings Oy	Finland
O-I Sales and Distribution Finland OY	Finland
O-I Sales and Distribution LT	Lithuania
O-I Production Estonia AS	Estonia
O-I Sales and Distribution Estonia OU	Estonia
O-I GMEC Lurin srl	Peru
O-I Jaroslaw Machine Service Center	Poland
Owens-Illinois Argentina S.A.	Argentina

EXHIBIT 24

OWENS-ILLINOIS GROUP, INC.
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That each individual whose signature appears below hereby consents to and appoints Mary Beth Wilkinson as his true and lawful attorney-in-fact and agent with all power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 2017 Annual Report on Form 10-K of Owens-Illinois Group, Inc., a corporation organized and existing under the laws of the State of Delaware, and any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission pursuant to the requirements of the Securities Exchange Act of 1934, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the same as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his hand on the date set opposite his name.

Signature	Title	Date
/s/ Andres A. Lopez Andres A. Lopez	Chairman and Chief Executive Officer	February 14, 2018
/s/Jan A. Bertsch Jan A Bertsch	President and Chief Financial Officer, Director	February 14, 2018
/s/ Mary Beth Wilkinson Mary Beth Wilkinson	Secretary; Director	February 14, 2018
/s/ John A. Haudrich John A. Haudrich	Vice President; Director	February 14, 2018

EXHIBIT 31.1

CERTIFICATIONS

I, Andres A. Lopez, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 14, 2018

/s/ Andres A. Lopez
Andres A. Lopez
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Jan A. Bertsch, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 14, 2018

/s/ Jan A. Bertsch
Jan A. Bertsch
President and Chief Financial Officer

EXHIBIT 32.1

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 Annual Report on Form 10-K of the Company for the year ended December 31, 2017 (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: February 14, 2018

/s/ Andres A. Lopez
Andres A. Lopez
Chairman and Chief Executive Officer

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.

EXHIBIT 32.2

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 Annual Report on Form 10-K of the Company for the year ended December 31, 2017 (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: February 14, 2018

/s/ Jan A. Bertsch
Jan A. Bertsch
President and Chief Financial Officer

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.