

# **Bank of America Merrill Lynch Global Industries Conference**

**December 8, 2009**

# Management Introductions

## **Al Stroucken**

Chairman & CEO

## **Ed White**

SVP & CFO

## **John Haudrich**

VP, Investor Relations

## **Safe Harbor**

This presentation contains "Forward-Looking Statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results and developments may differ materially from expectations and are subject to certain risks and uncertainties such as those described in the Company's December 31, 2008 Form 10-K, March 31, 2009 Form 10-Q, June 30, 2009 Form 10-Q, and September 30, 2009 Form 10-Q filed with the Securities and Exchange Commission. The Company does not intend to update any forward-looking statements made in this presentation.

## Owens-Illinois, Inc. (NYSE ticker OI)

Global leader in glass containers

**Founded 1903 in Toledo, Ohio**

**\$7.9 billion glass sales in 2008**

**Operating in 21 countries:**

- 79 glass factories
- 161 furnaces
- 433 machines

**23,000 employees**

**Largest global manufacturer of glass containers**

**Competitive advantages:**

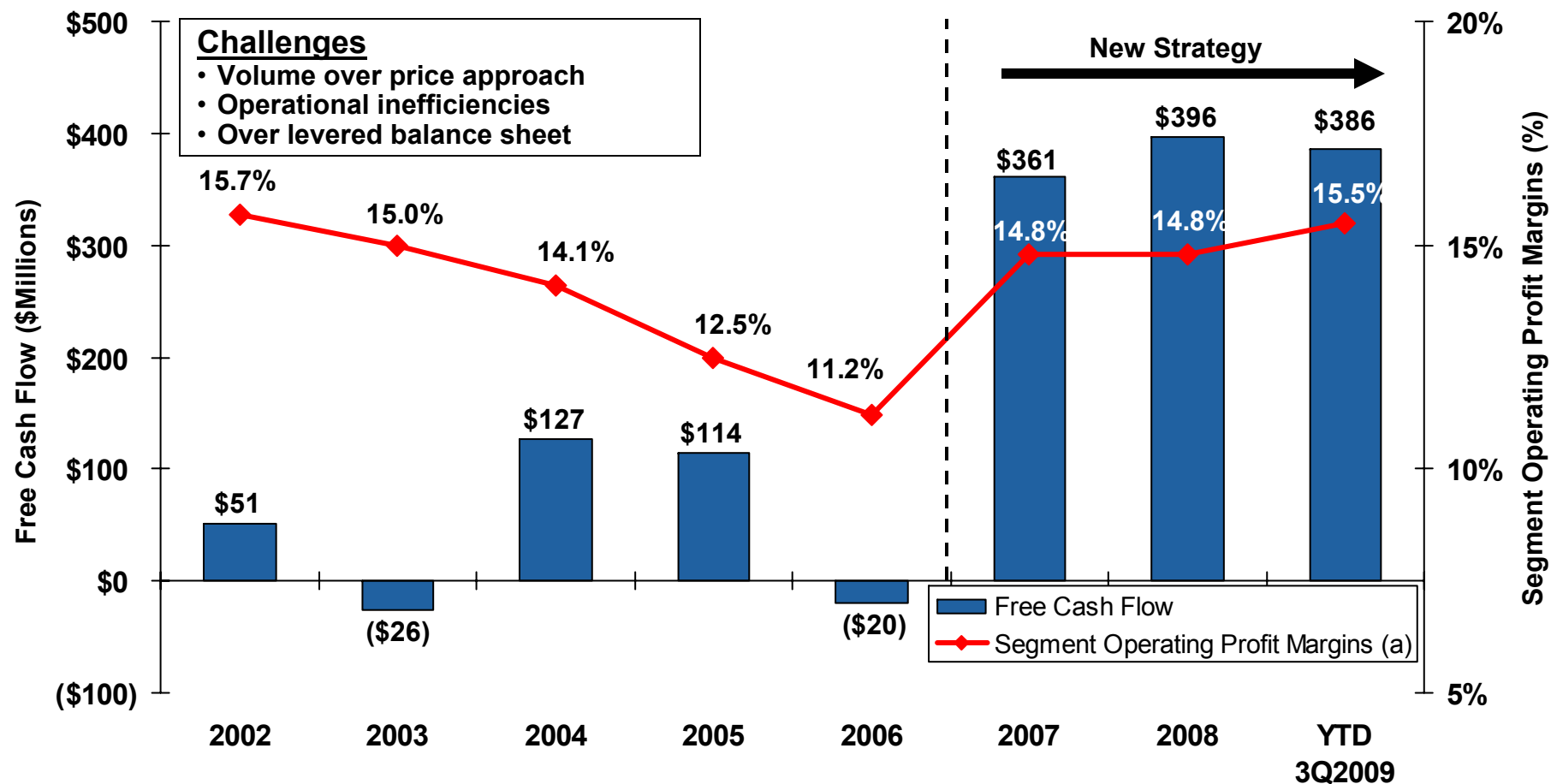
- Scale of operations & broad geographic reach
- Manufacturing & design expertise
- Strong financial flexibility

**Forming Machine  
Windsor Colorado Plant**



# New Strategy to Improve Margins and Free Cash Flow

Driving higher prices, lower cost operations and lower debt burden



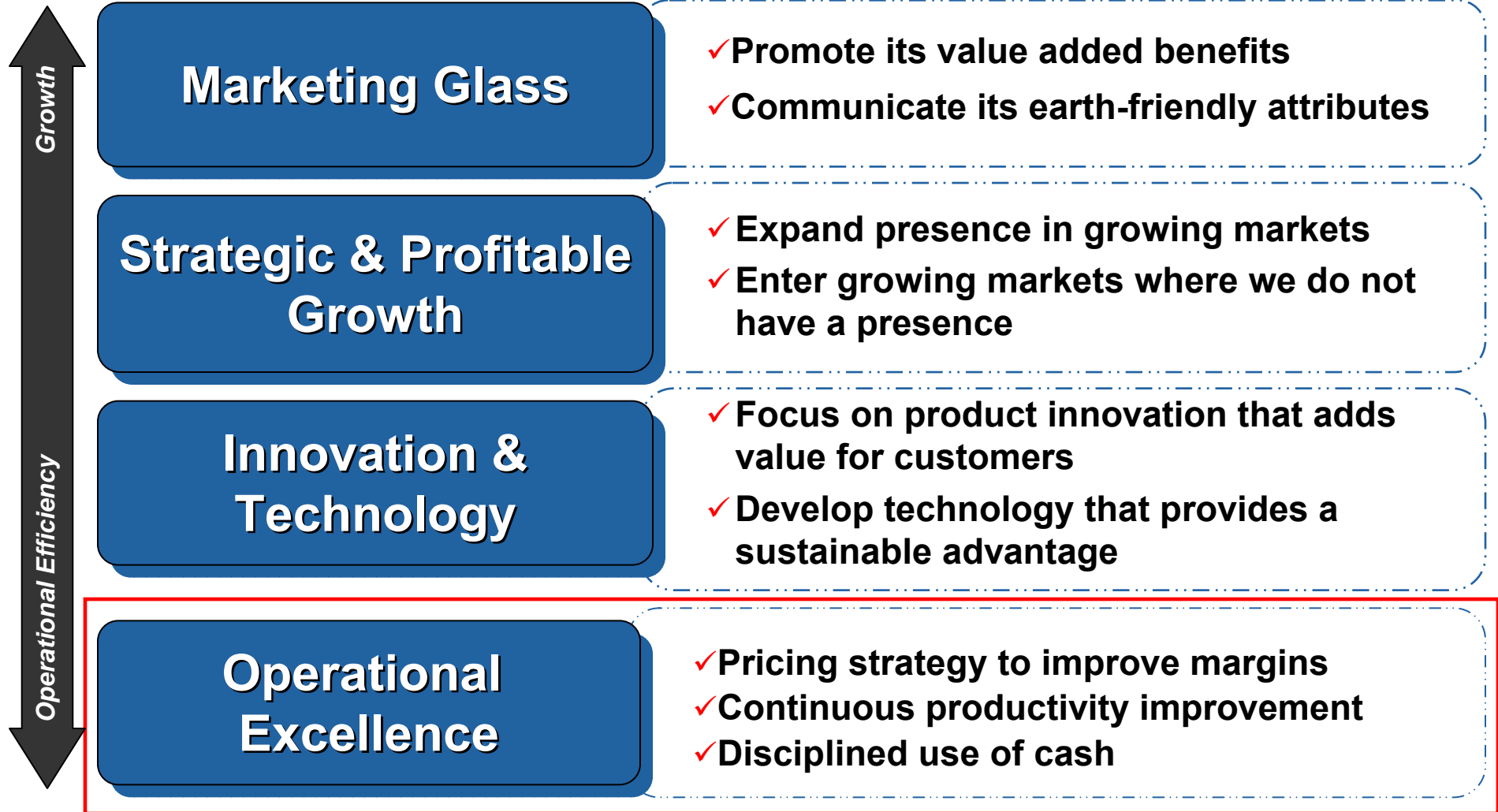
(a) Segment operating profit divided by segment sales.



# Strategic Priorities

Focus on operational efficiencies and growth

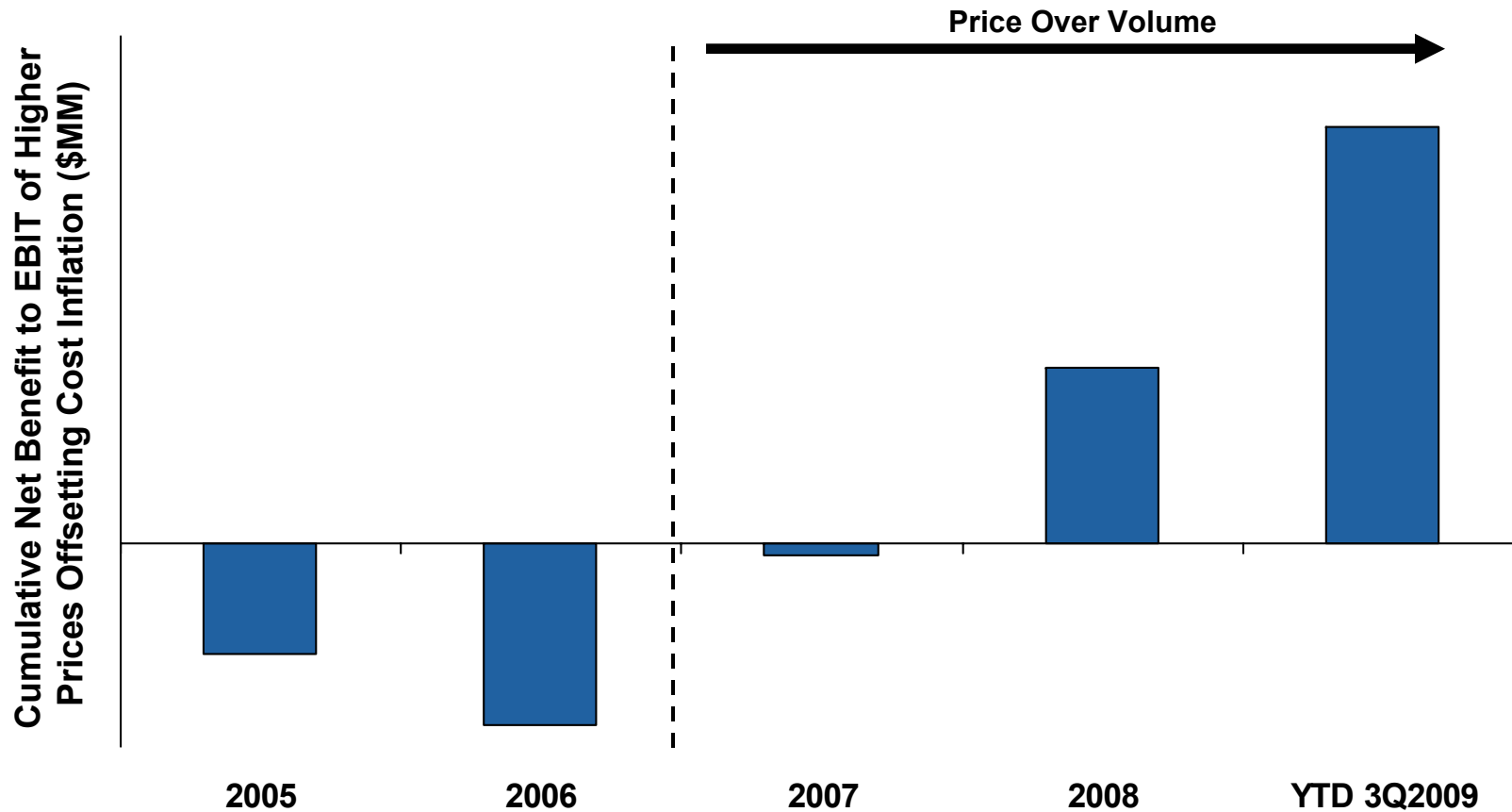
## OPTIMIZE SHAREHOLDER RETURN



# Pricing Strategy to Improve Margins

Renegotiated customer contracts to repair margin

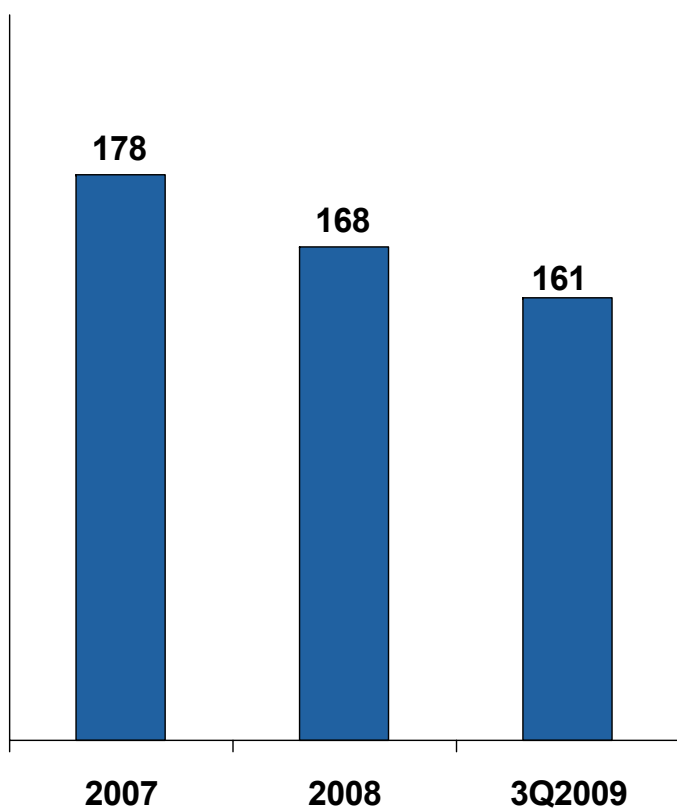
## Cumulative Over / Under Recovery of Inflation through Higher Price



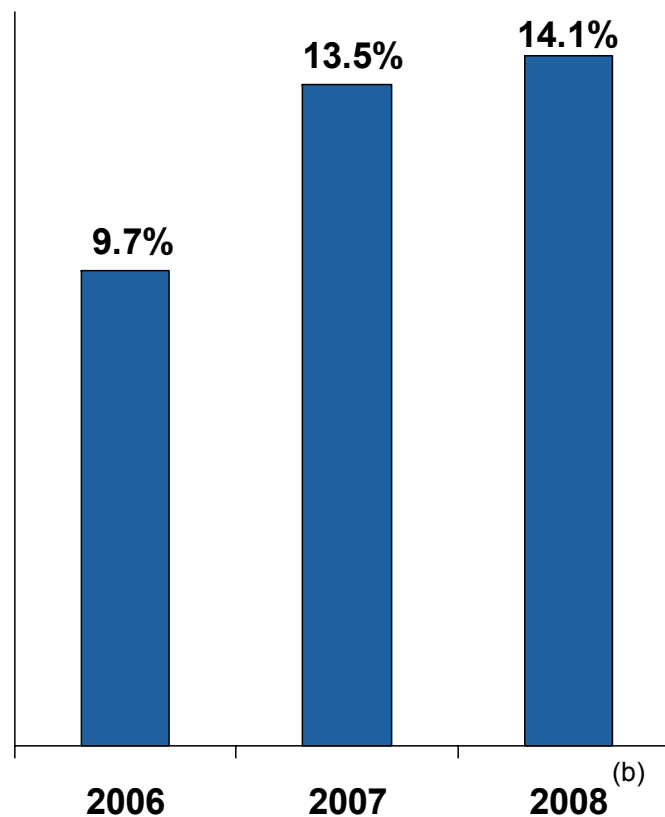
# Continuous Productivity Improvement

Strategic footprint realignment initiative drove economies of scale and higher ROA

### Global Number of Furnaces



### Return On Segment Assets <sup>(a)</sup>



(a) Return on segment assets is defined as total operating profit of reportable segments divided by the average of beginning and end of year total assets of reportable segments.

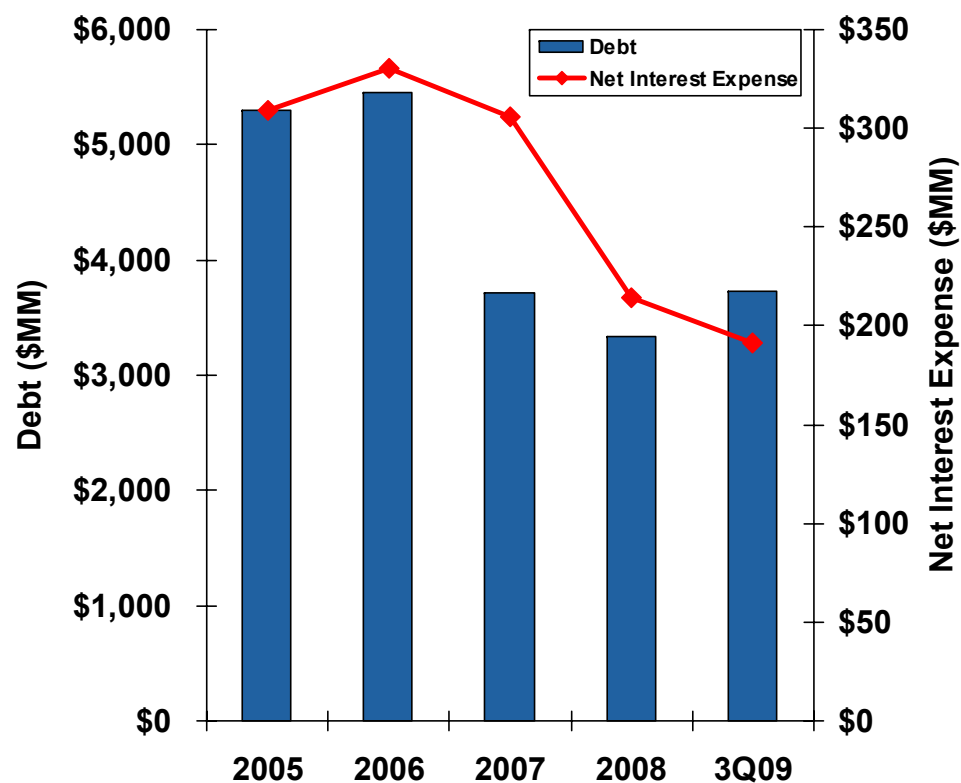
(b) In 2008, a change in allocation of corporate costs decreased reportable segment profit by \$38 million, or 0.5% of return on segment assets. Prior periods have not been adjusted.



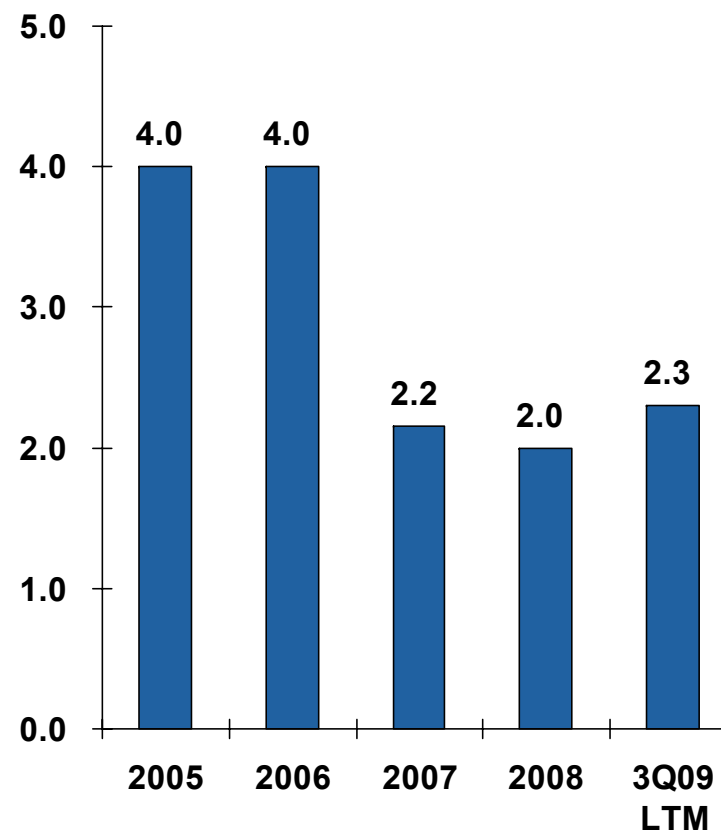
# Disciplined Use of Cash & Strong Financial Flexibility

Reduced debt, lowered interest expense and improved debt ratio

### Debt



### Debt/EBITDA Ratio (a)



(a) O-I's ratio based on total debt less cash divided by bank credit agreement EBITDA.



## Current Market Opportunities

Applying our strategy to new opportunities

### Price improvement to repair margins

- Renegotiation of key North American contracts

### Further productivity improvement

- Expansion of footprint initiative into South America
- Modernize manufacturing technology

### Increased interest in sustainable packaging

- Value-added product innovation
- Marketing glass

### Significant operating leverage to market recovery

- Earnings penalty due to 8-10% lower volume in 2009

### Attractive growth opportunities

- Expansion in emerging markets
- Acquisitions in growing markets
- \$1 billion cash-on-hand enables future growth

### Lean + Green™



**18-28% lighter; retains premium cues**

#### Annual impact:

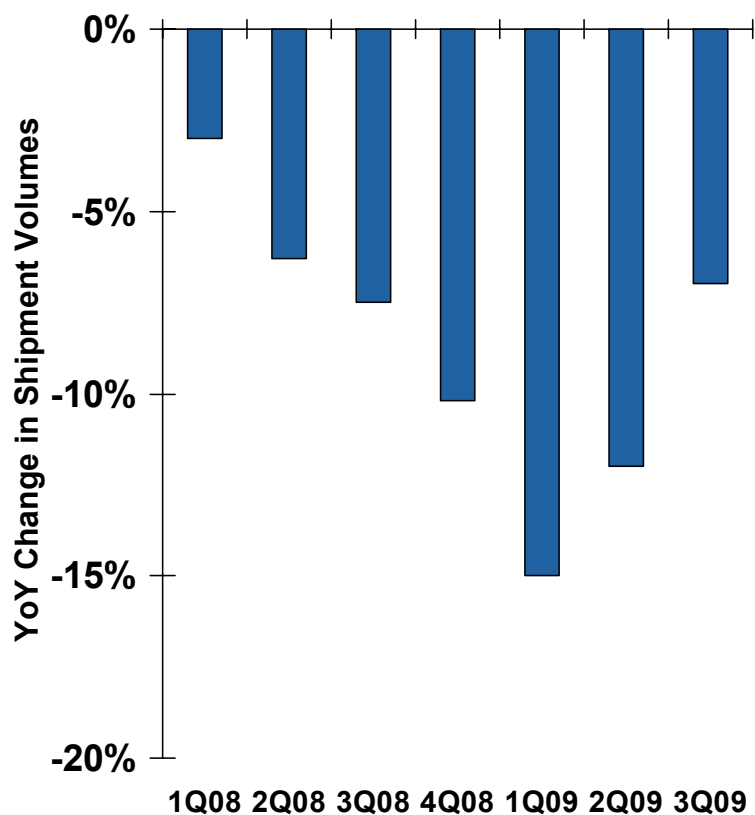
- 20,000+ tonnes less glass used
- 20% less energy, 12% less water



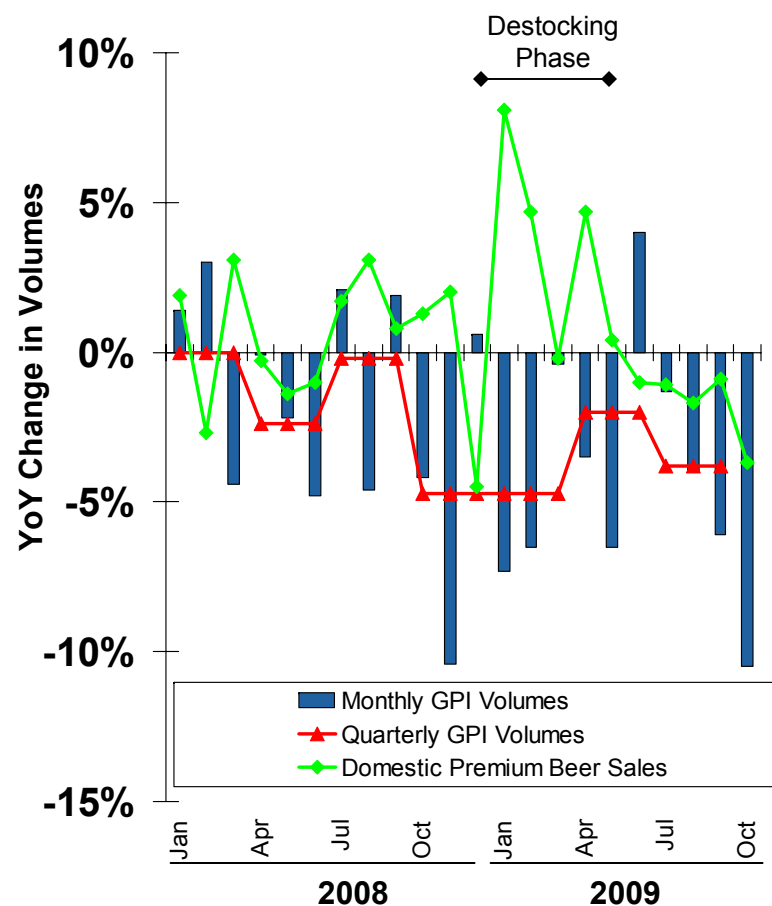
# Significant Operating Leverage to Market Recovery

Expect continued gradual volume improvement as market recovers

### O-I Global Volume Trends



### North American Market Conditions



Source: Glass Packaging Institute (GPI), Bank of America – Merrill Lynch, Company



# Attractive Growth Opportunities

Evaluating use of free cash flow

## Assessment Criteria

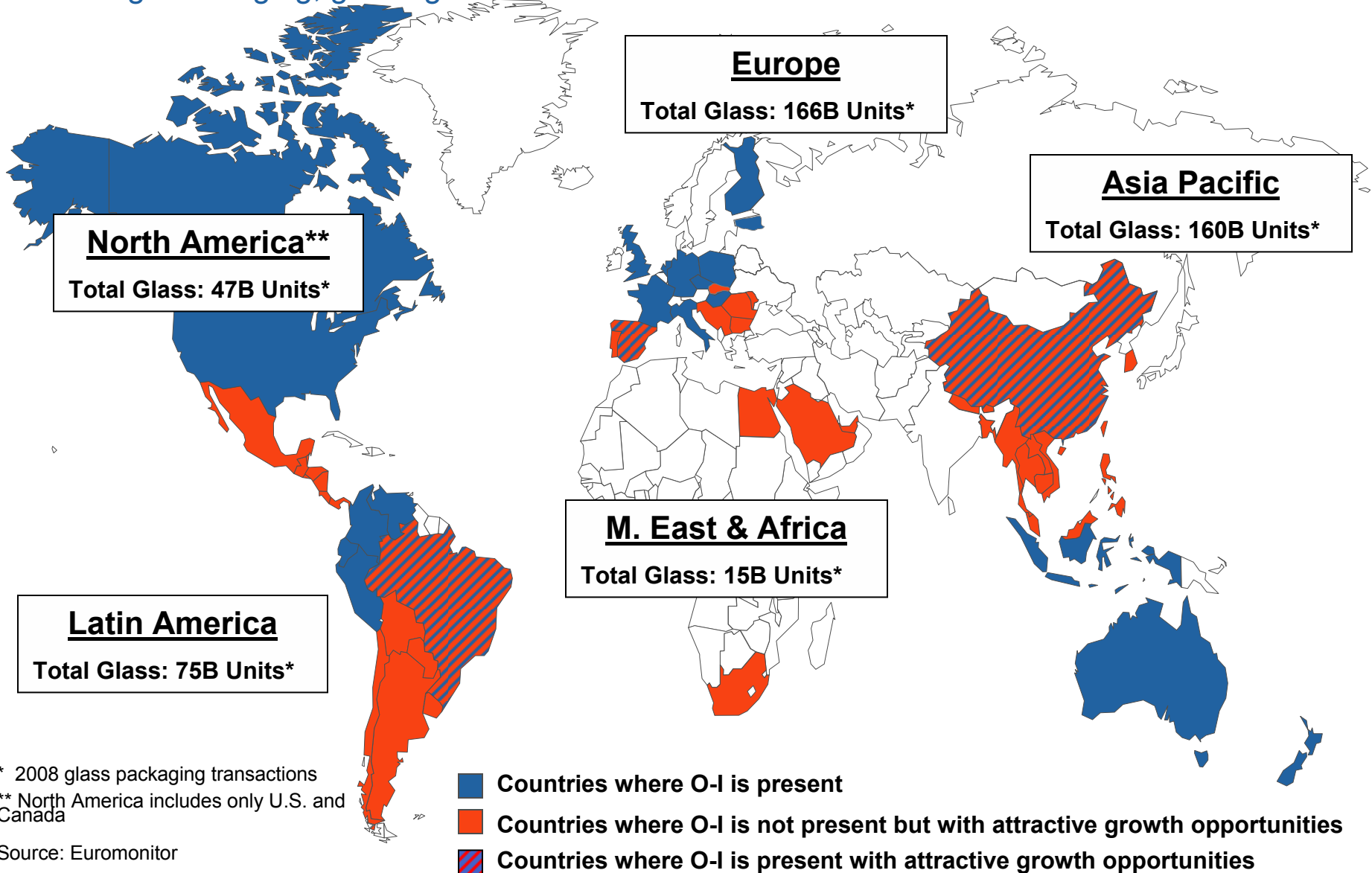
| Priority  | Return | Growth | Ability to Execute | Capital Structure |
|---|--------|--------|--------------------|-------------------|
| <b>Organic Growth</b><br>- Expansion in selective markets<br>- Footprint optimization |        |        |                    |                   |
| <b>M&amp;A</b>  |        |        |                    |                   |
| <b>Debt Reduction</b>   |        |        |                    |                   |
| <b>Dividend or Share Buyback</b>  |        |        |                    |                   |

**Key**

- Highly attractive
- Less attractive

# Attractive Growth Opportunities

Target emerging, growing markets



\* 2008 glass packaging transactions

\*\* North America includes only U.S. and Canada

Source: Euromonitor

## Owens-Illinois, Inc.

Focused on improving shareholder value

### **Strategy to Grow a Stronger O-I**

- Marketing glass
- Strategic & profitable growth
- Innovation & technology
- Operational excellence

### **Proven Strategy is Driving Value**

- Significant margin improvement
- Increased cash flow
- Strengthened financial position

### **Focused on Building Further Shareholder Value**

- Price improvement to repair margins
- Continued productivity improvement and value added product innovation
- Significant operating leverage to market recovery and attractive growth opportunities

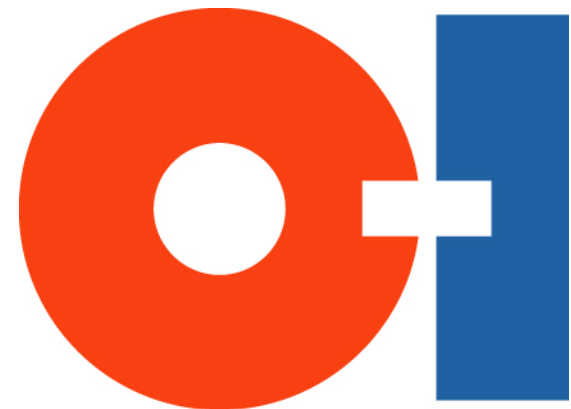
# Appendix

## **IR Contacts**

John Haudrich (567) 336-2700

Jason Bissell (567) 336-2701

# O-I Earnings Presentation



Third Quarter 2009

October 28, 2009



# Introduction

## Agenda

- Business discussion
- Financial review
- Business outlook
- Concluding remarks and Q&A

## Presenters



Al Stroucken  
Chairman and CEO



Ed White  
SVP and CFO

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### Regulation G

The information included in this presentation regarding earnings from continuing operations exclusive of items management considers not representative of ongoing operations does not conform to U.S. generally accepted accounting principles (GAAP). It should not be construed as an alternative to the reported results determined in accordance with GAAP. Management has included this non-GAAP information to assist in understanding the comparability of results of ongoing operations. Management uses this non-GAAP information principally for internal reporting, forecasting, budgeting and calculating bonus payments. Management believes that the excluded items are not reflective of ongoing operations, so the non-GAAP presentation allows the board of directors, management, investors and analysts to better understand the Company's financial performance in relationship to core operating results and the business outlook.

### Forward Looking Statements

This presentation contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Forward-looking statements reflect the Company's current expectations and projections about future events at the time, and thus involve uncertainty and risk. It is possible the Company's future financial performance may differ from expectations due to a variety of factors including, but not limited to the following: (1) foreign currency fluctuations relative to the U.S. dollar, (2) changes in capital availability or cost, including interest rate fluctuations, (3) the general political, economic and competitive conditions in markets and countries where the Company has operations, including disruptions in capital markets, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in the tax rates and laws, (4) consumer preferences for alternative forms of packaging, (5) fluctuation in raw material and labor costs, (6) availability of raw materials, (7) costs and availability of energy, (8) transportation costs, (9) the ability of the Company to raise selling prices commensurate with energy and other cost increases, (10) consolidation among competitors and customers, (11) the ability of the Company to integrate operations of acquired businesses and achieve expected synergies, (12) unanticipated expenditures with respect to environmental, safety and health laws, (13) the performance by customers of their obligations under purchase agreements, and (14) the timing and occurrence of events which are beyond the control of the Company, including events related to asbestos-related claims. It is not possible to foresee or identify all such factors. Any forward-looking statements in this presentation 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 intend to update any particular forward-looking statements contained in the company's presentation.

# Business Discussion: Highlights

Improved financial performance amid challenging market conditions

## First YoY earnings improvement since 3Q08

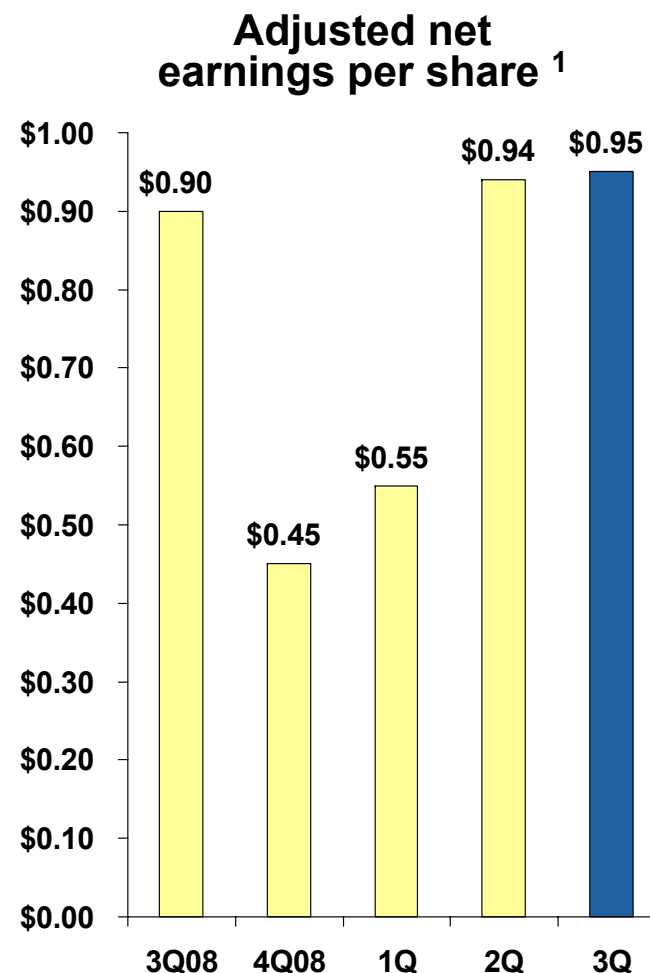
- Shipment declines now consistent with consumer consumption
  - Except South America with double-digit declines
- Continued temporary production curtailments
  - Reduced inventories to preserve working capital
- Improved price/mix along with modest cost deflation
- Incremental strategic footprint alignment initiative benefits

## Strong cash flow improves financial flexibility

- Significant capital expenditures in 4Q

## 4Q09 business outlook

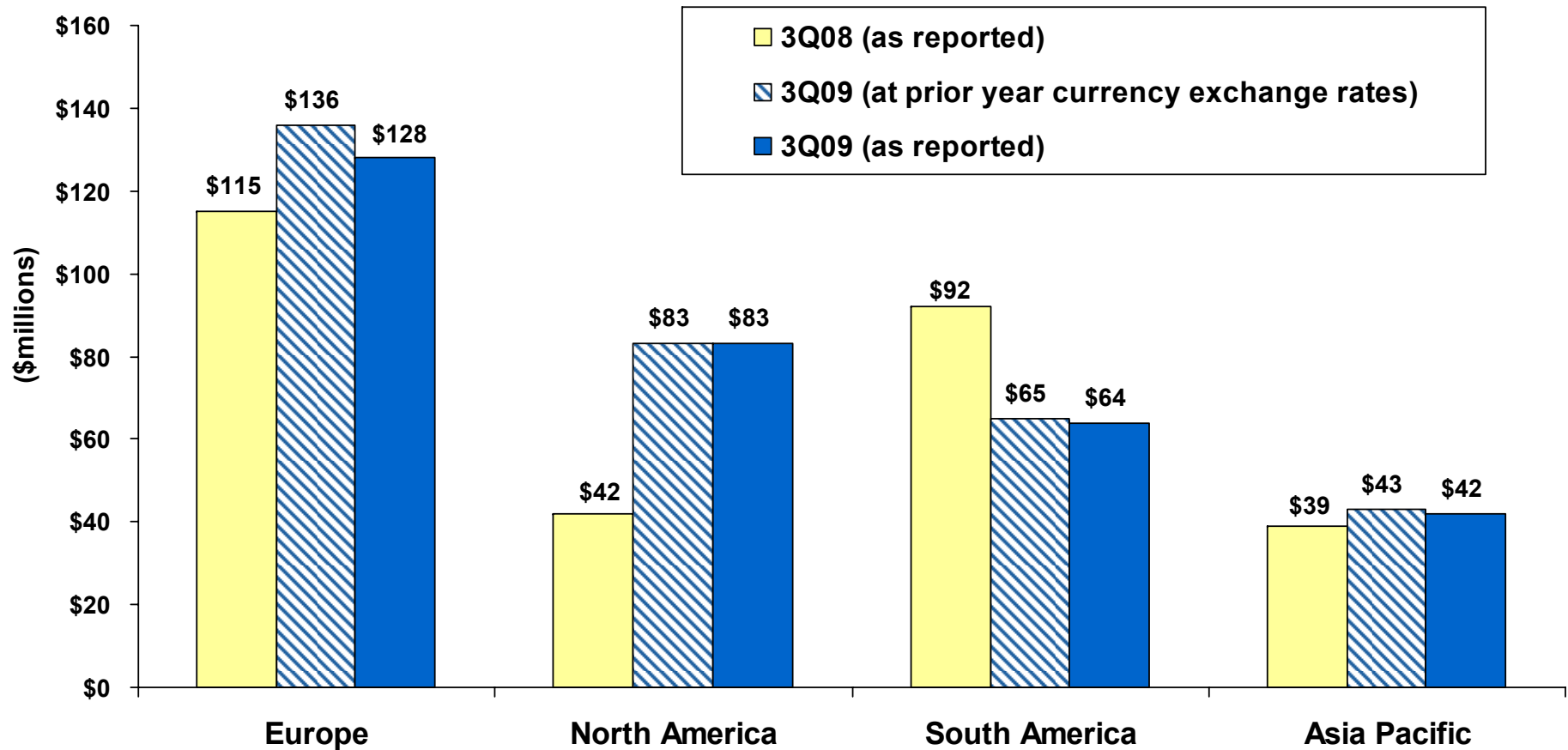
- Shipments down modestly from prior year
  - Typical seasonal decline from 3Q
- Continued temporary curtailments to further reduce inventories
- Ongoing benefits from strategic footprint alignment
- Operating profit expected to exceed 4Q08
- Earnings to be negatively impacted by non-operating items



<sup>1</sup> EPS from continuing operations exclusive of items management considers not representative of ongoing operations. A description of all items that management considers not representative of ongoing operations and a reconciliation of the GAAP to non-GAAP earnings and earnings per share can be found in the appendix to this presentation.

# Business Discussion: Segment Operating Profit

Most regions' 3Q09 results exceeded prior year levels



# Financial Review: Sales, Profit and EPS Reconciliations

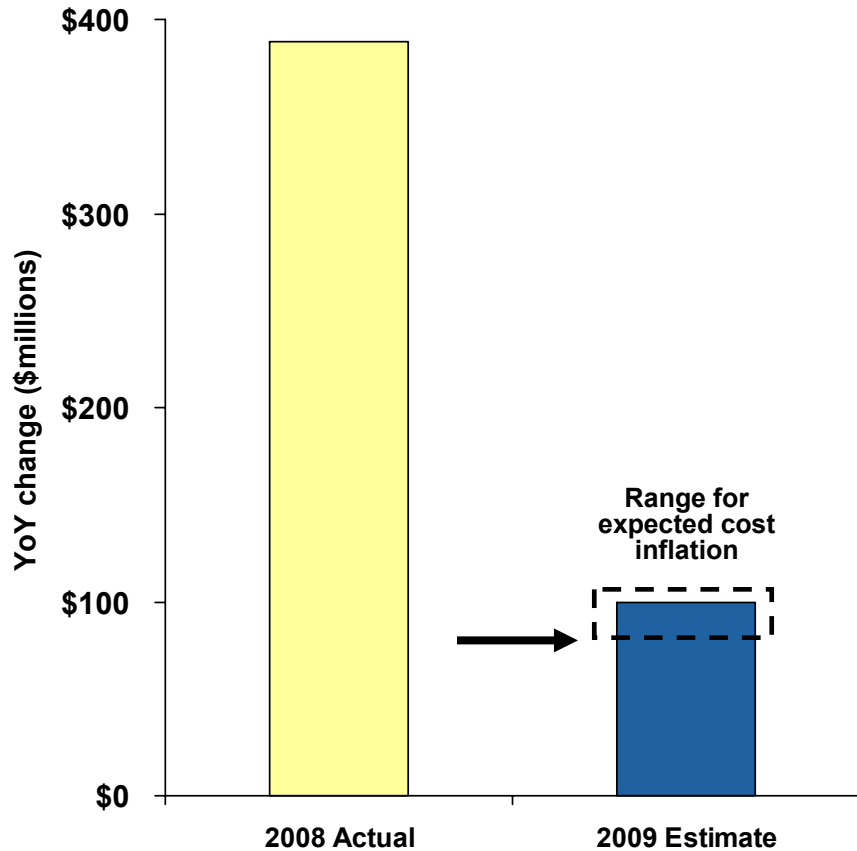
Benefits from footprint initiative and lower costs dampen impact of lower volumes

|   | Segment<br>Sales | Segment<br>Operating Profit | Adjusted Net<br>Income |
|---|------------------|-----------------------------|------------------------|
|   | (\$ Millions)    | (\$ Millions)               | (Non-GAAP EPS)         |
| <b>3Q08</b>   | <b>\$ 1,998</b>  | <b>\$ 288</b>               | <b>\$0.90</b>          |
| Sales volume  | (150)            | (57)                        | (0.25)                 |
| Price and product mix   | 91               | 91                          | 0.40                   |
| Currency translation  | (72)             | (10)                        | (0.04)                 |
| Manufacturing and delivery  | -                | 24                          | 0.11                   |
| Operating expenses  | -                | (4)                         | (0.02)                 |
| <b>Operations</b>   | <b>(131)</b>     | <b>44</b>                   | <b>0.20</b>            |
| <b>Other</b> (principally exchange losses on Venezuelan bolivars) | -                | (15)                        | (0.07)                 |
| Interest expense  | -                | -                           | 0.02                   |
| Retained corporate costs  | -                | -                           | (0.05)                 |
| Non-controlling interests   | -                | -                           | 0.04                   |
| Effective tax rate  | -                | -                           | (0.09)                 |
| <b>Non-Operational</b>  | <b>-</b>         | <b>(15)</b>                 | <b>(0.15)</b>          |
| <b>Total reconciling items</b>                                    | <b>(131)</b>     | <b>29</b>                   | <b>0.05</b>            |
| <b>3Q09</b>   | <b>\$ 1,867</b>  | <b>\$ 317</b>               | <b>\$0.95</b>          |

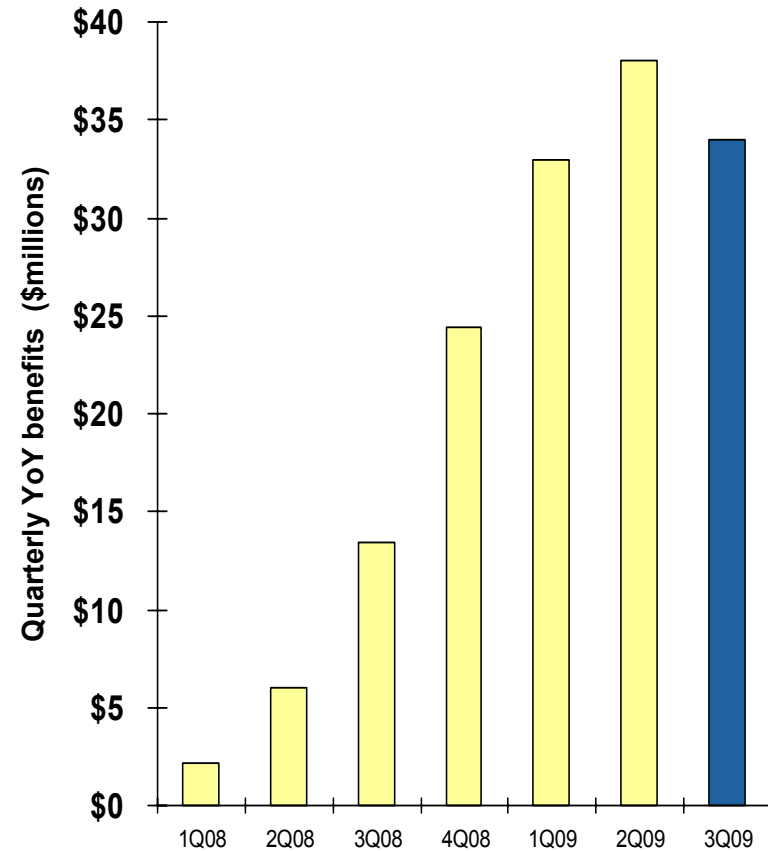
# Financial Review: Costs

Cost profile improving due to moderating inflation and strategic footprint initiative

### Full-year cost inflation

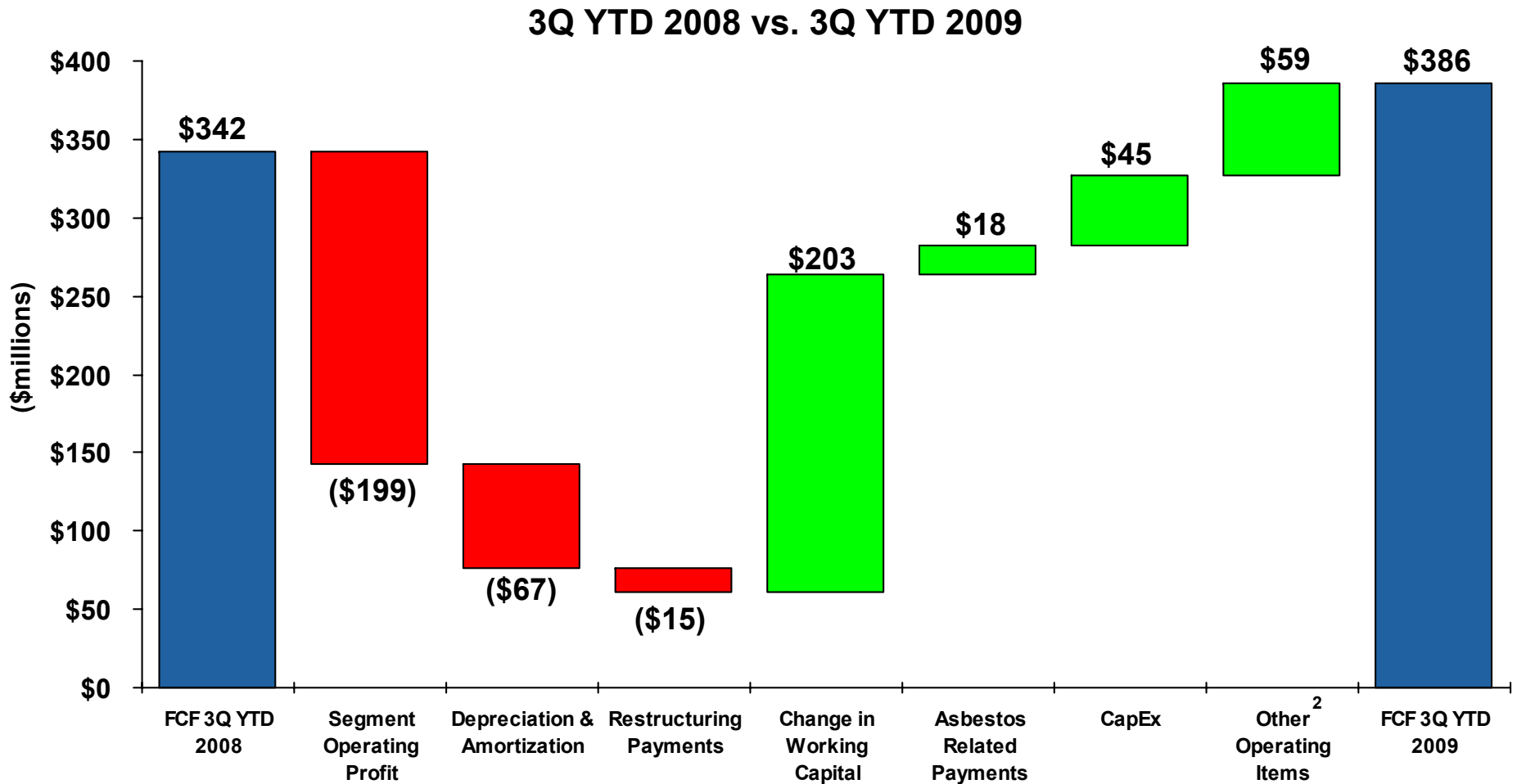


### Footprint initiative drives benefits from lower fixed costs



# Financial Review: Free Cash Flow Reconciliation <sup>1</sup>

Higher FCF reflects less profit net of favorable working capital



<sup>1</sup> Free Cash Flow equals cash provided by continuing operating activities less capital spending for continuing operations.

<sup>2</sup> Other Operating Items is comprised of retained corporate costs, non-controlling interests, current tax expense, net interest, other non-cash charges and changes in other non-current assets/liabilities.

# Financial Review: Balance Sheet and Cash Flow

Strong financial position allows for flexibility to execute growth priorities

## Debt

- \$3.722 billion debt; up slightly from 2Q09
  - 2.3x leverage ratio per bank credit agreement <sup>1</sup>
- \$760 million available under global revolving credit facility

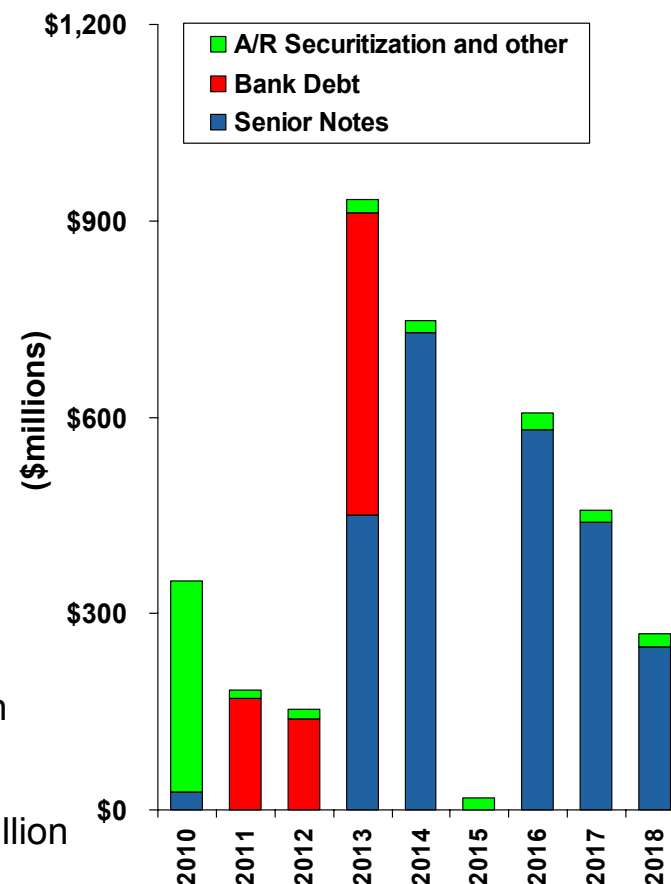
## Cash and cash equivalents

- \$1.017 billion cash on hand at 9/30/09
  - \$340 million increase from 6/30/09 due to strong FCF
- Mitigated exposure to Venezuelan bolivar
  - Net earnings reduced by \$10 million

## Capital and restructuring payments

- \$70 million 3Q09 capital investments, \$194 million YTD
  - Expect full year 2009 capital investments up to \$440 million
- \$10 million 3Q09 restructuring payments, \$43 million YTD
  - Expect full year 2009 restructuring payments up to \$100 million

## Debt maturity schedule















<sup>1</sup> Total debt less cash divided by bank credit agreement EBITDA

# Business Outlook: 4Q09

Reflects normal seasonal patterns and higher non-operating costs

## 4Q09 Outlook

Favorable / Unfavorable Impact on Profits

| Factor  | Year-over-Year<br>(4Q08 to 4Q09)  | Sequential<br>(3Q09 to 4Q09)  |
|---|---|---|
| Sales Volume  |    |    |
| Temporary Production Curtailments   |    |    |
| Price/Mix   |    |    |
| Input Costs   |  |  |
| Footprint Realignment Savings<br>- Reduced by South American machine reconfiguration costs  |  |  |
| Non-Operating:<br>- Higher corporate costs (e.g., U.S. pension)<br>- Venezuelan currency exchange charges<br>- Higher net interest expense YoY<br>- Higher 2009 full-year effective tax rate forecasted |  |  |

## Concluding Remarks and Q&A

# Appendix



## Reconciliation of GAAP to non-GAAP Items (3Q)

| \$ Millions, except per share amounts  | Three months ended September 30 |                |                 |                |
|--|---------------------------------|----------------|-----------------|----------------|
|  | 2009                            |                | 2008            |                |
|  | Earnings                        | EPS            | Earnings        | EPS            |
| <b>Net earnings attributable to the Company</b>  | <b>\$ 126.7</b>                 | <b>\$ 0.74</b> | <b>\$ 78.6</b>  | <b>\$ 0.46</b> |
| <i>Items that management considers not representative of ongoing operations consistent with Segment Operating Profit</i> |                                 |                |                 |                |
| • <b>Charges for restructuring and asset impairment</b>  | <b>36.0</b>                     | <b>0.21</b>    | <b>79.7</b>     | <b>0.47</b>    |
| • <b>Net benefit related to tax legislation and restructuring in Europe</b>  |                                 |                | <b>(4.6)</b>    | <b>(0.03)</b>  |
| <b>Adjusted net earnings</b>   | <b>\$ 162.7</b>                 | <b>\$ 0.95</b> | <b>\$ 153.7</b> | <b>\$ 0.90</b> |
| <b>Diluted shares outstanding (millions)</b>   | <b>171.5</b>                    |                | <b>170.1</b>    |                |

## Reconciliation of GAAP to non-GAAP Items (YTD 3Q)

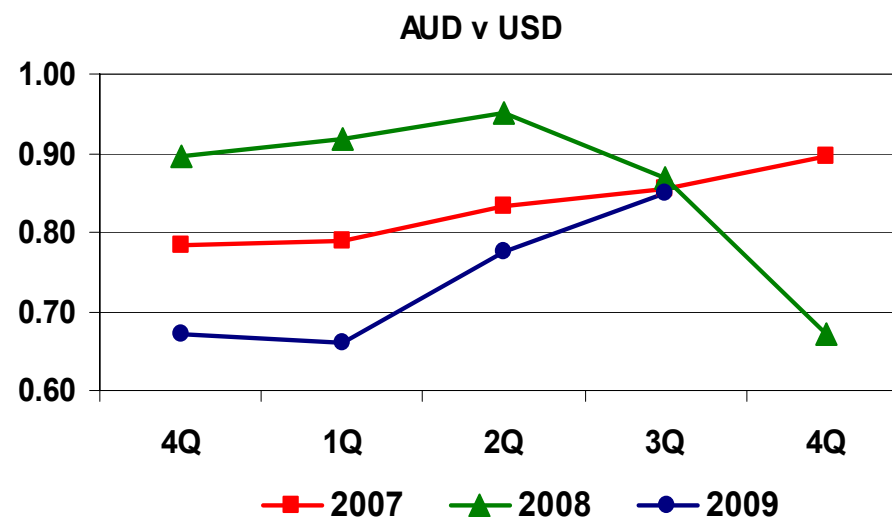
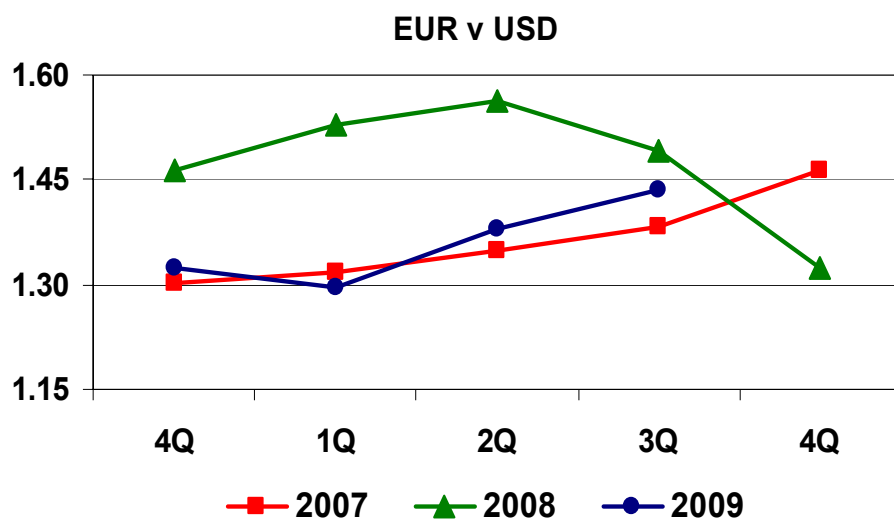
| \$ Millions, except per share amounts  | Nine months ended September 30 |                |                 |                |
|--|--------------------------------|----------------|-----------------|----------------|
|  | 2009                           |                | 2008            |                |
|  | Earnings                       | EPS            | Earnings        | EPS            |
| Net earnings attributable to the Company   | \$ 321.1                       | \$ 1.89        | \$ 488.0        | \$ 2.86        |
| Less gain on sale of discontinued operations   |                                | -              | (7.9)           | (0.05)         |
| <b>Earnings from continuing operations</b>   | <b>321.1</b>                   | <b>1.89</b>    | <b>480.1</b>    | <b>2.81</b>    |
| <i>Items that management considers not representative of ongoing operations consistent with Segment Operating Profit</i> |                                |                |                 |                |
| • Charges for restructuring and asset impairment   | 88.9                           | 0.52           | 93.6            | 0.56           |
| • Charges for note repurchase premiums and write-off of finance fees   | 5.2                            | 0.03           |                 |                |
| • Net benefit related to tax legislation and restructuring in Europe   |                                |                | (4.6)           | (0.03)         |
| <b>Adjusted net earnings</b>   | <b>\$ 415.2</b>                | <b>\$ 2.44</b> | <b>\$ 569.1</b> | <b>\$ 3.34</b> |
| Diluted shares outstanding (millions)  | 170.2                          |                | 170.5           |                |

## Free Cash Flow Calculation

| 3Q 09           | 3Q 08           | \$ Millions                                   | Nine months ended<br>Sept 30 |                 |
|-----------------|-----------------|---|------------------------------|-----------------|
|                 |                 |   | 2009                         | 2008            |
| \$ 126.7        | \$ 78.6         | Net earnings attributable to the company      | \$ 321.1                     | \$ 488.0        |
| -               |                 | Less: gain on sale of discontinued operations | -                            | (7.9)           |
| <u>126.7</u>    | <u>78.6</u>     | Earnings from continuing operations           | <u>321.1</u>                 | <u>480.1</u>    |
|                 |                 | Non-cash charges:                             |                              |                 |
| 104.1           | 119.3           | Depreciation and amortization                 | 299.6                        | 366.8           |
| 57.5            | 90.6            | Restructuring and asset impairment            | 113.1                        | 111.7           |
| 28.4            | 12.0            | All other non-cash charges                    | 96.0                         | 64.1            |
|                 |                 | Payments and other reconciling items:         |                              |                 |
| (38.2)          | (36.7)          | Asbestos-related payments                     | (122.4)                      | (140.3)         |
| (9.5)           | (11.4)          | Restructuring payments                        | (42.7)                       | (28.0)          |
| 154.3           | 70.9            | Change in components of working capital       | (1.6)                        | (204.2)         |
| (27.1)          | (14.6)          | Change in non-current assets and liabilities  | (83.7)                       | (69.3)          |
| <u>396.2</u>    | <u>308.7</u>    | Cash provided by cont. operating activities   | <u>579.4</u>                 | <u>580.9</u>    |
| (69.6)          | (109.5)         | Additions to PP&E                             | (193.7)                      | (238.5)         |
| <u>\$ 326.6</u> | <u>\$ 199.2</u> | Free Cash Flow <sup>1</sup>                   | <u>\$ 385.7</u>              | <u>\$ 342.4</u> |

<sup>1</sup> Free Cash flow equals cash provided by continuing operating activities less capital spending for continuing operations.

# Foreign Currency Exchange Rate Trends <sup>1</sup>



## FX Translation Impact on Sales, Segment Operating Profit and EPS (Compared to prior year)

| \$ Millions except EPS   | 2008   |        |       |          |        | 2009     |          |         |
|--------------------------|--------|--------|-------|----------|--------|----------|----------|---------|
|                          | 1Q     | 2Q     | 3Q    | 4Q       | Year   | 1Q       | 2Q       | 3Q      |
| Sales                    | \$ 187 | \$ 202 | \$ 82 | \$ (195) | \$ 276 | \$ (246) | \$ (208) | \$ (72) |
| Segment Operating Profit | 35     | 32     | 13    | (24)     | 56     | (29)     | (23)     | (10)    |
| Non-GAAP Segment EPS     | 0.14   | 0.14   | 0.06  | (0.13)   | 0.25   | (0.13)   | (0.10)   | (0.04)  |

<sup>1</sup> Average exchange rate for the quarter