WAL MART STORES INC
Form DEF 14A
April 16, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Wal-Mart Stores, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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702 Southwest 8th Street

Bentonville, Arkansas 72716-0215

(479) 273-4000

Corporate website: www.walmartstores.com

NOTICE OF 2012 ANNUAL SHAREHOLDERS MEETING

To Be Held June 1, 2012

Please join us for the 2012 Annual Shareholders Meeting of Wal-Mart Stores, Inc. The meeting will be held on Friday, June 1, 2012, at 7:00 a.m. Central time in Bud Walton Arena, University of Arkansas, Fayetteville, Arkansas.

The purposes of the 2012 Annual Shareholders Meeting are:

(1) to elect as directors the 16 nominees named in the attached proxy statement;

(2) to ratify the appointment of Ernst & Young LLP as the company s independent accountants for the fiscal year ending January 31, 2013;

(3) to vote on a non-binding, advisory resolution to approve the compensation of the company s named executive officers, as described in the Compensation Discussion and Analysis and tabular compensation disclosure in the attached proxy statement;

(4) to vote on the three shareholder proposals described in the attached proxy statement; and

(5) to transact other business properly brought before the 2012 Annual Shareholders Meeting.

Important Notice Regarding the Availability of Proxy Materials for the 2012 Annual Shareholders Meeting. This year, we will once again take advantage of the rules of the Securities and Exchange Commission that allow us to furnish our proxy materials on the internet. As a result, we are mailing a notice of availability of the proxy materials on the internet, rather than a full paper set of the proxy materials, to many of our shareholders. The notice of availability contains instructions on how to access our proxy materials on the internet, as well as instructions on how shareholders may obtain a paper copy of the proxy materials. Shareholders who have affirmatively requested electronic delivery of our proxy materials will receive instructions via e-mail regarding how to access these materials electronically. All other shareholders, including shareholders who have previously requested to receive a paper copy of the materials, will receive a full paper set of the proxy materials by mail. This distribution process will contribute to our sustainability efforts and will reduce the costs of printing and distributing our proxy materials.

You must have been the holder of record of shares of Wal-Mart Stores, Inc. common stock at the close of business on April 4, 2012 to vote at the 2012 Annual Shareholders Meeting. **If you plan to attend the meeting, please bring the admittance slip on the back cover of this proxy statement or other proof of your ownership of Wal-Mart Stores, Inc. common stock as of the close of business on the record date (such as the notice of availability of our proxy materials if you received one) and picture identification.** Regardless of whether you will attend, please vote as described on pages 3 through 7 of the proxy statement. Voting in any of the ways described will not prevent you from attending the 2012 Annual Shareholders Meeting.

The proxy statement and our Annual Report to Shareholders for the fiscal year ended January 31, 2012 are available at the Investors section of our corporate website at www.walmartstores.com/annualmeeting. In accordance with the rules of the Securities and Exchange Commission, we do not use software that identifies visitors accessing these materials on our website.

By Order of the Board of Directors

Jeffrey J. Gearhart

Secretary

Bentonville, Arkansas

April 16, 2012

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WAL-MART STORES, INC.

702 Southwest 8th Street

Bentonville, Arkansas 72716-0215

(479) 273-4000

Corporate website: www.walmartstores.com

PROXY STATEMENT

On April 16, 2012, we began mailing to some of our shareholders a notice that this proxy statement and the related proxy materials are available on the internet. That notice contains instructions on how to access the proxy materials on the internet. On April 16, 2012, we also began mailing a full set of proxy materials to other shareholders, including shareholders who have previously requested to receive a paper copy of the proxy materials. On this date, we also sent instructions via e-mail regarding how to access the proxy materials electronically to certain shareholders who have previously requested this method of delivery. These proxy materials relate to the solicitation of proxies by the Board of Directors of Wal-Mart Stores, Inc., a Delaware corporation, for use at our 2012 Annual Shareholders Meeting. The meeting will be held in Bud Walton Arena on the campus of the University of Arkansas, Fayetteville, Arkansas, on Friday, June 1, 2012, at 7:00 a.m. Central time.

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TABLE OF ABBREVIATIONS

The following abbreviations are used for certain terms that appear in this proxy statement:

2011 Annual Shareholders Meeting: Walmart s Annual Shareholders Meeting held on June 3, 2011

2012 Annual Shareholders Meeting: Walmart s Annual Shareholders Meeting to be held on June 1, 2012

401(k) Plan: the Walmart 401(k) Plan

Annual Report to Shareholders: Walmart s Annual Report to Shareholders for fiscal 2012

Associate: an employee of Walmart or one of its subsidiaries

Audit Committee: the Audit Committee of the Board

Board: the Board of Directors of Walmart

Board committees: the Audit Committee, the CNGC, the Executive Committee, the Global Compensation Committee, the SPFC, and the TeCC

Broadridge: Broadridge Financial Solutions, Inc., representatives of which will serve as the inspectors of election at the 2012 Annual Shareholders Meeting

Bylaws: the amended and restated Bylaws of Walmart, effective as of June 2, 2011

CD&A: the Compensation Discussion and Analysis included in this proxy statement

CEO: the Chief Executive Officer of a company

CFO: the Chief Financial Officer of a company

Chairman: the Chairman of a board of directors of a corporation, the board of managers of a limited liability company, the board of directors or similar governing body of a non-profit entity, or any committee of the foregoing

CNGC: the Compensation, Nominating and Governance Committee of the Board

Deferred Compensation Plan: Until January 31, 2012, the Wal-Mart Stores, Inc. Officer Deferred Compensation Plan. Beginning February 1, 2012, the Walmart Deferred Compensation Matching Plan, which replaced the Officer Deferred Compensation Plan

Director Compensation Deferral Plan: the Wal-Mart Stores, Inc. Director Compensation Deferral Plan, effective June 4, 2010, which sets forth terms and procedures with respect to the deferral of cash and equity compensation paid to Non-Management Directors

E&Y: Ernst & Young LLP, an independent registered public accounting firm

Exchange Act: the Securities Exchange Act of 1934, as amended

Executive Committee: the Executive Committee of the Board

Executive Officers: those senior officers of our company designated by the Board as executive officers (as defined by Rule 3b-7 under the Exchange Act) as to whom Walmart has certain disclosure obligations and who must report certain transactions in equity securities of our company under Section 16

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Fiscal 2014, fiscal 2013, fiscal 2012, fiscal 2011 and fiscal 2010: Walmart s fiscal years ending January 31, 2014, 2013, 2012, 2011, and 2010, respectively

GAAP: generally accepted accounting principles in effect in the United States from time to time

Global Compensation Committee or GCC: the Global Compensation Committee of the Board

Independent Directors: the Walmart directors whom the Board has determined have no material relationships with our company pursuant to the standards set forth in the NYSE Listed Company Rules and, as to members of the Audit Committee, who meet the requirements of Section 10A of the Exchange Act and Rule 10A-3 under the Exchange Act

Internal Revenue Code: the Internal Revenue Code of 1986, as amended

Management Incentive Plan or MIP: the Wal-Mart Stores, Inc. Management Incentive Plan, as amended and restated effective February 1, 2008

Named Executive Officers or NEOs: Walmart s President and CEO, Walmart s CFO, the next three most highly compensated Executive Officers during fiscal 2012, and the Executive Vice President, President and CEO, Sam s Club during fiscal 2012, whom Walmart is voluntarily including as an NEO in this proxy statement

Non-Management Directors: the members of the Board who are not employed by Walmart or a subsidiary of Walmart

NYSE: the New York Stock Exchange

NYSE Listed Company Rules: the NYSE s rules for companies with securities listed for trading on the NYSE, including the continual listing requirements and rules and policies on matters such as corporate governance, shareholder communication and shareholder approval

SEC: the United States Securities and Exchange Commission

Section 16: Section 16 of the Exchange Act

SERP: the Wal-Mart Stores, Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009, which was replaced, effective February 1, 2012, with the Walmart Deferred Compensation Matching Plan

Share or Shares: a share or shares of Walmart common stock, $0.10 par value per share

SOX: the Sarbanes-Oxley Act of 2002

SPFC: the Strategic Planning and Finance Committee of the Board

Stock Incentive Plan: the Wal-Mart Stores, Inc. Stock Incentive Plan of 2010

Stock Purchase Plan: the Wal-Mart Stores, Inc. 2004 Associate Stock Purchase Plan, as restated effective February 1, 2004, and subsequently amended

TeCC: the Technology and eCommerce Committee of the Board

Walmart, our company, the company, we, our or us: Wal-Mart Stores, Inc., a Delaware corporation

Your proxy to vote your Shares at the 2012 Annual Shareholders Meeting is solicited by the Board. Walmart pays the cost of soliciting your proxy and reimburses brokers and others for forwarding to you the proxy statement, proxy card or voting instruction form, and Annual Report to Shareholders and, for certain shareholders, the notice of availability.

VOTING AND OTHER INFORMATION

Who may vote? You may vote if you were the holder of record of Shares at the close of business on April 4, 2012. You are entitled to one vote on each proposal presented at the 2012 Annual Shareholders Meeting for each Share you owned at that time. If you held Shares at that time in street name through a bank, broker, or other nominee, you must obtain a legal proxy, executed in your favor, from the holder of record of those Shares as of the close of business on April 4, 2012, to be entitled to vote those Shares at the meeting. As of the close of business on April 4, 2012, Walmart had 3,400,674,912 Shares outstanding.

What am I voting on? You are voting on:

- the election of the 16 nominees named in this proxy statement as directors of our company;
- the ratification of the appointment of E&Y as Walmart s independent accountants for fiscal 2013;

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a non-binding, advisory resolution to approve the compensation of the company s NEOs, as described in the CD&A and tabular compensation disclosure in this proxy statement;

three shareholder proposals described in this proxy statement; and

any other business that is properly brought before the 2012 Annual Shareholders Meeting.

Who counts the votes? Broadridge will count the votes. The Board has appointed two employees of Broadridge as the inspectors of election.

Is my vote confidential? Yes, your proxy card or ballot and voting records will not be disclosed unless the law requires disclosure, you request disclosure, or your vote is cast in a contested election. If you write comments on your proxy card or ballot, your comments will be provided to Walmart by Broadridge, but how you voted will remain confidential.

What is the quorum requirement for holding the 2012 Annual Shareholders Meeting? The holders of a majority of the Shares outstanding as of the record date for the meeting must be present in person or represented by proxy for business to be transacted at the meeting.

What vote is required to elect a director at the 2012 Annual Shareholders Meeting? In an uncontested election of directors, to be elected, a director nominee must receive affirmative votes representing a majority of the votes cast by the holders of Shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors (a majority vote). In a contested election of directors, directors are elected by a plurality vote, which means that the director nominees receiving the most votes cast by the holders of Shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors will be elected, regardless of the number of votes cast in favor of each director nominee. Under the Bylaws, an uncontested election is an election in which the number of nominees for director is not greater than the number of directors to be elected, and a contested election is an election in which the number of nominees for director is greater than the number of directors to be elected.

What happens if a director nominee does not receive a majority vote in an uncontested election at the 2012 Annual Shareholders Meeting? Any incumbent director who is a director nominee and who does not receive a majority vote in an uncontested election must promptly tender his or her offer of resignation as a director for consideration by the Board. Each director standing for reelection at the 2012 Annual Shareholders Meeting has agreed to resign, effective upon acceptance of such resignation by the Board, if he or she does not receive a majority vote. The Board must accept or reject such resignation within 90 days following certification of the shareholder vote in accordance with the procedures established by the Bylaws. If a director s resignation offer is not accepted by the Board, that director will continue to serve until our company s next annual shareholders meeting and his or her successor is duly elected and qualified or until the director s earlier death, resignation, or removal.

Any director nominee who is not an incumbent director and who does not receive a majority vote in an uncontested election will not be elected as a director, and a vacancy will be left on the Board. Only one of the director nominees named in this proxy statement is not an incumbent director. The Board, in its sole discretion, may either fill a vacancy resulting from a director nominee not receiving a majority vote pursuant to the Bylaws or decrease the size of the Board to eliminate the vacancy.

What vote is required to pass the other proposals at the 2012 Annual Shareholders Meeting? The affirmative vote of the holders of a majority of the Shares present in person or represented by proxy at the meeting and entitled to vote is required for: (i) ratification of the appointment of E&Y as Walmart s independent accountants for fiscal 2013; (ii) the adoption of a non-binding, advisory resolution to approve the compensation of the company s NEOs; and (iii) the adoption of each of the shareholder proposals.

What is the effect of an abstain vote on the proposals to be voted on at the 2012 Annual Shareholders Meeting? A Share voted abstain with respect to any proposal is considered as present and entitled to vote with respect to that proposal, but is not considered a vote cast with respect to that proposal. Therefore, an abstention will not have any effect on the election of directors. Because each of the other proposals requires the affirmative vote of the holders of a majority of the Shares present and entitled to vote on each such proposal in order to pass, an abstention will have the effect of a vote against each of the other proposals.

What is the effect of a broker non-vote on the proposals to be voted on at the 2012 Annual Shareholders Meeting? A broker non-vote occurs if your Shares are not registered in your name and you do not provide the record holder of your Shares (usually a bank, broker, or other nominee) with voting instructions on any matter as to which, under the NYSE Listed Company Rules, a broker may not vote without instructions from you, but the broker

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nevertheless provides a proxy for your Shares. Shares as to which a broker non-vote occurs are considered present for purposes of determining whether a quorum exists, but are not considered votes cast or Shares entitled to vote with respect to such matter.

Under the NYSE Listed Company Rules, the election of directors, the advisory vote to approve the compensation of the company s NEOs, and the shareholder proposals described in this proxy statement are not matters on which a broker may vote without your instructions. Therefore, if your Shares are not registered in your name and you do not provide instructions to the record holder of your Shares with respect to these proposals, a broker non-vote as to your Shares will result with respect to these proposals. The ratification of the appointment of independent accountants is a routine item under the NYSE Listed Company Rules. As a result, brokers who do not receive instructions as to how to vote on that matter generally may vote on that matter in their discretion.

If your Shares are held of record by a bank, broker, or other nominee, we urge you to give instructions to your bank, broker, or other nominee as to how you wish your Shares to be voted so you may participate in the shareholder voting on these important matters.

How do I vote? The process for voting your Shares depends on how your Shares are held. Generally, you may hold Shares as a record holder (that is, in your own name) or in street name (that is, through a nominee, such as a broker or bank). If you hold Shares in street name, you are considered to be the beneficial owner of those Shares.

If you are a record holder, you may vote by proxy or you may vote in person at the 2012 Annual Shareholders Meeting. If you are a record holder and would like to vote your Shares by proxy prior to the 2012 Annual Shareholders Meeting, you have three ways to vote:

- call 1-800-690-6903 using a touch-tone phone (toll charges may apply for calls made from outside the United States) and follow the instructions provided;
- go to the website www.proxyvote.com and follow the instructions at that website; or
- if you received a proxy card in the mail, complete, sign, date and mail the proxy card in the return envelope provided to you.

Please note that telephone and internet voting will close at 11:59 p.m. Eastern time on May 31, 2012. If you wish to vote by telephone or internet, follow the instructions on your proxy card (if you received a paper copy of the proxy materials) or in the notice of availability of the proxy materials. If you received a proxy card in the mail and wish to vote by completing and returning the proxy card via mail, please note that your completed proxy card must be received by no later than the time the polls close for voting at the 2012 Annual Shareholders Meeting.

If you plan to attend the 2012 Annual Shareholders Meeting and wish to vote in person, you will be given, upon your request, a ballot at the 2012 Annual Shareholders Meeting. Even if you vote by proxy prior to June 1, 2012, you may still attend the 2012 Annual Shareholders Meeting.

If your Shares are held in the name of a broker, bank, or other nominee, you should receive separate instructions from the holder of your Shares describing how to vote. Nonetheless, if your Shares are held in the name of a broker, bank, or other nominee and you want to vote in person, you will need to obtain (and bring with you to the 2012 Annual Shareholders Meeting) a legal proxy from the record holder of your Shares (who must have been the record holder of your Shares as of the close of business on April 4, 2012) indicating that you were a beneficial owner of Shares as of the close of business on April 4, 2012, as well as the number of Shares of which you were the beneficial owner on the record date, and appointing you as the record holder s proxy to vote the Shares covered by that proxy at the 2012 Annual Shareholders Meeting.

If your Shares are held through the 401(k) Plan or the Wal-Mart Puerto Rico 401(k) Plan, you must provide instructions on how you wish to vote your Shares held through such plans no later than 11:59 p.m. Eastern time on May 29, 2012. If you do not provide such instructions by that time, your Shares will be voted by the Retirement Plans Committee of the respective plan in accordance with the rules of the applicable plan.

What if I do not specify a choice for a matter when returning a signed proxy? Unless you indicate otherwise, the persons named as proxies on the proxy card will vote your Shares: FOR the election of each of the nominees for director named in this proxy statement; FOR the ratification of E&Y as Walmart s independent accountants for fiscal 2013; FOR the non-binding, advisory resolution to approve the compensation of the company s NEOs; and AGAINST each of the shareholder proposals appearing in this proxy statement.

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Can I revoke my proxy? Yes, if you are a record holder, you may revoke a previously submitted proxy by:

filing a written notice of revocation with Walmart s Corporate Secretary at the address on the front cover of this proxy statement before the 2012 Annual Shareholders Meeting;

signing a proxy bearing a later date than the proxy being revoked and delivering it to Walmart s Corporate Secretary at the address on the front cover of this proxy statement before the 2012 Annual Shareholders Meeting; or

voting in person at the 2012 Annual Shareholders Meeting.

If your Shares are held in street name through a broker, bank, or other nominee, you should contact the record holder of your Shares regarding how to revoke your proxy.

Why did I receive a notice regarding the internet availability of the proxy materials instead of a paper copy of the proxy materials? As a part of its sustainability initiatives and to reduce the costs of printing and distributing its proxy materials, as it has done since 2009, Walmart is taking advantage of the SEC rule that allows companies to furnish their proxy materials on the internet to some or all of their shareholders. As a result, Walmart is sending to some shareholders a notice regarding the internet availability of the proxy materials instead of a paper copy of its proxy materials. This notice explains how you can access the proxy materials on the internet and also describes how to request to receive a paper copy of the proxy materials by mail or a printable copy electronically.

Why didn t I receive a notice regarding the internet availability of the proxy materials? Walmart is mailing to many of its shareholders, including shareholders who have previously requested to receive a paper copy, a paper copy of the proxy materials.

How can I access the proxy materials on the internet? You can access the proxy statement and the Annual Report to Shareholders in the Investors section of Walmart s corporate website at www.walmartstores.com/annual meeting. If you wish to join in Walmart s sustainability efforts, you can instruct Walmart to deliver its proxy materials for future annual shareholders meetings to you electronically by e-mail. If you choose to access future proxy materials electronically, you will receive an e-mail with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to access proxy materials electronically will remain in effect until you terminate it. You may choose this method of delivery in the Investors section of Walmart s corporate website at www.walmartstores.com/annualmeeting.

How may I obtain a paper copy of the proxy materials? If you received a notice regarding the internet availability of the proxy materials, you will find instructions about how to obtain a paper copy of the proxy materials and the Annual Report to Shareholders in your notice. If you received an e-mail notification as to the availability of the proxy materials, you will find instructions about how to obtain a paper copy of the proxy materials and the Annual Report to Shareholders as part of that e-mail notification. We will mail a paper copy of the proxy materials and the Annual Report to Shareholders to all shareholders to whom we do not send a notice of availability or an e-mail notification regarding the internet availability of the proxy materials.

What should I do if I receive more than one notice or e-mail notification about the internet availability of the proxy materials or more than one paper copy of the proxy materials? Certain shareholders may receive more than one notice of availability, more than one e-mail notification, or more than one paper copy of the proxy materials, including multiple proxy cards. For example, if you hold your Shares in more than one brokerage account, you may receive a separate notice of availability, a separate e-mail notification, or a separate voting instruction card for each brokerage account in which you hold Shares. If you are a shareholder of record and your Shares are registered in more than one name, you may receive a separate notice of availability, a separate e-mail notification, or a separate set of paper proxy materials and proxy card for each name in which you hold Shares. To vote all of your Shares, you must complete, sign, date and return each proxy card you receive or vote the Shares to which each proxy card relates by telephone or internet as described above, or vote in person as described above. If you have Shares held in one or more street names, you must complete, sign, date and return to each bank, broker or other nominee through which you hold Shares each voting instruction card received from that bank, broker or other nominee.

How can I attend the 2012 Annual Shareholders Meeting? **Only shareholders who owned Shares as of the close of business on April 4, 2012 will be entitled to attend the 2012 Annual Shareholders Meeting.** You will be admitted to the 2012 Annual Shareholders Meeting only if you present a valid admittance slip (or other written proof

of Share ownership as described below) and photo identification (such as a valid driver s license or passport) at an entrance to Bud Walton Arena, the facility at which the 2012 Annual Shareholders Meeting is held.

- If your Shares are registered in your name and you received your proxy materials by mail, an admittance slip is attached to the back of this proxy statement. You should bring that admittance slip with you to the 2012 Annual Shareholders Meeting.

- If your Shares are registered in your name and you received or accessed your proxy materials electronically on the internet, we will admit you if we are able to verify that you are a record shareholder. You may print a copy of the admittance slip on the back cover of this proxy statement when you access your proxy statement on the internet or bring other proof of Share ownership, such as the notice of internet availability of the proxy materials mailed to you.

- If you are a beneficial owner of Shares and your Shares are held in street name as described above, you will be admitted to the 2012 Annual Shareholders Meeting if you present a valid legal proxy from your bank, broker or other nominee as to your Shares, the notice of internet availability of the proxy materials (if you received one), a recent bank, brokerage or other statement demonstrating that you owned Shares as of the close of business on April 4, 2012, or the admittance slip attached to the back cover of this proxy statement (or a copy of the admittance slip on the back cover of this proxy statement if you accessed your proxy statement on the internet as described above).

No cameras, camcorders, videotaping equipment, other recording devices or large packages will be permitted in Bud Walton Arena. Photographs and videos taken at the 2012 Annual Shareholders Meeting may be used by Walmart. By attending the 2012 Annual Shareholders Meeting, you will be agreeing to Walmart s use of those photographs and videos and waive any claim or rights with respect to those photographs and videos and their use.

If you are unable to attend the 2012 Annual Shareholders Meeting in person, you may view a live webcast at www.walmartstores.com/shareholdersmeeting. The webcast of the 2012 Annual Shareholders Meeting will be available for viewing for a limited time after the meeting.

INFORMATION ABOUT THE BOARD

Walmart s directors are elected at each annual shareholders meeting and hold office until their successors are elected and qualified or, if earlier, their resignation, death or removal. All nominees for election to the Board are presently directors of Walmart with the exception of Marissa A. Mayer, who is standing for election to the Board for the first time. If the shareholders elect all of the director nominees named in this proxy statement at the 2012 Annual Shareholders Meeting, Walmart will have 16 directors. The Board has authority under the Bylaws to fill vacancies and to increase or, upon the occurrence of a vacancy, decrease the Board s size between annual shareholders meetings. The Board has established the size of the Board immediately after the 2012 Annual Shareholders Meeting to be 16 directors.

Your proxy holder will vote your Shares for the election of each of the Board s nominees named below unless you instruct otherwise. If a nominee is unable to serve as a director, your proxy holder may vote for any substitute nominee proposed by the Board.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The following candidates for election as directors at the 2012 Annual Shareholders Meeting have been nominated by the Board based on the recommendation of the CNGC. The information set forth below includes, with respect to each nominee, his or her age, principal occupation and employment during the past five years, the year in which he or she first became a director of Walmart, and directorships held by each nominee at other public companies during the past five years. In addition to the information presented below regarding each nominee s specific experience, qualifications, attributes and skills that led the Board to conclude that he or she should serve as a director, our Board believes that each of our director nominees has demonstrated outstanding achievement in his or her professional career; broad experience; wisdom; personal and professional integrity; ability to make independent, analytical inquiries; experience with and understanding of the business environment; and willingness and ability to devote adequate time to Board duties. The Board has also determined that each nominee has met the minimum qualifications for Board service described below under Nomination Process for Director Candidates. As set forth in our company s Corporate

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Governance Guidelines, the Board is committed to a diverse membership. In selecting nominees, the Board does not discriminate on the basis of race, color, national origin, gender, religion, disability, or sexual orientation.

Aida M. Alvarez, 62

Ms. Alvarez is the former Administrator of the U.S. Small Business Administration and was a member of President Clinton s Cabinet from 1997 to 2001. She was the founding Director of the Office of Federal Housing Enterprise Oversight (the OFHEO) from 1993 to 1997. Ms. Alvarez was a vice president in public finance at First Boston Corporation and Bear Stearns & Co., Inc. prior to 1993. She is Chair of the Latino Community Foundation of San Francisco and has served as a director of UnionBanCal Corporation and Union Bank, N.A. since 2004. Ms. Alvarez has been a member of the Board since 2006.

Ms. Alvarez s qualifications to serve on the Board include her expertise in government and executive experience that she gained through her years in President Clinton s cabinet and from her executive role at government agencies. As founding Director of the OFHEO, Ms. Alvarez was responsible for leading the agency with financial oversight responsibility for the secondary mortgage market and ensuring the capital adequacy and financial safety and soundness of two government-sponsored enterprises the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Ms. Alvarez brings to the Board extensive knowledge of the federal government and insight into public policy, as well as leadership experience gained through her directorship of the OFHEO, oversight of the U.S. Small Business Administration and service on boards of directors, including her service on the Board and the Audit Committee. The Board also benefits from Ms. Alvarez s knowledge of investment banking and finance as a result of her experience as an investment banker.

James W. Breyer, 50

Mr. Breyer is a Partner of Accel Partners, a venture capital firm, a position he has held since 1987. Mr. Breyer is also the founder and has been the CEO of Breyer Capital, an investment firm, since July 2006. Mr. Breyer is also a co-founder and has been co-lead on the strategic investment committee since inception of the IDG-Accel China Funds. He has served as a director of News Corporation since 2011, Dell Inc. since 2009, Brightcove, Inc. since 2005, Facebook, Inc. since 2005, and Prosper Marketplace, Inc. since 2005. He also served as a director of Marvel Entertainment, Inc. from June 2006 to December 2009, and RealNetworks, Inc. from October 1995 to June 2008. Mr. Breyer has been a member of the Board since 2001.

Mr. Breyer s qualifications to serve on the Board include his experience gained through his venture capital activities, including his partnership in Accel Partners, through which he brings to the Board insight into strategic planning, investment expertise, and entrepreneurship. The Board also benefits from Mr. Breyer s extensive knowledge of the technology industry and insight into existing and emerging technologies relevant to Walmart s business. In addition, through his years of service on the boards of public and private companies and other organizations, including his service on the Board and the SPFC, Mr. Breyer provides the Board with diverse and valuable financial, operational, and leadership expertise.

M. Michele Burns, 54

Ms. Burns is the Executive Director and CEO of the Retirement Policy Center sponsored by Marsh & McLennan Companies, Inc. (MMC), a global professional services and consulting firm, a position she has held since October 2011. Prior to that role, Ms. Burns was the Chairman and CEO of Mercer Inc. (Mercer), a subsidiary of MMC, from September 2006 until October 2011. She joined MMC in March 2006 and served as its Executive Vice President and CFO until September 2006. She is the former Executive Vice President, CFO, and Chief Restructuring Officer of Mirant Corporation, an energy company, where she served from May 2004 to January 2006. She served as the Executive Vice President and CFO of Delta Air Lines, Inc., an air carrier, from August 2000 through April 2004. She has also served as a director of The Goldman Sachs Group, Inc. since October 2011 and Cisco Systems, Inc. since 2003. Ms. Burns has been a member of the Board since 2003.

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Ms. Burns qualifications to serve on the Board include her expertise in corporate finance, accounting and strategy gained through her service as CFO of several large public companies in a variety of industries, as well as through her experience as CEO of Mercer. Ms. Burns financial expertise is also evidenced by her appointment as the next Chair of the audit committee of the board of directors of The Goldman Sachs Group, Inc. The Board also benefits from Ms. Burns demonstrated leadership as a CEO and as a senior executive of several public companies. She also brings to the Board her experience providing strategic consulting services to complex organizations through her role at Mercer. Ms. Burns also contributes her leadership expertise and knowledge of the operations of, and issues faced by, public companies gained through her service on public company boards of directors, including her service on the Board and the SPFC.

James I. Cash, Jr., 64

Dr. Cash is the James E. Robison Emeritus Professor of Business Administration at Harvard Business School, where he served from July 1976 to October 2003. Dr. Cash served as the Senior Associate Dean and Chairman of HBS Publishing while on the faculty of the Harvard Business School, and also served as Chairman of the MBA Program. While on the faculty of Harvard Business School, Dr. Cash s research focused on the strategic use of information technology in the service sector, and specifically the development of a performance measurement system for large information technology organizations. Dr. Cash holds an advanced degree in accounting and has been published extensively in accounting and information technology journals. He currently provides management development and consulting services through The Cash Catalyst, LLC, which Dr. Cash formed in 2009. He has served as a director of The Chubb Corporation since 1996 and of General Electric Company since 1997. Dr. Cash has served as a director of a number of other public companies, including Phase Forward Incorporated from October 2003 to May 2009, and Microsoft Corporation from May 2001 to November 2009, and has served on the audit committees of several public companies. Dr. Cash has been a member of the Board since 2006.

Dr. Cash s qualifications to serve on the Board include his knowledge of management and information technology gained through his years of research, publishing and teaching on the subject, as well as through his service on the boards of directors of technology companies and his consulting activities. In addition, Dr. Cash provides the Board with financial, accounting and strategic planning expertise gained through his education, his career in academia and his service on the boards of directors and audit committees of large multinational public companies in a variety of industries.

Roger C. Corbett, 69

Mr. Corbett is the retired CEO and Group Managing Director of Woolworths Limited (Woolworths), the largest retail company in Australia, where he served from 1990 to 2006. He is a director of The Reserve Bank of Australia and Chairman of PrimeAg Australia (a major Australian farming enterprise). He is the Chairman of Fairfax Media Limited (a major Australian newspaper, magazine and internet publisher), where he also serves as Chairman of that company s Nominations Committee and formerly served as Chairman of that company s Audit and Risk Committee. He also is a director and non-executive Chairman of Mayne Pharma Group Limited, an Australian specialist pharmaceutical company, and a former member of the Prime Minister s Community Business Partnership. He is a former founding director of Outback Stores, a commercial venture supported by the government to provide retail facilities for communities in remote Australia. He is a member of the Advisory Council of the Australian Graduate School of Management for the University of New South Wales, and is also the former Chairman of CIES Food Business Forum (France). Mr. Corbett is also Chairman of the Salvation Army Advisory Board, is Chairman of the Sydney Children s Hospitals Network (Randwick & Westmead) Advisory Board, and is a member of the Dean s Advisory Group of the Faculty of Medicine at the University of Sydney. Mr. Corbett has been a member of the Board since 2006.

Mr. Corbett s qualifications to serve on the Board include his extensive knowledge of the retail industry and his understanding of financial, operational, and strategic issues facing large retail companies gained through his experience as a CEO of a major retail company and his more than 40 years of leadership experience in the retail industry. Mr. Corbett also contributes his demonstrated leadership and strategic planning experience gained as the CEO of a publicly traded retailer and through his service on the boards of directors of various for-profit and non-profit organizations, including his service on the Board and the SPFC. In addition, Mr. Corbett brings to the Board an international perspective and understanding of international markets.

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Douglas N. Daft, 69

Mr. Daft is the retired Chairman and CEO of The Coca-Cola Company, a beverage manufacturer, where he served in that capacity from February 2000 until May 2004 and in various other capacities, including responsibility for various international markets, since 1969. Mr. Daft has served as a director of The McGraw-Hill Companies, Inc. since 2003 and served as a director of Sistema-Hals from September 2006 until December 2009. He has also served as a director of Green Mountain Coffee Roasters, Inc. since December 2009, where he is a member of that company s compensation committee. Among additional endeavors, Mr. Daft is a member of the European Advisory Council for N.M. Rothschild & Sons Limited and a member of the advisory boards of Longreach, Inc., Tisbury Capital, and Thomas H. Lee Partners. Mr. Daft has been a member of the Board since 2005.

Mr. Daft s qualifications to serve on the Board include his international business leadership experience gained through his service as Chairman and CEO of a major global public company. Through his service at The Coca-Cola Company, Mr. Daft brings to the Board extensive expertise in brand management, marketing, finance, strategic planning, and overseeing the operations of a global corporation. In addition, through his years of service on the boards of several large companies in a variety of industries, including his service on the Board, Mr. Daft is able to provide diverse and valuable corporate governance, finance, operational and strategic expertise to the Board.

Michael T. Duke, 62

Mr. Duke is the President and CEO of Walmart and has served in that position since February 1, 2009. Prior to this appointment, he held other positions with Walmart since joining our company in July 1995, including Vice Chairman with responsibility for Walmart International beginning in September 2005 and Executive Vice President and President and CEO of Walmart US beginning in April 2003. Mr. Duke serves on the board of directors of The Consumer Goods Forum, the executive committee of the Business Roundtable, and the executive board of Conservation International s Center for Environmental Leadership in Business. He also serves on the board of advisors for the University of Arkansas and the advisory board of the Tsinghua University School of Economics and Management in Beijing, China. Mr. Duke has been a member of the Board since November 2008.

Mr. Duke s qualifications to serve on the Board include his decades of experience in the retail industry, his years of executive leadership experience across multiple operating divisions of our company, his knowledge of international markets and international retailing gained through his oversight of our International division, and his expertise in corporate strategy, development and execution.

Marissa A. Mayer, 36

Ms. Mayer is Vice President of Local and Maps for Google Inc. (Google), an internet company, a position she has held since 2010. In this role, Ms. Mayer leads the product management and engineering efforts of Google s local, mobile, and location-based products including Google Maps, Google Maps for Mobile, Local Search, Google Earth, and Street View. Prior to assuming her current role with Google, Ms. Mayer served as Google s Vice President, Search Products and User Experience, beginning in 2005. Ms. Mayer has served in a variety of other capacities since first joining Google as its first female engineer in 1999, and has been responsible for launching hundreds of products and features during that time. Concurrently with her work at Google, Ms. Mayer has taught introductory computer programming classes at Stanford University. Ms. Mayer holds a bachelor s degree in symbolic systems and a master s degree in computer science from Stanford University. Ms. Mayer serves on the boards of the San Francisco Museum of Modern Art, the San Francisco Ballet, the New York City Ballet, and the Smithsonian Cooper Hewitt, National Design Museum. Ms. Mayer is standing for election to the Board for the first time at the 2012 Annual Shareholders Meeting.

Ms. Mayer s qualifications to serve on the Board include her extensive expertise and insight into the technology and consumer internet industries. Through her experience at Google, Ms. Mayer will bring to the Board long-term experience in internet product development, engineering, and brand management. In addition, the Board will benefit from Ms. Mayer s expertise in governance and strategic planning gained through her experience on the boards of numerous non-profit organizations.

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Gregory B. Penner, 42 +

Mr. Penner has been a General Partner of Madrone Capital Partners (Madrone), an investment management firm, since 2005. From 2002 to 2005, he served as Walmart s Senior Vice President and CFO - Japan. Before serving in that role, Mr. Penner held the position of Senior Vice President of Finance and Strategy for Walmart.com. Prior to working for Walmart, Mr. Penner was a General Partner at Peninsula Capital, an early stage venture capital fund, and a financial analyst for Goldman, Sachs & Co. Mr. Penner has been a member of the board of directors of Baidu, Inc. since 2004 and of Hyatt Hotels Corporation since 2007. He also serves on the boards of directors of 99Bill Corporation and eHarmony, Inc. Mr. Penner has been a member of the Board since 2008.

Mr. Penner s qualifications to serve on the Board include his knowledge of international business, particularly in Asia, gained through his former service as CFO of Walmart s operations in Japan and his service on the boards of directors of Baidu, Inc. and 99Bill Corporation, both of which are based in China. Mr. Penner also brings technology expertise to the Board gained through his service with Walmart.com and as a director of various technology companies, including Baidu, Inc. and 99Bill Corporation. The Board also benefits from Mr. Penner s expertise in strategic planning, finance and investment matters gained through his leadership of Madrone, his business leadership experience, and his service on the boards of directors of public and private companies in a variety of industries, including the Board.

Steven S Reinemund, 64

Mr. Reinemund is the Dean of Business and Professor of Leadership and Strategy at Wake Forest University, positions he has held since July 2008. Prior to joining the faculty of Wake Forest University, Mr. Reinemund had a distinguished 23-year career with PepsiCo, Inc. (PepsiCo), where he served as that company s Chairman of the Board from October 2006 to May 2007, and Chairman and CEO from May 2001 to October 2006. Prior to becoming Chairman and CEO, Mr. Reinemund was PepsiCo s President and Chief Operating Officer from 1999 to 2001 and Chairman and CEO of Frito-Lay s worldwide operations from 1996 to 1999. Mr. Reinemund has served as a director of Exxon Mobil Corporation, American Express Company, and Marriott International, Inc., all since 2007. He previously served as a director of Johnson & Johnson from 2003 to 2008. Mr. Reinemund is also a member of the board of trustees for The Cooper Institute. Mr. Reinemund has been a member of the Board since 2010.

Mr. Reinemund s qualifications to serve on the Board include his international business leadership experience gained through his service as Chairman and CEO of a major global public company. Through his service at PepsiCo, Mr. Reinemund brings to the Board extensive

expertise in brand management, marketing, finance, strategic planning, and overseeing the operations of a global corporation. In addition, through his service as dean of a prominent business school and on the boards of several large companies in a variety of industries, including his service on the Board and the CNGC, Mr. Reinemund is able to provide considerable corporate governance, finance, operational and strategic expertise to the Board.

H. Lee Scott, Jr., 63

Mr. Scott was Walmart s President and CEO from January 2000 through his retirement from that position on January 31, 2009. Mr. Scott served as an Executive Officer of Walmart and as the Chairman of the Executive Committee until January 31, 2011, when he retired from our company. Prior to serving as President and CEO of Walmart, he held other positions with Walmart since joining our company in September 1979, including Vice Chairman and Chief Operating Officer from January 1999 to January 2000, and Exec none #D9D9D9 ;border-right:1pt none #D9D9D9 ;padding:0pt;">

				(3)	
Net earnings		143	109	196	182
Net earnings attributable to noncontrolling interests		(3)	(4)	(8)	(10)
Net earnings attributable to the Company	$	140	$ 105	$ 188	$ 172
Amounts attributable to the Company:					
Earnings from continuing operations	$	140	$ 107	$ 188	$ 175
Loss from discontinued operations			(2)		(3)
Net earnings	$	140	$ 105	$ 188	$ 172
Basic earnings per share:					
Earnings from continuing operations	$	0.86	$ 0.66	$ 1.16	$ 1.08
Loss from discontinued operations			(0.01)		(0.02)
Net earnings	$	0.86	$ 0.65	$ 1.16	$ 1.06

Weighted averages shares outstanding (thousands)	162,716	161,945	162,553	161,574
Diluted earnings per share:				
Earnings from continuing operations	$ 0.85	$ 0.65	$ 1.15	$ 1.07
Loss from discontinued operations		(0.01)		(0.02)
Net earnings	$ 0.85	$ 0.64	$ 1.15	$ 1.05
Weighted average diluted shares outstanding (thousands)	164,482	162,820	164,162	162,307

See accompanying notes.

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OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net earnings	$ 143	$ 109	$ 196	$ 182
Other comprehensive income (loss):				
Foreign currency translation adjustments	14	(108)	202	(14)
Pension and other postretirement benefit adjustments, net of tax	4	26	15	(16)
Change in fair value of derivative instruments, net of tax	(4)	8	(10)	6
Other comprehensive income (loss)	14	(74)	207	(24)
Total comprehensive income (loss)	157	35	403	158
Comprehensive (income) loss attributable to noncontrolling interests	7	8		(2)
Comprehensive income attributable to the Company	$ 164	$ 43	$ 403	$ 156

See accompanying notes.

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OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	June 30, 2017	December 31, 2016	June 30, 2016
Assets			
Current assets:			
Cash and cash equivalents	$ 335	$ 492	$ 334
Trade receivables, net of allowance of $35 million, $32 million, and $31 million at June 30, 2017, December 31, 2016 and June 30, 2016	956	580	831
Inventories	1,049	983	1,051
Prepaid expenses and other current assets	214	199	358
Total current assets	2,554	2,254	2,574
Property, plant and equipment, net	2,996	2,880	2,932
Goodwill	2,588	2,462	2,536
Intangibles, net	486	464	517
Other assets	1,156	1,075	1,108
Total assets	$ 9,780	$ 9,135	$ 9,667
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	$ 271	$ 195	$ 305
Current portion of asbestos-related liabilities	115	115	130
Accounts payable	1,065	1,135	1,042
Other liabilities	564	615	518
Total current liabilities	2,015	2,060	1,995
Long-term debt	5,471	5,133	5,549
Asbestos-related liabilities	551	577	663
Other long-term liabilities	964	1,002	1,002
Share owners' equity	779	363	458
Total liabilities and share owners' equity	$ 9,780	$ 9,135	$ 9,667

See accompanying notes.

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OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED CASH FLOWS

(Dollars in millions)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net earnings	$ 196	$ 182
Loss from discontinued operations		3
Non-cash charges		
Depreciation and amortization	245	250
Pension expense	15	15
Restructuring, asset impairment and related charges	48	19
Cash payments		
Pension contributions	(20)	(9)
Asbestos-related payments	(26)	(24)
Cash paid for restructuring activities	(16)	(17)
Change in components of working capital	(585)	(491)
Other, net (a)	(13)	(35)
Cash utilized in continuing operating activities	(156)	(107)
Cash utilized in discontinued operating activities		(3)
Total cash utilized in operating activities	(156)	(110)
Cash flows from investing activities:		
Additions to property, plant and equipment	(186)	(207)
Acquisitions, net of cash acquired	(27)	(31)
Net foreign exchange derivative activity	2	14
Net cash proceeds related to the sale of assets	6	34
Cash utilized in investing activities	(205)	(190)
Cash flows from financing activities:		
Changes in borrowings, net	215	246
Issuance of common stock and other		5
Distributions to noncontrolling interests	(9)	(10)
Payment of finance fees	(21)	(3)
Cash provided by financing activities	185	238
Effect of exchange rate fluctuations on cash	19	(3)
Decrease in cash	(157)	(65)
Cash at beginning of period	492	399
Cash at end of period	$ 335	$ 334

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

See accompanying notes.

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OWENS-ILLINOIS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Tabular data dollars in millions, except per share amounts

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

The Company's measure of profit for its reportable segments is segment operating profit, which consists of consolidated earnings from continuing operations before interest income, interest expense, and provision for income taxes and excludes amounts related to certain items that management considers not representative of ongoing operations as well as certain retained corporate costs. The Company's management uses segment operating profit, in combination with selected cash flow information, to evaluate performance and to allocate resources. Segment operating profit for reportable segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided.

Intercompany sales in Latin America totaled $30 million and $63 million for the three and six months ended June 30, 2017, respectively, and $43 million and $93 million for the three and six months ended June 30, 2016, respectively.

Financial information for the three and six months ended June 30, 2017 and 2016 regarding the Company's reportable segments is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net sales:				
Europe	$ 635	$ 646	$ 1,189	$ 1,209
North America	572	599	1,100	1,131
Latin America	370	345	711	657
Asia Pacific	155	158	328	317

Reportable segment totals	1,732	1,748	3,328	3,314
Other	19	12	38	34
Net sales	$ 1,751	$ 1,760	$ 3,366	$ 3,348

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Segment operating profit:				
Europe	$ 80	$ 73	$ 139	$ 128
North America	92	92	177	168
Latin America	69	57	123	120
Asia Pacific	11	11	31	28
Reportable segment totals	252	233	470	444
Items excluded from segment operating profit:				
Retained corporate costs and other	(28)	(25)	(56)	(57)
Restructuring, asset impairment and other	(10)		(49)	(12)
Interest expense, net	(62)	(67)	(141)	(133)
Earnings from continuing operations before income taxes	$ 152	$ 141	$ 224	$ 242

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

	June 30, 2017	December 31, 2016	June 30, 2016
Total assets:			
Europe	$ 3,074	$ 2,792	$ 2,977
North America	2,781	2,522	2,562
Latin America	2,730	2,537	2,798
Asia Pacific	987	926	981
Reportable segment totals	9,572	8,777	9,318
Other	208	358	349
Consolidated totals	$ 9,780	$ 9,135	$ 9,667

2. Inventories

Major classes of inventory at June 30, 2017, December 31, 2016 and June 30, 2016 are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Finished goods	$ 879	$ 827	$ 892

Raw materials	130	118	121
Operating supplies	40	38	38
	$ 1,049	$ 983	$ 1,051

3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at June 30, 2017, December 31, 2016 and June 30, 2016 are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Prepaid expenses	$ 61	$ 50	$ 70
Value added taxes	39	46	172
Other	114	103	116
	$ 214	$ 199	$ 358

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4. Derivative Instruments

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

Commodity Forward Contracts Designated as Cash Flow Hedges

In several regions, the Company enters into commodity forward contracts related to forecasted natural gas requirements, the objectives of which are to limit the effects of fluctuations in the future market price paid for natural gas and the related volatility in cash flows. In North America, the majority of its customer contracts contain provisions that pass the price of natural gas to its customers. In certain of these contracts, the customer has the option of fixing the natural gas price component for a specified period of time. To limit the effects of fluctuations in cash flows resulting from these customer contracts, the Company enters into commodity forward contracts related to forecasted natural gas requirements. In Asia Pacific, the Company implemented a hedging program in the first quarter of 2016, which included the execution of commodity forward contracts for certain contracted natural gas requirements. At June 30, 2017 and 2016, the Company had entered into commodity forward contracts covering approximately 9,800,000 MM BTUs and 11,300,000 MM BTUs, respectively.

The Company accounts for the above forward contracts as cash flow hedges at June 30, 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 loss of $1 million at June 30, 2017, an unrecognized gain of $6 million at December 31, 2016 and an unrecognized gain of $3 million at June 30, 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 three and six months ended June 30, 2017 and 2016 was not material.

The effect of the commodity forward contracts on the results of operations for the three months ended June 30, 2017 and 2016 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	2017	2016
$ (2)	$ 7	$ —	$ (2)

The effect of the commodity forward contracts on the results of operations for the six months ended June 30, 2017 and 2016 is as follows:

Amount of Gain Recognized in OCI on Commodity Forward Contracts (Effective Portion)		Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (reported in cost of goods sold) (Effective Portion)	
2017	2016	2017	2016
$ 4	$ 3	$ —	$ —

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 June 30, 2017 and 2016, the Company had outstanding foreign exchange and option agreements denominated in various currencies covering the equivalent of approximately $340 million and $524 million, respectively, related primarily to intercompany transactions and loans.

The effect of the foreign exchange derivative contracts on the results of operations for the three months ended June 30, 2017 and 2016 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
Other expense	$ 4	$ (1)

The effect of the foreign exchange derivative contracts on the results of operations for the six months ended June 30, 2017 and 2016 is as follows:

Location of Gain Recognized in Income on Foreign Exchange Contracts	Amount of Gain Recognized in Income on Foreign Exchange Contracts	
	2017	2016
Other expense	$ 6	$ 4

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 Other Comprehensive Income 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, expected to settle in the third quarter of 2017, has a pay fixed notional amount of €81 million and a receive notional amount of $90 million.

Balance Sheet Classification

The Company records the fair values of derivative financial instruments on the balance sheet as follows:
(a) receivables if the instrument has a positive fair value and maturity within one year, (b) deposits, receivables, and other assets if the instrument has a positive fair value and maturity after one year, and (c) other accrued liabilities or other liabilities (current) if the instrument has a negative fair value and maturity within one year.

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The following table shows the amount and classification (as noted above) of the Company's derivatives at June 30, 2017, December 31, 2016 and June 30, 2016:

	Fair Value			
	Balance Sheet Location	June 30, 2017	December 31, 2016	June 30, 2016
Asset derivatives:				
Derivatives designated as hedging instruments:				
Commodity futures contracts	a	$ —	$ 6	$ 3
Derivatives not designated as hedging instruments:				
Foreign exchange derivative contracts	a	2	9	6
Total asset derivatives		$ 2	$ 15	$ 9
Liability derivatives:				
Derivatives designated as hedging instruments:				
Commodity futures contracts	c	$ 1	$ —	$ —
Hedges of multiple risks	c	3		
Derivatives not designated as hedging instruments:				
Foreign exchange derivative contracts	c	3	5	3
Total liability derivatives		$ 7	$ 5	$ 3

5. Restructuring Accruals

Selected information related to the restructuring accruals for the three months ended June 30, 2017 and 2016 is as follows:

	Other Restructuring Actions
Balance at April 1, 2017	$ 104
Charges	10
Write-down of assets to net realizable value	
Net cash paid, principally severance and related benefits	(8)
Other, including foreign exchange translation	5
Balance at June 30, 2017	$ 111

	Asia Pacific Restructuring	Other Restructuring Actions	Total Restructuring
Balance at April 1, 2016	$ 6	$ 34	$ 40

Net cash paid, principally severance and related benefits		(4)	(4)
Other, including foreign exchange translation		(2)	(2)
Balance at June 30, 2016	$ 6	$ 28	$ 34

Selected information related to the restructuring accruals for the six months ended June 30, 2017 and 2016 is as follows:

	Other Restructuring Actions
Balance at January 1, 2017	$ 85
Charges	48
Write-down of assets to net realizable value	(9)
Net cash paid, principally severance and related benefits	(16)
Other, including foreign exchange translation	3
Balance at June 30, 2017	$ 111

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

The Company's decisions to curtail selected production capacity have resulted in write downs of certain long-lived assets to the extent their carrying amounts exceeded fair value or fair value less cost to sell. The Company classified the significant assumptions used to determine the fair value of the impaired assets, which was not material, as Level 3 in the fair value hierarchy as set forth in the general accounting principles for fair value measurements.

When a decision is made to take these actions, the Company manages and accounts for them separately from the on-going operations of the business. Information related to major programs (as in the case of the Asia Pacific Restructuring program above) are presented separately. Minor initiatives and discrete restructuring actions are presented on a combined basis as Other Restructuring Actions. When charges related to major programs are completed, remaining accrual balances are classified within Other Restructuring Actions.

Asia Pacific Restructuring

During the six months ended June 30, 2016, the Company recorded charges of $1 million. These charges primarily represented other exit costs as part of the Company's Asia Pacific Restructuring program. The Company recorded total cumulative charges of $224 million and does not expect to execute any further actions under this program. The Company expects that the majority of the remaining cash expenditures related to the above charges will be paid out by the end of 2018. Beginning in 2017, the Asia Pacific Restructuring program was considered substantially complete and the remaining accrual balance was reclassified into Other Restructuring Actions.

Other Restructuring Actions

During the three and six months ended June 30, 2017, the Company recorded restructuring, asset impairment and other charges of $10 million and $48 million, respectively. For the six months ended June 30, 2017, these charges primarily consist of employee costs, write-down of assets, and other exit costs in the following regions: Latin America ($33 million), Europe ($13 million) and North America ($2 million). Except for the charges recorded in Europe, the other discrete restructuring charges recorded in 2017 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 $54 million related to a plant closure in Europe 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 2018.

During the three and six months ended June 30, 2016, the Company recorded restructuring, asset impairment and other charges of $0 and $18 million, respectively. These charges were primarily related to restructuring in the Latin America region. These charges primarily represented employee costs, write-down of assets, and other exit costs of

$14 million for a plant closure in the first quarter of 2016 in Latin America, $3 million related to a previous plant closure in North America and $1 million related to other restructuring actions. The discrete restructuring charges recorded in the first quarter of 2016 are expected to approximate the total cumulative costs for those actions as no significant additional costs are expected to be incurred. The restructuring charges recorded in the first quarter of 2016 in the Latin American region primarily relate to a capacity curtailment. The Company reallocated the products produced at this facility to others in the region. The Company expects that the majority of the remaining cash expenditures related to the above charges will be paid out by the end of 2017.

6. Pension Benefit Plans

The components of the net periodic pension cost for the three months ended June 30, 2017 and 2016 are as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Service cost	$ 4	$ 4	$ 4	$ 5
Interest cost	20	25	11	13
Expected asset return	(33)	(38)	(18)	(21)
Amortization:				
Actuarial loss	15	16	5	5
Net periodic pension cost	$ 6	$ 7	$ 2	$ 2

The components of the net periodic pension cost for the six months ended June 30, 2017 and 2016 are as follows:

	U.S.		Non-U.S.	
	2017	2016	2017	2016
Service cost	$ 8	$ 8	$ 8	$ 9
Interest cost	40	49	22	26
Expected asset return	(66)	(76)	(36)	(42)
Amortization:				
Actuarial loss	29	31	10	10
Net periodic pension cost	$ 11	$ 12	$ 4	$ 3

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

7. Income Taxes

The Company performs a quarterly review of the annual effective tax rate and makes changes if necessary based on new information or events. The estimated annual effective tax rate is forecasted quarterly using actual historical information and forward-looking estimates. The estimated annual effective tax rate may fluctuate due to changes in forecasted annual operating income; changes in the forecasted mix of earnings by country; changes to the valuation allowance for deferred tax assets (such changes would be recorded discretely in the quarter in which they occur); changes to actual or forecasted permanent book to tax differences (non-deductible expenses); impacts from future tax settlements with state, federal or foreign tax authorities (such changes would be recorded discretely in the quarter in which they occur); or impacts from tax law changes. To the extent such changes impact deferred tax assets/liabilities, these changes would generally be recorded discretely in the quarter in which they occur. Additionally, the annual effective tax rate differs from the statutory U.S. Federal tax rate of 35% primarily because of valuation allowances in some jurisdictions and varying non-U.S. tax rates, as well as the tax accruals reversed in the second quarter of 2017 due to the resolution of a previous tax matter with a foreign tax authority.

The Company is currently under examination in various tax jurisdictions in which it operates, including Argentina, Bolivia, Brazil, China, Canada, Colombia, Czech, Ecuador, France, Germany, and Indonesia. The years under examination range from 2006 through 2015. The Company has received income tax assessments in excess of established reserves. The Company believes that adequate provisions for all income tax uncertainties have been made. However, if income 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.

8. Debt

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

	June 30, 2017	December 31, 2016	June 30, 2016
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$ 209	$ —	$ 203
Term Loans:			
Term Loan A	1,370	1,395	1,525
Term Loan A (€279 million)	303	282	301
Term Loan B			558
Senior Notes:			
6.75%, due 2020 (€500 million)	569	523	551
4.875%, due 2021 (€330 million)	375	345	363
5.00%, due 2022	496	495	494
5.875%, due 2023	684	682	681
3.125%, due 2024 (€725 million at June 30, 2017 and €500 million at December 31, 2016)	819	520	
5.375%, due 2025	297	297	296
6.375%, due 2025	294	294	294
Senior Debentures:			
7.80%, due 2018	22	250	250
Capital Leases	58	57	63
Other	22	26	32
Total long-term debt	5,518	5,166	5,611
Less amounts due within one year	47	33	62
Long-term debt	$ 5,471	$ 5,133	$ 5,549

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 February 3, 2016 (the "Amended Agreement").

At June 30, 2017, the Amended Agreement includes a $300 million revolving credit facility, a $600 million multicurrency revolving credit facility, a $1,575 million term loan A facility ($1,370 million net of debt issuance costs), and a €279 million term loan A facility ($303 million net of debt issuance costs), each of which has a final maturity date of April 22, 2020. At June 30, 2017, the Company had unused credit of $675 million available under the Amended Agreement. The weighted average interest rate on borrowings outstanding under the Amended Agreement at June 30, 2017 was 2.64%.

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, 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 (i) 4.5x for the two fiscal quarters ending June 30, 2017 and September 30, 2017, and (ii) 4.0x for the fourth fiscal quarter ending December 31, 2017 and each fiscal quarter thereafter.

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 June 30, 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 August 2015, the Company issued senior notes with a face value of $700 million that bear interest at 5.875% and are due August 15, 2023 (the "Senior Notes due 2023") and senior notes with a face value of $300 million that bear interest at 6.375% and are due August 15, 2025 (together with the Senior Notes due 2023, the "2015 Senior Notes"). The 2015 Senior Notes were issued via a private placement and are guaranteed by certain of the Company's domestic subsidiaries. The net proceeds from the 2015 Senior Notes, after deducting the debt discount and debt issuance costs, totaled approximately $972 million.

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.

In March 2017, the Company purchased in a tender offer approximately $228 million aggregate principal amount of its 7.80% Senior Debentures due in 2018. Approximately $22 million of the Senior Debentures remain outstanding as of June 30, 2017. As part of the tender offer, the Company recorded $17 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees in the first quarter of 2017.

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 is as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Balance (included in short-term loans)	$ 182	$ 152	$ 173
Weighted average interest rate	0.74 %	0.74 %	0.70 %

The carrying amounts reported for the accounts receivable securitization program, and certain long-term debt obligations subject to frequently redetermined interest rates, approximate fair value. Fair values for the Company's significant fixed rate debt obligations are based on published market quotations, and are classified as Level 1 in the fair value hierarchy.

Fair values at June 30, 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)	$ 572	$ 119.06	$ 681
4.875%, due 2021 (€330 million)	377	114.02	430
5.00%, due 2022	500	105.45	527
5.875%, due 2023	700	110.21	771
3.125%, due 2024 (€725 million)	829	101.66	843
6.375%, due 2025	300	111.73	335
5.375%, due 2025	300	106.23	319
Senior Debentures:			
7.80%, due 2018	22	105.02	23

9. Contingencies

Asbestos

The Company is a defendant in numerous lawsuits alleging bodily injury and death as a result of exposure to asbestos. From 1948 to 1958, one of the Company's former business units commercially produced and sold approximately $40 million of a high-temperature, calcium-silicate based insulation material containing asbestos. The Company sold its insulation business unit at the end of April 1958. The typical asbestos personal injury lawsuit alleges various theories of liability, including negligence, gross negligence and strict liability and seeks compensatory and, in some cases, punitive damages in various amounts (herein referred to as "asbestos claims").

As of June 30, 2017, the Company has determined that it is a named defendant in asbestos lawsuits and claims involving approximately 1,400 plaintiffs and claimants. Based on an analysis of the lawsuits pending as of December

31, 2016, approximately 88% 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 9% 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. The Company'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 the Company and other co-defendants, the defenses available to the Company 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, the Company 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 the Company's former business unit during its manufacturing period ending in 1958.

The Company 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, the Company 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, the Company as of June 30, 2017, has disposed of asbestos claims of approximately 398,000 plaintiffs and claimants at an average indemnity payment per claim of approximately $9,500. The Company’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 2016, 2015 and 2014 were $125 million, $138 million, and $148 million, respectively. The Company’s cash payments per claim disposed (inclusive of legal costs) were approximately $71,000, $95,000, and $81,000 for the years ended December 31, 2016, 2015 and 2014, respectively.

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

Beginning with the initial liability of $975 million established in 1993, the Company has accrued a total of approximately $4.9 billion through June 30, 2017, before insurance recoveries, for its asbestos-related liability. The Company’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 the Company, 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 the Company is also a defendant.

The Company 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 the Company. The material components of the Company’s total accrued liability are determined by the Company 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 the Company; (ii) the liability for asbestos claims not yet asserted against the Company; and (iii) the legal defense costs estimated to be incurred in connection with the claims already asserted and those claims the Company believes will be asserted.

As noted above, the Company conducts a comprehensive legal review of its asbestos-related liabilities and costs annually in connection with finalizing and reporting its annual results of operations, unless significant changes in trends or new developments warrant an earlier review. As part of its annual comprehensive legal review, the Company 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 the Company in estimating the total number of future claims to be filed. The Company uses this estimate of total future claims, along with an estimation of disposition costs and related legal costs as inputs to develop its best estimate of 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 the Company will record an appropriate charge (credit) to the Company’s results of operations to increase (decrease) the accrued liability.

The significant assumptions underlying the material components of the Company's accrual are:

a) settlements will continue to be limited almost exclusively to claimants who were exposed to the Company's asbestos containing insulation prior to its exit from that business in 1958;
b) claims will continue to be resolved primarily under the Company'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 the Company for such cases do not change materially;
d) the Company 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 the Company 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, 2016 and 2015, the Company concluded that accruals in the amount of $692 million and $817 million, respectively, were required. These amounts have not been discounted for the time value of money. The Company's comprehensive legal reviews resulted in charges of $0 million, $16 million and $46 million for the years ending December 31, 2016, 2015 and 2014, respectively.

The Company 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 $692 million as of December 31, 2016. The Company estimates that reasonably possible losses could be as high as $825 million. This estimate of additional reasonably possible loss reflects a legal judgment about the number and cost of potential future claims and legal costs. The Company believes this estimate is consistent with the level of variability it has experienced when comparing actual results to recent near-term projections. However, it is also possible that the ultimate asbestos-related liability could be above this estimate.

The Company 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 the Company's sale of its insulation business unit in 1958.

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

Other Matters

On July 5, 2016, the Company learned that the Enforcement Division of the SEC is conducting an investigation into certain accounting and control matters pertaining to the Company's determination of its asbestos-related liabilities. On May 13, 2016, the Company restated its consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 in order to correct an error related to the Company's method for estimating its future asbestos-related liabilities. The Company is cooperating with the SEC's investigation. At this time, the Company 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.

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10. Share Owners’ Equity

The activity in share owners’ equity for the three months ended June 30, 2017 and 2016 is as follows:

	Share Owners’ Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners' Equity
Balance on April 1, 2017	$ 2	$ 3,083	$ (557)	$ (48)	$ (1,981)	$ 116	$ 615
Reissuance of common stock (101,687 shares)			2				2
Stock compensation		5					5
Net earnings				140		3	143
Other comprehensive income (loss)					24	(10)	14
Balance on June 30, 2017	$ 2	$ 3,088	$ (555)	$ 92	$ (1,957)	$ 109	$ 779

	Share Owners’ Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners' Equity
Balance on April 1, 2016	$ 2	$ 3,074	$ (569)	$ (238)	$ (1,971)	$ 118	$ 416
Reissuance of common stock (49,234 shares)			3				3
Stock compensation		4					4
Net earnings				105		4	109
Other comprehensive income (loss)					(62)	(12)	(74)
Balance on June 30, 2016	$ 2	$ 3,078	$ (566)	$ (133)	$ (2,033)	$ 110	$ 458

The activity in share owners’ equity for the six months ended June 30, 2017 and 2016 is as follows:

	Share Owners’ Equity of the Company						
	Common	Capital in Excess of	Treasury	Retained	Accumulated Other Comprehensive	Non-controlling	Total Share Owners'

	Stock	Par Value	Stock	Earnings	Loss	Interests	Equity
Balance on January 1, 2017	$ 2	$ 3,080	$ (560)	(96)	$ (2,172)	$ 109	$ 363
Reissuance of common stock (201,165 shares)			5				5
Stock compensation		8					8
Net earnings				188		8	196
Other comprehensive income (loss)					215	(8)	207
Balance on June 30, 2017	$ 2	$ 3,088	$ (555)	$ 92	$ (1,957)	$ 109	$ 779

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	Share Owners’ Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners' Equity
Balance on January 1, 2016	$ 2	$ 3,064	$ (573)	$ (305)	$ (2,017)	$ 108	$ 279
Issuance of common stock (504,635 shares)		5					5
Reissuance of common stock (183,836 shares)			7				7
Stock compensation		9					9
Net earnings				172		10	182
Other comprehensive loss					(16)	(8)	(24)
Balance on June 30, 2016	$ 2	$ 3,078	$ (566)	$ (133)	$ (2,033)	$ 110	$ 458

The Company has 250,000,000 shares of common stock authorized with a par value of $.01 per share. Shares outstanding are as follows:

	Shares Outstanding (in thousands)		
	June 30, 2017	December 31, 2016	June 30, 2016
Shares of common stock issued (including treasury shares)	185,692	185,355	185,417
Treasury shares	22,816	23,017	23,335

11. Accumulated Other Comprehensive Loss

The activity in accumulated other comprehensive loss for the three months ended June 30, 2017 and 2016 is as follows:

Net Effect of	Change in Certain	Total Accumulated Other

	Exchange Rate Fluctuations	Derivative Instruments		Employee Benefit Plans		Comprehensive Loss
Balance on April 1, 2017	$ (602)	$ (10)		$ (1,369)		$ (1,981)
Change before reclassifications	24			(6)		18
Amounts reclassified from accumulated other comprehensive income		(4)	(a)	20	(b)	16
Translation effect				(10)		(10)
Tax effect						—
Other comprehensive income (loss) attributable to the Company	24	(4)		4		24
Balance on June 30, 2017	$ (578)	$ (14)		$ (1,365)		$ (1,957)

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments		Employee Benefit Plans		Total Accumulated Other Comprehensive Loss
Balance on April 1, 2016	$ (478)	$ (19)		$ (1,474)		$ (1,971)
Change before reclassifications	(96)					(96)
Amounts reclassified from accumulated other comprehensive income		7	(a)	15	(b)	22

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Translation effect			10	10
Tax effect		1	1	2
Other comprehensive income (loss) attributable to the Company	(96)	8	26	(62)
Balance on June 30, 2016	$ (574)	$ (11)	$ (1,448)	$ (2,033)

(a) Amount is included in Cost of goods sold on the Condensed Consolidated Results of Operations (see Note 4 for additional information).

(b) Amount is included in the computation of net periodic pension cost (see Note 6 for additional information) and net postretirement benefit cost.

The activity in accumulated other comprehensive loss for the six months ended June 30, 2017 and 2016 is as follows:

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments		Employee Benefit Plans		Total Accumulated Other Comprehensive Loss
Balance on January 1, 2017	$ (788)	$ (4)		$ (1,380)		$ (2,172)
Change before reclassifications	210			(10)		200
Amounts reclassified from accumulated other comprehensive income		(10)	(a)	39	(b)	29
Translation effect				(14)		(14)
Tax effect						—
Other comprehensive income (loss) attributable to the Company	210	(10)		15		215
Balance on June 30, 2017	$ (578)	$ (14)		$ (1,365)		$ (1,957)

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments		Employee Benefit Plans		Total Accumulated Other Comprehensive Loss
Balance on January 1, 2016	$ (568)	$ (17)		$ (1,432)		$ (2,017)
Change before reclassifications	(6)					(6)
Amounts reclassified from accumulated other comprehensive income		5	(a)	(28)	(b)	(23)
Translation effect				11		11
Tax effect		1		1		2
Other comprehensive income (loss) attributable to the Company	(6)	6		(16)		(16)
Balance on June 30, 2016	$ (574)	$ (11)		$ (1,448)		$ (2,033)

(a) Amount is included in Cost of goods sold on the Condensed Consolidated Results of Operations (see Note 4 for additional information).
(b) Amount is included in the computation of net periodic pension cost (see Note 6 for additional information) and net postretirement benefit cost.

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12. Other Expense (Income), net

Other expense (income), net for the three and six months ended June 30, 2017 and 2016 included the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Restructuring, asset impairment and other charges	$ 10	$ —	$ 49	$ 19
Gain on sale of land in China				(7)
Foreign currency exchange loss (gain)	(1)	1		4
Intangible amortization expense	10	9	20	20
Royalty income	(3)	(3)	(7)	(5)
Other expense (income)	(5)		(6)	(2)
	$ 11	$ 7	$ 56	$ 29

13. Earnings Per Share

The following tables set forth the computation of basic and diluted earnings per share:

	Three months ended June 30,	
	2017	2016
Numerator:		
Net earnings attributable to the Company	$ 140	$ 105
Denominator (in thousands):		
Denominator for basic earnings per share-weighted average shares outstanding	162,716	161,945
Effect of dilutive securities:		
Stock options and other	1,766	875
Denominator for diluted earnings per share-adjusted weighted average shares outstanding	164,482	162,820
Basic earnings per share:		
Earnings from continuing operations	$ 0.86	$ 0.66
Loss from discontinued operations		(0.01)
Net earnings	$ 0.86	$ 0.65
Diluted earnings per share:		
Earnings from continuing operations	$ 0.85	$ 0.65

Loss from discontinued operations		(0.01)
Net earnings	$ 0.85	$ 0.64

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Options to purchase 1,617,748 and 2,939,441 weighted average shares of common stock which were outstanding during the three months ended June 30, 2017 and 2016, respectively, were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares.

	Six months ended June 30,	
	2017	2016
Numerator:		
Net earnings attributable to the Company	$ 188	$ 172
Denominator (in thousands):		
Denominator for basic earnings per share-weighted average shares outstanding	162,553	161,574
Effect of dilutive securities:		
Stock options and other	1,609	733
Denominator for diluted earnings per share-adjusted weighted average shares outstanding	164,162	162,307
Basic earnings per share:		
Earnings from continuing operations	$ 1.16	$ 1.08
Loss from discontinued operations		(0.02)
Net earnings	$ 1.16	$ 1.06
Diluted earnings per share:		
Earnings from continuing operations	$ 1.15	$ 1.07
Loss from discontinued operations		(0.02)
Net earnings	$ 1.15	$ 1.05

Options to purchase 1,912,832 and 2,955,064 weighted average shares of common stock which were outstanding during the six months ended June 30, 2017 and 2016, respectively, were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares.

14. Supplemental Cash Flow Information

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

	Six months ended June 30,	
	2017	2016
Interest paid in cash	$ 145	$ 136
Income taxes paid in cash (all non-U.S.)	89	75

Cash interest for the six months ended June 30, 2017 includes $16 million of note repurchase premiums related to debt that was repaid prior to its maturity.

The Company uses various factoring programs to sell certain receivables to financial institutions as part of managing its cash flows. At June 30, 2017 and June 30, 2016, the amount of receivables sold by the Company was $205 million and $300 million, respectively. Any continuing involvement with the sold receivables is immaterial.

15. 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 June 30, 2017, that Award amounts to more than $500 million, including reimbursement of expenses and accrued interest. Venezuela's application to annul the Award is still pending before an ad hoc committee of the ICSID and a hearing with respect to such application is currently scheduled for September 26-27, 2017.

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,

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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 is pending before ICSID to obtain compensation primarily for third-party minority shareholders’ lost interests in the two expropriated plants.

For the three and six month periods ending June 30, 2017, the Company has not given recognition to the transaction above in its financial statements. The loss from discontinued operations of less than $1 million and $3 million for the six months ended June 30, 2017 and June 30, 2016, respectively, relates to ongoing costs for the Venezuelan expropriation.

16. New Accounting Pronouncement

Revenue from Contracts with Customers - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers”, which delayed by one year the effective date of the new revenue recognition standard, which will be effective for the Company on January 1, 2018. The Company has started an implementation process, including 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. While the Company continues to assess the potential impacts of the new standard, 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. Early adoption is permitted. The Company is currently evaluating the effects that the adoption of ASU No. 2016-02 will have on the Company's consolidated financial statements, and 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 in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, the Company had minimum lease commitments under non-cancellable operating leases totaling $205 million as of December 31, 2016.

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 condensed consolidated financial statements.

17. Financial Information for Subsidiary Guarantors and Non-Guarantors

The following presents condensed consolidating financial information for the Company, segregating: (1) Owens-Illinois, Inc., the issuer of senior debentures (the “Parent”); (2) the two subsidiaries which have guaranteed the senior debentures on a subordinated basis (the “Guarantor Subsidiaries”); and (3) all other subsidiaries (the “Non-Guarantor Subsidiaries”). The Guarantor Subsidiaries are 100% owned direct and indirect subsidiaries of the Company and their guarantees are full, unconditional and joint and several. They have no operations and function only as intermediate holding companies.

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.

Balance Sheet	June 30, 2017 Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 335	$ —	$ 335
Trade receivables, net			956		956
Inventories			1,049		1,049
Prepaid expenses and other current assets			214		214
Total current assets	—	—	2,554	—	2,554
Investments in and advances to subsidiaries	1,358	1,336	—	(2,694)	—
Property, plant and equipment, net			2,996		2,996
Goodwill			2,588		2,588
Intangibles, net			486		486
Other assets			1,156		1,156
Total assets	$ 1,358	$ 1,336	$ 9,780	$ (2,694)	$ 9,780
Current liabilities :					
Short-term loans and long-term debt due within one year	$ 22	$ —	$ 271	$ (22)	$ 271
Current portion of asbestos liability	115		—		115
Accounts payable			1,065		1,065
Other liabilities			564	—	564
Total current liabilities	137	—	1,900	(22)	2,015
Long-term debt			5,471	—	5,471
Asbestos-related liabilities	551				551
Other long-term liabilities			964		964
Share owners' equity	670	1,336	1,336	(2,672)	670
Noncontrolling interests			109		109
Total liabilities and share owners' equity	$ 1,358	$ 1,336	$ 9,780	$ (2,694)	$ 9,780

	December 31, 2016				
Balance Sheet	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 492	$ —	$ 492
Trade receivables, net			580		580
Inventories			983		983
Prepaid expenses and other current assets			199		199
Total current assets	—	—	2,254	—	2,254
Investments in and advances to subsidiaries	1,198	946		(2,144)	—
Property, plant and equipment, net			2,880		2,880
Goodwill			2,462		2,462
Intangibles, net			464		464
Other assets			1,075		1,075
Total assets	$ 1,198	$ 946	$ 9,135	$ (2,144)	$ 9,135
Current liabilities :					
Short-term loans and long-term debt due within one year	$ —	$ —	$ 195	$ —	$ 195
Current portion of asbestos liability	115				115
Accounts payable			1,135		1,135
Other liabilities	2		615	(2)	615
Total current liabilities	117	—	1,945	(2)	2,060
Long-term debt	250		5,133	(250)	5,133
Asbestos-related liabilities	577				577
Other long-term liabilities			1,002		1,002
Share owners' equity	254	946	946	(1,892)	254
Noncontrolling interests			109		109
Total liabilities and share owners' equity	$ 1,198	$ 946	$ 9,135	$ (2,144)	$ 9,135

Balance Sheet	June 30, 2016 Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 334	$ —	$ 334
Trade receivables, net			831		831
Inventories			1,051		1,051
Prepaid expenses and other current assets			358		358
Total current assets	—	—	2,574	—	2,574
Investments in and advances to subsidiaries	1,394	1,142		(2,536)	—
Property, plant and equipment, net			2,932		2,932
Goodwill			2,536		2,536
Intangibles, net			517		517
Other assets			1,108		1,108
Total assets	$ 1,394	$ 1,142	$ 9,667	$ (2,536)	$ 9,667
Current liabilities :					
Short-term loans and long-term debt due within one year	$ —	$ —	$ 305	$ —	$ 305
Current portion of asbestos liability	130				130
Accounts payable			1,042		1,042
Other liabilities	2		518	(2)	518
Total current liabilities	132	—	1,865	(2)	1,995
Long-term debt	250		5,549	(250)	5,549
Asbestos-related liabilities	663				663
Other long-term liabilities			1,002		1,002
Share owners' equity	349	1,142	1,142	(2,284)	349
Noncontrolling interests			109		109
Total liabilities and share owners' equity	$ 1,394	$ 1,142	$ 9,667	$ (2,536)	$ 9,667

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	Three months ended June 30, 2017				
Results of Operations	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ —	$ 1,751	$ —	$ 1,751
Cost of goods sold			(1,405)		(1,405)
Gross profit	—	—	346	—	346
Selling and administrative expense			(123)		(123)
Research, development and engineering expense			(16)		(16)
Net intercompany interest					—
Interest expense, net			(62)		(62)
Equity earnings from subsidiaries	143	143		(286)	—
Other equity earnings			18		18
Other expense, net			(11)		(11)
Earnings before income taxes	143	143	152	(286)	152
Provision for income taxes			(9)		(9)
Earnings from continuing operations	143	143	143	(286)	143
Loss from discontinued operations					—
Net earnings	143	143	143	(286)	143
Net (earnings) attributable to noncontrolling interests			(3)		(3)
Net earnings attributable to the Company	$ 143	$ 143	$ 140	$ (286)	$ 140

	Three months ended June 30, 2017				
Comprehensive Income	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings	$ 143	$ 143	$ 143	$ (286)	$ 143
Other comprehensive income (loss), net	20	20	14	(40)	14
Total comprehensive loss	163	163	157	(326)	157
Comprehensive income attributable to noncontrolling interests			7		7
Comprehensive income attributable to the Company	$ 163	$ 163	$ 164	$ (326)	$ 164

	Three months ended June 30, 2016				
Results of Operations	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ —	$ 1,760	$ —	$ 1,760
Cost of goods sold			(1,418)		(1,418)
Gross profit	—	—	342	—	342
Selling and administrative expense			(126)		(126)
Research, development and engineering expense			(16)		(16)
Net intercompany interest	5		(5)		—
Interest expense, net	(5)		(62)		(67)
Equity earnings from subsidiaries	105	105		(210)	—
Other equity earnings			15		15
Other expense, net			(7)		(7)
Earnings before income taxes	105	105	141	(210)	141
Provision for income taxes			(30)		(30)
Earnings from continuing operations	105	105	111	(210)	111
Loss from discontinued operations			(2)		(2)
Net earnings	105	105	109	(210)	109
Net (earnings) attributable to noncontrolling interests			(4)		(4)
Net earnings attributable to the Company	$ 105	$ 105	$ 105	$ (210)	$ 105

	Three months ended June 30, 2016				
Comprehensive Income	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings	$ 105	$ 105	$ 109	$ (210)	$ 109
Other comprehensive income (loss), net	(66)	(66)	(74)	132	(74)
Total comprehensive loss	39	39	35	(78)	35
Comprehensive income attributable to noncontrolling interests			8		8
Comprehensive loss attributable to the Company	$ 39	$ 39	$ 43	$ (78)	$ 43

	Six months ended June 30, 2017				
Results of Operations	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ —	$ 3,366	$ —	$ 3,366
Cost of goods sold			(2,705)		(2,705)
Gross profit	—	—	661	—	661
Selling and administrative expense			(242)		(242)
Research, development and engineering expense			(31)		(31)
Net intercompany interest	21		(21)		—
Interest expense, net	(21)		(120)		(141)
Equity earnings from subsidiaries	192	192		(384)	—
Other equity earnings			33		33
Other expense, net			(56)		(56)
Earnings before income taxes	192	192	224	(384)	224
Provision for income taxes			(28)		(28)
Earnings from continuing operations	192	192	196	(384)	196
Loss from discontinued operations					—
Net earnings	192	192	196	(384)	196
Net (earnings) attributable to noncontrolling interests			(8)		(8)
Net earnings attributable to the Company	$ 192	$ 192	$ 188	$ (384)	$ 188

	Six months ended June 30, 2017				
Comprehensive Income	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings	$ 192	$ 192	$ 196	$ (384)	$ 196
Other comprehensive income (loss), net	207	207	207	(414)	207
Total comprehensive income (loss)	399	399	403	(798)	403
Comprehensive income attributable to noncontrolling interests					—
Comprehensive income (loss) attributable to the Company	$ 399	$ 399	$ 403	$ (798)	$ 403

	Six months ended June 30, 2016				
Results of Operations	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ —	$ 3,348	$ —	$ 3,348
Cost of goods sold			(2,687)		(2,687)
Gross profit	—	—	661	—	661
Selling and administrative expense			(254)		(254)
Research, development and engineering expense			(32)		(32)
Net intercompany interest	10		(10)		—
Interest expense, net	(10)		(123)		(133)
Equity earnings from subsidiaries	172	172		(344)	—
Other equity earnings			29		29
Other expense, net			(29)		(29)
Earnings before income taxes	172	172	242	(344)	242
Provision for income taxes			(57)		(57)
Earnings from continuing operations	172	172	185	(344)	185
Loss from discontinued operations			(3)		(3)
Net earnings	172	172	182	(344)	182
Net (earnings) attributable to noncontrolling interests			(10)		(10)
Net earnings attributable to the Company	$ 172	$ 172	$ 172	$ (344)	$ 172

	Six months ended June 30, 2016				
Comprehensive Income	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings	$ 172	$ 172	$ 182	$ (344)	$ 182
Other comprehensive income (loss), net	(26)	(26)	(24)	52	(24)
Total comprehensive loss	146	146	158	(292)	158
Comprehensive income attributable to noncontrolling interests			(2)		(2)
Comprehensive income (loss) attributable to the Company	$ 146	$ 146	$ 156	$ (292)	$ 156

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	Six months ended June 30, 2017				
Cash Flows	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash utilized in operating activities	$ (26)	$ —	(130)	$ —	$ (156)
Cash utilized in investing activities			(205)		(205)
Cash provided by financing activities	26		159		185
Effect of exchange rate change on cash			19		19
Net change in cash	—	—	(157)	—	(157)
Cash at beginning of period			492		492
Cash at end of period	$ —	$ —	$ 335	$ —	$ 335

	Six months ended June 30, 2016				
Cash Flows	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash utilized in operating activities	$ (24)	$ —	$ (86)	$ —	$ (110)
Cash utilized in investing activities			(190)		(190)
Cash provided by financing activities	24		214		238
Effect of exchange rate change on cash			(3)		(3)
Net change in cash	—	—	(65)	—	(65)
Cash at beginning of period			399		399
Cash at end of period	$ —	$ —	$ 334	$ —	$ 334

Item 2. 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 lines titled "reportable segment totals" in both net sales and segment operating profit, however, are non-GAAP measures when presented outside of the financial statement footnotes. Management has included reportable segment totals below to facilitate the discussion and analysis of financial condition and results of operations and believes this information allows the board of directors, management, investors and analysts to better understand the Company's financial performance. The Company's management uses segment operating profit, in combination with net sales and selected cash flow information, to evaluate performance and to allocate resources.

Financial information for the three and six months ended June 30, 2017 and 2016 regarding the Company's reportable segments is as follows (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net Sales:				
Europe	$ 635	$ 646	$ 1,189	$ 1,209
North America	572	599	1,100	1,131
Latin America	370	345	711	657
Asia Pacific	155	158	328	317
Reportable segment totals	1,732	1,748	3,328	3,314
Other	19	12	38	34
Net Sales	$ 1,751	$ 1,760	$ 3,366	$ 3,348

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	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Segment operating profit:				
Europe	$ 80	$ 73	$ 139	$ 128
North America	92	92	177	168
Latin America	69	57	123	120
Asia Pacific	11	11	31	28
Reportable segment totals	252	233	470	444
Items excluded from segment operating profit:				
Retained corporate costs and other	(28)	(25)	(56)	(57)
Restructuring, asset impairment and other charges	(10)		(49)	(12)
Interest expense, net	(62)	(67)	(141)	(133)
Earnings from continuing operations before income taxes	152	141	224	242
Provision for income taxes	(9)	(30)	(28)	(57)
Earnings from continuing operations	143	111	196	185
Loss from discontinued operations		(2)		(3)
Net earnings	143	109	196	182
Net (earnings) attributable to noncontrolling interests	(3)	(4)	(8)	(10)
Net earnings attributable to the Company	$ 140	$ 105	$ 188	$ 172
Net earnings from continuing operations attributable to the Company	$ 140	$ 107	$ 188	$ 175

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

Executive Overview — Quarters ended June 30, 2017 and 2016

Second Quarter 2017 Highlights

- Net sales in the second quarter of 2017 were down slightly compared to the prior year quarter. Higher year-over-year net sales in Latin America were offset by lower sales in the other regions.
- Earnings from continuing operations before income taxes were up 8% in the second quarter of 2017 compared to the second quarter of 2016, driven by higher segment operating profit in the Latin American and European regions.
- The provision for income taxes was lower than the prior year primarily due to the resolution of a tax matter that resulted in approximately $26 million of tax accruals to be reversed in the second quarter of 2017.

Net sales for the second quarter of 2017 were $9 million lower than the second quarter of the prior year primarily due to lower shipments in the North American and Asia Pacific regions and the unfavorable effect of changes in foreign currency exchange rates, partially offset by slightly higher prices and higher shipments in Latin America.

Earnings from continuing operations before income taxes were $11 million higher in the second quarter of 2017 than the prior year quarter, primarily due to higher segment operating profit. Segment operating profit for reportable segments for the second quarter of 2017 was $19 million higher than the second quarter of the prior year. The increase was largely attributable to lower operating costs and slightly higher selling prices, partially offset by slightly lower sales volumes. All regions posted flat or higher segment operating profit in the second quarter of 2017 compared to the same period in the prior year.

Net interest expense for the second quarter of 2017 decreased $5 million compared to the second quarter of 2016. The decrease was primarily due to deleveraging and refinancing actions taken since the second quarter of 2016.

For the second quarter of 2017, the Company recorded earnings from continuing operations attributable to the Company of $140 million, or $0.85 per share (diluted), compared to $107 million, or $0.65 per share (diluted), in the second quarter of 2016. Earnings in the second quarter of 2017 included items that management considered not representative of

ongoing operations. These items increased net earnings attributable to the Company by $17 million, or $0.10 per share in the second quarter of 2017 as set forth in the following table (dollars in millions).

Description	Net Earnings Increase (Decrease) 2017
Restructuring, asset impairment and other charges	$ (10)
Tax benefit recorded for certain tax adjustments	20
Net tax benefit for income tax on items above	4
Net impact of noncontrolling interests on items above	3
Total	$ 17

Results of Operations — Second Quarter of 2017 compared with Second Quarter of 2016

Net Sales

The Company's net sales in the second quarter of 2017 were $1,751 million compared with $1,760 million for the second quarter of 2016, a decrease of $9 million, or less than 1%. Total glass container shipments, in tonnes, were down approximately 1% in the second quarter of 2017 compared to the prior year quarter and were largely driven by the North American and Asia Pacific regions, partially offset by higher shipments in the Latin American region. The second quarter of 2017 had several fewer shipping days than the prior year quarter and this contributed to approximately $28 million of lower sales for the Company. Unfavorable foreign currency exchange rates, primarily due to a weaker Mexican Peso and British pound, impacted sales by $5 million in the second quarter of 2017 compared to the second quarter of 2016. Slightly higher selling prices increased net sales by $17 million in the quarter.

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

Reportable segment net sales - 2016		$ 1,748
Price	$ 17	
Sales volume and mix	(28)	
Effects of changing foreign currency rates	(5)	
Total effect on reportable segment net sales		(16)
Reportable segment net sales - 2017		$ 1,732

Europe: Net sales in Europe in the second quarter of 2017 were $635 million compared with $646 million for the second quarter of 2016, a decrease of $11 million, or 2%. Unfavorable foreign currency exchange rates impacted the region by approximately $4 million in the second quarter of 2017 as the British pound weakened in relation to the U.S. dollar. Glass container shipments in the second quarter of 2017 were flat compared to the second quarter of 2016 with strong shipments to beer customers offset by lower shipments to wine, spirits and food customers. However, an unfavorable sales mix resulted in $4 million of lower sales. As a result of the pass through of 2016 cost deflation to customers under contractual price adjustment formulas, selling prices in Europe were $3 million lower in the second quarter compared to the same period in the prior year.

North America: Net sales in North America in the second quarter of 2017 were $572 million compared with $599 million for the second quarter of 2016, a decrease of $27 million, or 5%. Total glass container shipments in the region were down nearly 4% in the second quarter of 2017 compared to the second quarter of 2016, driven primarily by lower sales to beer customers, fewer number of shipping days and lower sales of returnable bottles in Canada. These lower shipments and an unfavorable sales mix resulted in $32 million of lower sales in the second quarter of 2017. The unfavorable effects of foreign currency exchange rate changes decreased net sales $2 million in the second quarter of 2017 compared to 2016. Slightly higher selling prices increased net sales by $7 million in the second quarter of 2017.

Latin America: Net sales in Latin America in the second quarter of 2017 were $370 million compared with $345 million for the second quarter of 2016, an increase of $25 million, or 7%. Strong shipments to beer and spirits customers,

especially in Mexico, and a slight increase in year-over-year shipments in Brazil offset slightly lower shipments in the Andean countries. Total glass container shipments in the region were up 3% in the second quarter of 2017 compared to the same quarter in the prior year and this increased sales by $17 million. Higher pricing increased net sales by $9 million in the current quarter. The unfavorable effects of foreign currency exchange rate changes decreased net sales by $1 million in the second quarter of 2017 compared to 2016, principally due to the weakening of the Mexican peso in relation to the U.S. dollar.

Asia Pacific: Net sales in Asia Pacific in the second quarter of 2017 were $155 million compared with $158 million for the second quarter of 2016, a decrease of $3 million, or 2%. Glass container shipments were down 9% in the second quarter of 2017 compared to the same period in the prior year, primarily due to lower domestic shipments in China, and this contributed to $9 million of lower sales in the quarter. The region continues to export production in China to support higher sales in the mature markets, which in turn, led to lower domestic sales in China. Slightly higher selling prices increased net sales by $4 million in the current quarter. The favorable effects of foreign currency exchange rate changes in the current year quarter increased net sales by $2 million.

Earnings from Continuing Operations before Income Taxes and Segment Operating Profit

Earnings from continuing operations before income taxes were $152 million in the second quarter of 2017 compared to $141 million in the second quarter of 2016, an increase of $11 million, or 8%. This increase was primarily related to higher segment operating profit.

Operating profit of the reportable segments includes an allocation of some corporate expenses based on a percentage of sales and direct billings based on the costs of specific services provided. Unallocated corporate expenses and certain other expenses not directly related to the reportable segments' operations are included in Retained corporate costs and other. For further information, see Segment Information included in Note 1 to the Condensed Consolidated Financial Statements.

Segment operating profit of reportable segments in the second quarter of 2017 was $252 million compared to $233 million for the second quarter of 2016, an increase of $19 million, or 8%. The increase was largely attributable to lower operating costs and slightly higher selling prices, partially offset by lower sales volumes.

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

Reportable segment operating profit - 2016		$ 233
Price	$ 17	
Sales volume and mix	(7)	

Operating costs	9	
Effects of changing foreign currency rates	—	
Total net effect on reportable segment operating profit		19
Reportable segment operating profit - 2017		$ 252

Europe: Segment operating profit in Europe in the second quarter of 2017 was $80 million compared with $73 million in the second quarter of 2016, an increase of $7 million, or 10%. Operating costs were $10 million lower in the second quarter of 2017 than the prior year quarter due to cost savings initiatives and higher production volumes. Lower selling prices decreased segment operating profit in the second quarter of 2017 by $3 million and was comparable to the change in cost inflation in the quarter. The net impact of sales volume and mix discussed above decreased segment operating profit by $1 million. The effects of foreign currency exchange rates increased segment operating profit by $1 million in the current year quarter.

North America: Segment operating profit in North America in the second quarter of 2017 was $92 million compared with $92 million in the second quarter of 2016. The decrease in sales volume discussed above decreased segment operating profit in the current year quarter by $7 million. Selling prices were $7 million higher in the current quarter compared to the prior year quarter. Operating costs in the second quarter of 2017 were $5 million higher than the same quarter in the prior year and this reduced segment operating profit. Higher cost inflation in the quarter was partially

offset by logistics cost reductions, as well as higher 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 American region. In prior years, equity earnings from this joint venture were recorded in retained corporate costs and other as the joint venture was mostly in construction mode. In addition, approximately $5 million in gains related to non-strategic asset sales were recognized by the region in the second quarter of 2017.

Latin America: Segment operating profit in Latin America in the second quarter of 2017 was $69 million compared with $57 million in the second quarter of 2016, an increase of $12 million, or 21%. Higher selling prices increased segment operating profit in the current year quarter $9 million. The increase in sales volume discussed above increased segment operating profit by $3 million. The impact of higher cost inflation in the region was fully offset by cost savings achieved in the quarter.

Asia Pacific: Segment operating profit in Asia Pacific in the second quarter of 2017 was $11 million compared with $11 million in the second quarter of 2016. Higher selling prices increased segment operating profit in the second quarter of 2017 by $4 million. The decrease in sales volume discussed above impacted segment operating profit by $2 million. Despite higher production levels and cost containment efforts, cost inflation in the region drove operating costs slightly higher and decreased segment operating profit by $1 million in the quarter. The effects of foreign currency exchange rate changes decreased segment operating profit by $1 million.

Interest Expense, Net

Net interest expense for the second quarter of 2017 was $62 million compared with $67 million for the second quarter of 2016. Net interest expense decreased $5 million in the second quarter of 2017 compared to the same quarter in the prior year due to deleveraging and refinancing actions taken since the second quarter of 2016.

Provision for Income Taxes

The Company's effective tax rate from continuing operations for the three months ended June 30, 2017 was 5.9% compared with 21.3% for the three months ended June 30, 2016. The effective tax rate for the second quarter of 2017 was lower than the same period in the prior year primarily due to the resolution of a tax matter that resulted in approximately $26 million of tax accruals reversed in the second quarter of 2017.

Earnings from Continuing Operations Attributable to the Company

For the second quarter of 2017, the Company recorded earnings from continuing operations attributable to the Company of $140 million, or $0.85 per share (diluted), compared to $107 million, or $0.65 per share (diluted), in the second quarter of 2016. Earnings in the second quarter of 2017 included items that management considered not representative of ongoing operations. These items increased net earnings attributable to the Company by $17 million, or $0.10 per share in the second quarter of 2017 as set forth in the following table (dollars in millions).

Description	Net Earnings Increase (Decrease) 2017
Restructuring, asset impairment and other charges	$ (10)
Tax benefit recorded for certain tax adjustments	20
Net tax benefit for income tax on items above	4
Net impact of noncontrolling interests on items above	3
Total	$ 17

Executive Overview – Six Months ended June 30, 2017 and 2016

2017 Highlights

· Net sales in the first half of 2017 were higher compared to the prior year period, driven by higher shipments in Latin America and Europe, as well as slightly higher prices.
· Earnings from continuing operations before income taxes decreased 7% in the first six months of 2017 compared to the prior year period, driven by higher restructuring, asset impairment and other charges, as well as higher charges related to debt redeemed, partially offset by higher segment operating profit.
· Completed a tender offer to purchase approximately $228 million, or 91%, of the Company's outstanding 7.80% Senior Debentures due in 2018
· Issued €225 million of 3.125% senior notes due in 2024
· The provision for income taxes was lower than the prior year primarily due to the resolution of a tax matter that resulted in approximately $26 million of tax accruals to be reversed in the second quarter of 2017.

Net sales for the first six months of 2017 were $18 million higher than the same period in the prior year primarily due to higher pricing and sales volumes, partially offset by the unfavorable effect of changes in foreign currency exchange rates.

Earnings from continuing operations decreased $18 million than the same period in the prior year primarily due to higher restructuring, asset impairment and other charges, as well as higher charges related to debt redeemed, partially offset by higher segment operating profit. Segment operating profit for reportable segments for the first six months of 2017 was $26 million higher than the same period in the prior year. In the first six months of 2017, all four regions' segment operating profit exceeded their prior year amounts.

Net interest expense for the first six months of 2017 was $141 million compared with $133 million for the first six months of 2016. Interest expense for 2017 included $17 million due to note repurchase premiums and the write-off of finance fees related to debt redeemed in the first quarter of 2017. Exclusive of these items, net interest expense decreased $9 million in the current year period primarily due to deleveraging and refinancing actions.

Net earnings from continuing operations attributable to the Company for the first six months of 2017 was $188 million, or $1.15 per share (diluted), compared with $175 million, or $1.07 per share (diluted), for the first six months of 2016. Earnings in 2017 and 2016 included items that management considered not representative of ongoing operations as set forth in the following table (dollars in millions).

Description	Net Earnings Increase (Decrease) 2017	2016
Restructuring, asset impairment and other charges	$ (49)	$ (19)
Gain on China land compensation		7
Note repurchase premiums and write-off of finance fees	(17)	
Tax benefit recorded for certain tax adjustments	20	
Net tax benefit for income tax on items above	12	4
Net impact of noncontrolling interests on items above	4	(2)
Total	$ (30)	$ (10)

Results of Operations – First six months of 2017 compared with first six months of 2016

Net Sales

The Company’s net sales in the first six months of 2017 were $3,366 million compared with $3,348 million for the first six months of 2016, an increase of $18 million. Total glass container shipments, in tonnes, were up approximately 1% in

the first six months of 2017 compared to the same period in the prior year. However, an unfavorable mix resulted in approximately $2 million of lower sales. Unfavorable foreign currency exchange rates, primarily due to a weaker Euro, Mexican peso, and British pound, impacted sales by $11 million in the first half of 2017 compared to the same period in 2016. Slightly higher selling prices benefited net sales by $27 million in 2017.

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

Reportable segment net sales - 2016		$ 3,314
Price	$ 27	
Sales volume and mix	(2)	
Effects of changing foreign currency rates	(11)	
Total effect on reportable segment net sales		14
Reportable segment net sales - 2017		$ 3,328

Europe: Net sales in Europe in the first six months of 2017 were $1,189 million compared with $1,209 million for the first six months of 2016, a decrease of $20 million, or 2%. Unfavorable foreign currency exchange rate decreased net sales by $28 million, as the Euro and British pound weakened in relation to the U.S. dollar. Net sales were benefited in the first six months of 2017 by a 2% increase in glass container shipments driven by higher shipments to beer customers. This increased net sales by $19 million compared to the prior year period. As a result of the pass through of 2016 cost deflation to customers under contractual price adjustment formulas, selling prices in Europe were $11 million lower in the first six months of 2017 compared to the same period in the prior year.

North America: Net sales in North America in the first six months of 2017 were $1,100 million compared with $1,131 million for the first six months of 2016, a decrease of $31 million, or 3%. Slightly higher selling prices increased net sales by $15 million in the first six months of 2017. However, lower shipments and an unfavorable sales mix resulted in $45 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. Total glass container shipments in the region were 2% lower in the first six months of 2017 compared to the same period in 2016, driven by lower shipments to beer customers. The effects of foreign currency exchange rate changes decreased net sales $1 million in the first six months of 2017 compared to the same period in 2016.

Latin America: Net sales in Latin America in the first six months of 2017 were $711 million compared with $657 million for the first six months of 2016, an increase of $54 million, or 8%. Strong shipments in Mexico offset lower shipments in the other countries in the region. Total glass container shipments in the region were up 4% in the first six months of 2017 compared to the same period in the prior year and this increased sales by $26 million. The favorable effects of foreign currency exchange rate changes increased net sales $10 million in the first half of 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 $18 million in the first six months of 2017.

Asia Pacific: Net sales in Asia Pacific in the first six months of 2017 were $328 million compared with $317 million for the first six months of 2016, an increase of $11 million, or 3%. The favorable effects of foreign currency exchange rate changes during the first six months of 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 $8 million. Glass container shipments were down 4% in the first half of 2017, primarily due to lower shipments in China, and this contributed to $2 million of lower sales in 2017. The region continues to export production in China to support higher sales in the mature markets, which in turn, led to lower domestic sales in China. Slightly higher selling prices also increased net sales by $5 million in the first six months 2017.

Earnings from Continuing Operations before Income Taxes and Segment Operating Profit

Earnings from continuing operations were $224 million in the first six months of 2017 compared with $242 million for the same period in 2016, a decrease of $18 million, or 7%. This decrease was primarily related to higher restructuring, asset impairment and other charges, as well as higher charges related to debt redeemed in the first quarter of 2017, partially offset by higher segment operating profit.

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Operating profit of the reportable segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. Unallocated corporate expenses and certain other expenses not directly related to the reportable segments' operations are included in Retained corporate costs and other. For further information, see Segment Information included in Note 1 to the Condensed Consolidated Financial Statements.

Segment operating profit of reportable segments in the first six months of 2017 was $470 million compared with $444 million for the first six months of 2016, an increase of $26 million, or 6%. The increase was largely attributable to higher selling prices, partially offset by the unfavorable effect of changes in foreign currency exchange rates.

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

Reportable segment operating profit - 2016		$ 444
Price	$ 27	
Sales volume and mix	1	
Operating costs	—	
Effects of changing foreign currency rates	(2)	
Total net effect on reportable segment operating profit		26
Reportable segment operating profit - 2017		$ 470

Europe: Segment operating profit in Europe in the first six months of 2017 was $139 million compared with $128 million in the first six months of 2016, an increase of $11 million, or 9%. The increase in sales volume discussed above improved segment operating profit by $4 million. Operating costs were $20 million lower in the first six months of 2017 than the prior year period due to logistics savings and other cost reductions. Lower selling prices decreased segment operating profit in the first six months of 2017 by $11 million. The unfavorable effects of foreign currency exchange rates decreased segment operating profit by $2 million in 2017.

North America: Segment operating profit in North America in the first six months of 2017 was $177 million compared with $168 million in the first six months of 2016, an increase of $9 million, or 5%. Selling prices were $15 million higher in the first six months of 2017 compared to the same period in the prior year. In addition, approximately $5 million in gains related to non-strategic asset sales were recognized by the region in the second quarter of 2017. The unfavorable sales mix and lower shipments discussed above decreased segment operating profit by $9 million. Operating costs in the first six months of 2017 were slightly higher than the same period in the prior year and this reduced segment operating profit by $2 million. Higher cost inflation during this period was partially offset by logistics cost reductions, as well as higher 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 American region. In prior years, equity earnings from this joint venture were recorded in retained corporate costs and other as the joint venture was mostly in construction mode.

Latin America: Segment operating profit in Latin America in the first six months of 2017 was $123 million compared with $120 million in the first six months of 2016, an increase of $3 million, or 3%. Segment operating profit was impacted by $22 million of higher operating costs, primarily due to substantial cost inflation throughout the region. Partially offsetting these declines were higher selling prices that increased segment operating profit in the first six months of 2017 by $18 million. The increase in sales volume discussed above increased segment operating profit by $7 million.

Asia Pacific: Segment operating profit in Asia Pacific in the first six months of 2017 was $31 million compared with $28 million in the first six months of 2016, an increase of $3 million, or 11%. Higher selling prices increased segment operating profit in the first six months of 2017 by $5 million. The decrease in sales volume discussed above reduced segment operating profit by $1 million. Slightly higher operating costs also reduced segment operating profit by $1 million.

Interest Expense, Net

Net interest expense for the first six months of 2017 was $141 million compared with $133 million for the first six months of 2016. Interest expense for 2017 included $17 million due to note repurchase premiums and the write-off of finance fees related to debt redeemed in the first quarter of 2017. Exclusive of these items, net interest expense decreased $9 million in the current year period primarily due to deleveraging and refinancing actions.

Provision for Income Taxes

The Company's effective tax rate from continuing operations for the six months ended June 30, 2017 was 12.5% compared with 23.6% for the six months ended June 30, 2016. The effective tax rate for the first half of 2017 was lower than the same period in the prior year primarily due to the resolution of a tax matter that resulted in approximately $26 million of tax accruals reversed in the second quarter of 2017.

The Company expects that the full year effective tax rate for 2017 will be approximately 23% (excluding items that management considers not representative of ongoing operations).

Earnings from Continuing Operations Attributable to the Company

For the first six months of 2017, the Company recorded earnings from continuing operations attributable to the Company of $188 million, or $1.15 per share (diluted), compared $175 million, or $1.07 per share (diluted), in the first six months of 2016. Earnings in 2017 and 2016 included items that management considered not representative of ongoing operations as set forth in the following table (dollars in millions).

	Net Earnings Increase (Decrease)	
Description	2017	2016
Restructuring, asset impairment and other charges	$ (49)	$ (19)
Gain on China land compensation		7
Note repurchase premiums and write-off of finance fees	(17)	
Tax benefit recorded for certain tax adjustments	20	
Net tax benefit for income tax on items above	12	4
Net impact of noncontrolling interests on items above	4	(2)
Total	$ (30)	$ (10)

Items Excluded from Reportable Segment Totals

Retained Corporate Costs and Other

Retained corporate costs and other for the second quarter of 2017 were $28 million and modestly higher compared with the $25 million recorded in the second quarter of 2016 due to lower equity earnings. For the first six months of 2017, retained corporate costs and other were $56 million compared with $57 million for the same period in 2016.

Restructuring, Asset Impairments and Other Charges

During the three and six months ended June 30, 2017, the Company recorded restructuring, asset impairment and other charges of $10 million and $49 million, respectively. For the six months ended June 30, 2017, these charges primarily consist of employee costs, write-down of assets, and other exit costs in the following regions: Latin America ($33 million), Europe ($13 million) and North America ($3 million). Except for the charges recorded in Europe, the other discrete restructuring charges recorded in 2017 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 $54 million related to a plant closure in Europe 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 2018.

During the three and six months ended June 30, 2016, the Company recorded restructuring, asset impairment and other charges of $0 and $19 million, respectively. These charges primarily represented employee costs, write-down of assets, and other exit costs of $14 million for a plant closure in the first quarter of 2016 in Latin America, $3 million related to a previous plant closure in North America, $1 million in Asia Pacific and $1 million related to other restructuring actions. The discrete restructuring charges recorded in the first quarter of 2016 are expected to approximate the total cumulative costs for those actions as no significant additional costs are expected to be incurred. The restructuring charges recorded in the first quarter of 2016 in the Latin American region primarily relate to a capacity curtailment. The Company reallocated the products produced at this facility to others in the region. The Company expects that the majority of the remaining cash expenditures related to the above charges will be paid out by the end of 2017. Partially offsetting the restructuring charges in the first quarter of 2016 was a $7 million gain related to compensation received for land that the Company was required to return to the Chinese government.

See Note 5 to the Condensed Consolidated Financial Statements for additional information.

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 June 30, 2017, that Award amounts to more than $500 million, including reimbursement of expenses and accrued interest. Venezuela's application to annul the Award is still pending before an ad hoc committee of the ICSID and a hearing with respect to such application is currently scheduled for September 26-27, 2017.

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

For the three and six month periods ending June 30, 2017, the Company has not given recognition to the transaction above in its financial statements. The loss from discontinued operations of less than $1 million and $3 million for the six months ended June 30, 2017 and June 30, 2016, respectively, relates to ongoing costs for the Venezuelan expropriation.

Capital Resources and Liquidity

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 February 3, 2016 (the "Amended Agreement").

At June 30, 2017, the Amended Agreement includes a $300 million revolving credit facility, a $600 million multicurrency revolving credit facility, a $1,575 million term loan A facility ($1,370 million net of debt issuance costs), and a €279 million term loan A facility ($303 million net of debt issuance costs), each of which has a final maturity date of April 22, 2020. At June 30, 2017, the Company had unused credit of $675 million available under the Amended Agreement. The weighted average interest rate on borrowings outstanding under the Amended Agreement at June 30, 2017 was 2.64%.

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, 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 (i) 4.5x for the two fiscal quarters ending June 30, 2017 and September 30, 2017, and (ii) 4.0x for the fourth fiscal quarter ending December 31, 2017 and each fiscal quarter thereafter.

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 June 30, 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 August 2015, the Company issued senior notes with a face value of $700 million that bear interest at 5.875% and are due August 15, 2023 (the "Senior Notes due 2023") and senior notes with a face value of $300 million that bear

interest at 6.375% and are due August 15, 2025 (together with the Senior Notes due 2023, the “2015 Senior Notes”). The 2015 Senior Notes were issued via a private placement and are guaranteed by certain of the Company‘s domestic subsidiaries. The net proceeds from the 2015 Senior Notes, after deducting the debt discount and debt issuance costs, totaled approximately $972 million.

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

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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.

In March 2017, the Company purchased in a tender offer approximately $228 million aggregate principal amount of its 7.80% Senior Debentures due in 2018. Approximately $22 million of the Senior Debentures remain outstanding as of June 30, 2017. As part of the tender offer, the Company recorded $17 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees in the first quarter of 2017.

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 is as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Balance (included in short-term loans)	$ 182	$ 152	$ 173
Weighted average interest rate	0.74 %	0.74 %	0.70 %

Cash Flows

Operating activities: Cash utilized in continuing operating activities was $156 million for the six months ended June 30, 2017, compared to $107 million for the six months ended June 30, 2016. The increase in cash utilized in continuing operating activities in the first half of 2017 was primarily due to an increase in working capital of $585 million compared to an increase in working capital of $491 million in the same period in 2016. The increase in working capital was mainly due to higher accounts receivable during the first six months of 2017. Partially offsetting this were higher net earnings and higher non-cash charges, such as restructuring, asset impairment and related charges, in the first six months of 2017.

Investing activities: Cash utilized in investing activities was $205 million for the six months ended June 30, 2017, compared to $190 million for the six months ended June 30, 2016. Capital spending for property, plant and equipment was $186 million during the first six months of 2017 and $207 million in the same period in 2016. Acquisition activities were $27 million and $31 million in the first six months of 2017 and 2016, respectively, and were primarily related to contributions made to the Company's investment in a joint venture in Nava, Mexico.

Financing activities: Cash provided by financing activities was $185 million for the six months ended June 30, 2017, compared to $238 million for the six months ended June 30, 2016. The decrease in cash provided by financing activities was primarily due to lower net borrowings and the payment of $21 million of finance fees in the first six months of 2017, principally related to note repurchase premiums associated with the tender offer to purchase the 2018 Senior Debentures.

The Company anticipates that cash flows from its operations and from utilization of credit available under the Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service and other obligations on a short-term (twelve-months) and long-term basis. Based on the Company's expectations regarding future payments for lawsuits and claims and also based on the Company's expected operating cash flow, the Company believes that the payment of any deferred amounts of previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company's liquidity on a short-term or long-term basis.

Critical Accounting Estimates

The Company's analysis and discussion of its financial condition and results of operations are based upon its consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The Company evaluates these estimates and assumptions on an ongoing basis. Estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances at the time the financial statements are issued. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates.

The impact of, and any associated risks related to, estimates and assumptions are discussed within Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as in the Notes to the Condensed Consolidated Financial Statements, if applicable, where estimates and assumptions affect the Company's reported and expected financial results.

There have been no other material changes in critical accounting estimates at June 30, 2017 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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 "predict," "potential," "continue," and the negatives of these words and other similar expressions generally identify forward-looking statements. It is possible the Company's future financial performance may differ from expectations due to a variety of factors including, but not limited to the following: (1) the Company's ability to realize expected growth opportunities, cost savings and synergies from the Vitro Acquisition, (2) foreign currency fluctuations relative to the U.S. dollar, (3) changes in capital availability or cost, including interest rate fluctuations and the ability of the Company to refinance debt at favorable terms, (4) the general political, economic and competitive conditions in markets and countries where the Company has operations, including uncertainties related to economic and social conditions, disruptions in capital markets, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (5) the Company's ability to generate sufficient future cash flows to ensure the Company's goodwill is not impaired, (6) consumer preferences for alternative forms of packaging, (7) cost and availability of raw materials, labor, energy and transportation, (8) the Company's ability to manage its cost structure, including its success in implementing restructuring plans and achieving cost savings, (9) consolidation among competitors and customers, (10) the Company's ability to acquire businesses and expand plants, integrate operations of acquired businesses and achieve expected synergies, (11) unanticipated expenditures with respect to environmental, safety and health laws, (12) the Company's ability to further develop its sales, marketing and product

development capabilities, (13) the Company’s ability to prevent and detect cybersecurity threats against its information technology systems, (14) the Company’s ability to accurately estimate its total asbestos-related liability or to control the timing and occurrence of events related to asbestos-related claims, (15) changes in U.S. trade policies, (16) the Company’s ability to achieve its strategic plan, and the other risk factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 and any subsequently filed Quarterly Report on Form 10-Q. It is not possible to foresee or identify all such factors. Any forward-looking statements in this document are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. Forward-looking statements are not a guarantee of future performance and actual results or developments may differ materially from expectations. While the Company continually reviews trends and uncertainties affecting the Company's results of operations and financial condition, the Company does not assume any obligation to update or supplement any particular forward-looking statements contained in this document.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

There have been no material changes in market risk at June 30, 2017 from those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company’s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the Company has investments in certain unconsolidated entities. As the Company does not control or manage these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those maintained with respect to its consolidated subsidiaries.

As required by Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2017.

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 controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal controls over financial reporting. There have been no changes in the Company’s internal controls over financial reporting during the fiscal quarter ended June 30, 2017 that have materially affected, or are reasonably likely to material affect, the Company’s internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

For further information on legal proceedings, see Note 9 to the Condensed Consolidated Financial Statements, “Contingencies,” that is included in Part I of this Quarterly Report and incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes in risk factors at June 30, 2017 from those described in the Company’s

Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company did not purchase any shares of its common stock for the three and six months ended June 30, 2017. The Company has $380 million remaining for repurchases pursuant to authorization by its Board of Directors in October 2014 to purchase up to $500 million of the Company’s common stock until December 31, 2017.

Item 6. Exhibits.

Exhibit 3.1	Owens-Illinois, Inc. Fourth Amended and Restated By-Laws (filed as Exhibit 3.1 to Owens-Illinois, Inc.'s Form 8-K filed July 13, 2017, File No. 1-9576, and incorporated herein by reference).
Exhibit 10.1	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).
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges.
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.
Exhibit 32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
Exhibit 101	Financial statements from the Quarterly Report on Form 10-Q of Owens-Illinois, Inc. for the quarter ended June 30, 2017, formatted in XBRL: (i) the Condensed Consolidated Results of Operations, (ii) the Condensed Consolidated Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements.

*This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OWENS-ILLINOIS, INC.

Date August 1, 2017 By /s/ Jan A. Bertsch
Jan A. Bertsch
Senior Vice President and Chief Financial Officer