OWENS ILLINOIS INC /DE/
Form 10-K
February 13, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013
or
o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-9576

OWENS-ILLINOIS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-2781933**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One Michael Owens Way, Perrysburg, Ohio	**43551**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value (based on the consolidated tape closing price on June 30, 2013) of the voting and non-voting common equity held by non-affiliates of Owens-Illinois, Inc. was approximately $4,901,946,000. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors and executive officers of the Company. Such interpretation is not intended to be, and should not be construed to be, an admission by Owens-Illinois, Inc. or such directors or executive officers of the Company that such directors and executive officers of the Company are "affiliates" of Owens-Illinois, Inc., as that term is defined under the Securities Act of 1934.

The number of shares of common stock, $.01 par value of Owens-Illinois, Inc. outstanding as of January 31, 2014 was 164,757,843.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Owens-Illinois, Inc. Proxy Statement for The Annual Meeting of Share Owners To Be Held Thursday, May 15, 2014 ("Proxy Statement") are incorporated by reference into Part III hereof.

TABLE OF GUARANTORS

Exact Name of Registrant As Specified In Its Charter	State/Country of Incorporation or Organization	Primary Standard Industrial Classification Code Number	I.R.S Employee Identification Number
Owens-Illinois Group, Inc	Delaware	6719	34-1559348
Owens-Brockway Packaging, Inc	Delaware	6719	34-1559346

The address, including zip code, and telephone number, of each additional registrant's principal executive office is One Michael Owens Way, Perrysburg, Ohio 43551; (567) 336-5000. These companies are listed as guarantors of the debt securities of the registrant. The consolidating condensed financial statements of the Company depicting separately its guarantor and non-guarantor subsidiaries are presented in the notes to the consolidated financial statements. All of the equity securities of each of the guarantors set forth in the table above are owned, either directly or indirectly, by Owens-Illinois, Inc.

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PART I

ITEM 1. BUSINESS

General Development of Business

Owens-Illinois, Inc. (the "Company"), through its subsidiaries, is the successor to a business established in 1903. The Company is the largest manufacturer of glass containers in the world with 77 glass manufacturing plants in 21 countries. It competes in the glass container segment of the rigid packaging market and is the leading glass container manufacturer in most of the countries where it has manufacturing facilities.

Company Strategy

The Company's ambition is to be the world's leading maker of brand-building glass containers, delivering unmatched quality, innovation and service to its customers; generating strong financial results for its investors; and providing a safe, motivating and engaging work environment for its employees. To accomplish this ambition, the Company is focused on the following objectives:

- **Reduce structural costs** through specific programs such as permanent footprint adjustments, asset optimization and global cost-cutting initiatives;
- **Grow selectively** by taking advantage of the Company's position in emerging markets around the world and strengthening the Company's positions in Europe and North America;
- **Deliver brand-building product innovation** to the Company's customers to help them build, develop and expand their brands; and
- **Invest strategically in process innovation and research and development** to reduce manufacturing costs and improve efficiency, flexibility, reliability and sustainability.

Reportable Segments

The Company has four reportable segments based on its geographic locations: Europe, North America, South America and Asia Pacific. Information as to sales, earnings from continuing operations before interest income, interest expense, and provision for income taxes and excluding amounts related to certain items that management considers not representative of ongoing operations ("segment operating profit"), and total assets by reportable segment is included in Note 2 to the Consolidated Financial Statements.

Products and Services

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

Customers

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

The Company sells most of its glass container products directly to customers under annual or multi-year supply agreements. Multi-year contracts typically provide for price adjustments based on cost changes. The Company also sells some of its products through distributors. Many customers provide the Company with regular estimates of their product needs, which enables the Company to schedule glass container production to maintain reasonable levels of inventory. Due to the significance of transportation costs and the importance of timely delivery, glass container manufacturing facilities are generally located in close proximity to customers.

Markets and Competitive Conditions

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

Europe. The Company has a leading share of the glass container segment of the rigid packaging market in Europe, with 35 glass container manufacturing plants located in the Czech Republic, Estonia, France, Germany, Hungary, Italy, the Netherlands, Poland, Spain and the United Kingdom. The Company is also involved in two joint ventures that manufacture glass containers in Italy. These plants primarily produce glass containers for the beer, wine, champagne, spirits and food markets in these countries. Throughout Europe, the Company competes directly with a variety of glass container manufacturers including Verallia, Ardagh Group, Vetropak and Vidrala.

North America. The Company has 19 glass container manufacturing plants in the U.S. and Canada, and is also involved in a joint venture that manufactures glass containers in the U.S. The Company has the leading share of the glass container segment of the U.S. rigid packaging market, based on sales revenue by domestic producers. The principal glass container competitors in the U.S. are Verallia North America and Ardagh Group. Imports from Canada, China, Mexico, Taiwan and other countries also compete in U.S. glass container segments. Additionally, there are several major consumer packaged goods companies that self-manufacture glass containers.

South America. The Company has 13 glass manufacturing plants in South America, located in Argentina, Brazil, Colombia, Ecuador and Peru. In South America, the Company maintains a diversified portfolio serving several markets, including beer, non-alcoholic beverages, spirits, flavored malt beverages, wine, food and pharmaceuticals. The region also has a large infrastructure for returnable/refillable glass containers. The Company competes directly with Verallia in Brazil and Argentina, and does not believe that it competes with any other large, multinational glass container manufacturers in the rest of the region.

Asia Pacific. The Company has 10 glass container manufacturing plants in the Asia Pacific region, located in Australia, China, Indonesia and New Zealand. It is also involved in joint venture operations in China, Malaysia and Vietnam. In Asia Pacific, the Company primarily produces glass containers for the beer, wine, food and non-alcoholic beverage markets. The Company competes directly with Orora (formerly Amcor Limited) in Australia, and does not believe that it competes with any other large, multinational glass container manufacturers in the rest of the region. In China, the glass container segments of the packaging market are regional and highly fragmented with a large number of local competitors.

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

Silgan Holdings Inc. The Company also competes with manufacturers of non-rigid packaging alternatives, including flexible pouches, aseptic cartons and bag-in-box containers.

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

Seasonality

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

Manufacturing

The Company has 77 glass manufacturing plants. It constantly seeks to improve the productivity of these operations through the systematic upgrading of production capabilities, sharing of best practices among plants and effective training of employees.

The Company operates machine shops that rebuild and repair high-productivity glass forming machines, as well as a mold shop that manufactures molds and related equipment. The Company also provides engineering support for its glass manufacturing operations through facilities located in the U.S., Australia, Poland and Peru.

Suppliers and Raw Materials

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

Energy

The Company's glass container operations require a continuous supply of significant amounts of energy, principally natural gas, fuel oil and electrical power. Adequate supplies of energy are generally available at all of the Company's manufacturing locations. Energy costs typically account for 10-25% of the Company's total manufacturing costs, depending on the cost of energy, the type of energy available, the factory location and the particular energy requirements. The percentage of total cost related to energy can vary significantly because of volatility in market prices, particularly for natural gas and fuel oil in volatile markets such as North America and Europe.

In North America, approximately 90% of the sales volume is tied to customer contracts that contain provisions that pass the price of natural gas to the customer, effectively reducing the North America segment's exposure to changing natural gas market prices. Also, in order to limit the effects of fluctuations in market prices for natural gas, the Company uses commodity futures contracts related to its forecasted requirements in North America. The objective of these futures contracts is to reduce potential volatility in cash flows and expense due to changing market prices. The Company continually evaluates the energy markets with respect to its forecasted energy requirements to optimize its use of commodity futures contracts.

In Europe and Asia Pacific, the Company enters into fixed price contracts for a significant amount of its energy requirements. These contracts typically have terms of 12 months or less in Europe and one to three years in Asia Pacific. In South America, the Company enters into fixed price contracts for its energy requirements. These contracts typically have terms of two years, with annual price adjustments for inflation.

Technical Assistance License Agreements

The Company has agreements to license its proprietary glass container technology and to provide technical assistance to a limited number of companies around the world. These agreements cover areas related to manufacturing and engineering assistance. The worldwide licensee network provides a stream of revenue to help support the Company's development activities. In the years 2013, 2012 and 2011, the Company earned $16 million, $17 million and $16 million, respectively, in royalties and net technical assistance revenue.

Research, Development and Engineering

Research, development and engineering constitute important parts of the Company's technical activities. Expenditures for these activities were $62 million, $62 million and $71 million for 2013, 2012 and 2011, respectively. The Company primarily focuses on advancements in the areas of product innovation, manufacturing process control, melting technology, automatic inspection, light-weighting and further automation of manufacturing activities. The Company's research and development activities are conducted at its corporate facilities in Perrysburg, Ohio. During 2013, the Company completed the construction of a new research and development facility at this location. This new facility will enable the Company to expand its research and development capabilities.

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

Sustainability and the Environment

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

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

Glass Recycling and Bottle Deposits

The Company is an important contributor to recycling efforts worldwide and is among the largest users of recycled glass containers. If sufficient high-quality recycled glass were available on a consistent basis, the Company has the technology to make glass containers using 100% recycled glass. Using recycled glass in the manufacturing process reduces energy costs and prolongs the operating life of the glass melting furnaces.

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

Sales of beverage containers are affected by governmental regulation of packaging, including deposit laws and extended producer responsibility regulations. As of December 31, 2013, there were a number of U.S. states, Canadian provinces and territories, European countries and Australian states with some form of incentive for consumer returns in their law. The structure and enforcement of such laws and regulations can impact the sales of beverage containers in a given jurisdiction. Such laws and regulations also impact the availability of post-consumer recycled glass for the Company to use in container production.

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

Air Emissions

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

In North America, the U.S. and Canada are engaged in significant legislative and regulatory activity relating to CO_2 emissions, at the federal, state and provincial levels of government. The U.S. Environmental Protection Agency ("EPA") regulates emissions of hazardous air pollutants under the Clean Air Act, which grants the EPA authority to establish limits for certain air pollutants and to require compliance, levy penalties and bring civil judicial action against violators. The structure and scope of the EPA's CO_2 regulations are currently the subject of litigation and are expected to be the subject of federal legislative activity. The EPA regulations, if preserved as proposed, could have a significant long-term impact on the Company's US operations. The EPA also implemented the Cross-State Air Pollution Rule, which set stringent emissions limits in many states starting in 2012. The state of California in the U.S and the province of Quebec in Canada adopted cap-and-trade legislation aimed at reducing greenhouse gas emissions starting in 2013.

In Asia Pacific, the *National Greenhouse and Energy Reporting Act 2007* commenced on July 1, 2008 in Australia. This act established a mandatory reporting system for corporate greenhouse gas emissions and energy production and consumption. In 2011, the Australian government adopted a carbon pricing mechanism that took effect in 2012, which requires certain manufacturers to pay a tax based on their carbon-equivalent emissions. An emissions trading scheme has also been in effect in New Zealand since 2008.

In South America, the Brazilian government passed a law in 2009 requiring companies to reduce the level of greenhouse gas emissions by the year 2020. In the other South American countries, national and local governments are considering proposals that would impose regulations to reduce CO_2 emissions, but no legislation has been implemented to date.

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

Employees

The Company's worldwide operations employed approximately 22,500 persons as of December 31, 2013. Approximately 79% of North American employees are hourly workers covered by collective bargaining agreements. The principal collective bargaining agreement, which at December 31, 2013, covered approximately 91% of the Company's union-affiliated employees in North America, will expire on March 31, 2016. Approximately 60% of employees in South America are unionized, although according to the labor legislation in each country, 100% of employees are covered by collective bargaining agreements. The majority of the hourly workers in Australia and New Zealand are also covered by collective bargaining agreements. The collective bargaining agreements in South America, Australia and New Zealand have varying terms and expiration dates. In Europe, a large number of the Company's employees are employed in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the U.S. Such employment rights require the Company to work collaboratively with the legal representatives of the employees to effect any changes to labor arrangements. The Company considers its employee relations to be good and does not anticipate any material work stoppages in the near term.

Available Information

The Company's website is www.o-i.com. The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 can be obtained from this site at no cost. The Company's SEC filings are also available for reading and copying at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the Audit, Compensation, Nominating/Corporate Governance and Risk Oversight Committees are also available on the Investor Relations section of the Company's website. Copies of these documents are available in print to share owners upon request, addressed to the Corporate Secretary at the address above.

Executive Officers of the Registrant

Name and Age	Position
Albert P. L. Stroucken (66)	Chairman and Chief Executive Officer since 2006. Previously Chief Executive Officer of HB Fuller Company, a manufacturer of adhesives, sealants, coatings, paints and other specialty chemical products 1998-2006; Chairman of HB Fuller Company 1999-2006.
Stephen P. Bramlage, Jr. (43)	Chief Financial Officer and Senior Vice President since 2012; President of O-I Asia Pacific 2011-2012; General Manager of O-I New Zealand 2010-2011; Vice President of Finance 2008-2010; Vice President and Chief Financial Officer of O-I Europe 2008; Vice President and Treasurer 2006-2008.
James W. Baehren (63)	Senior Vice President and General Counsel since 2003; Senior Vice President Strategic Planning 2006-2012; Chief Administrative Officer 2004-2006; Corporate Secretary 1998-2010; Vice President and Director of Finance 2001-2003.
Paul A. Jarrell (51)	Senior Vice President since 2011; Chief Administrative Officer since 2013; Chief Human Resources Officer 2011-2012. Previously Executive Vice President and Chief Human Resources Officer for DSM, a life sciences and materials company based in The Netherlands 2009-2011; Vice President and Director of Human Resources for ITT, a fluid technologies and engineered products company 2006-2009.
Erik C. M. Bouts (52)	Vice President and President of O-I Europe since 2013. Previously Chief Executive Officer of the Glidden Company, part of AkzoNobel Architectural Paints Division in the U.S. 2007-2012; President and Chief Executive Officer of Philips Lighting Company North America, a division of Philips Electronics 2002-2006.
Arnaud N. J. M. de Weert (50)	Vice President and President of O-I North America since 2012. Previously Chief Operating Officer of Constellium, a manufacturer of aluminum products based in France 2011-2012; Operating Partner/Senior Advisor at Apollo Management, a U.S. private equity company 2009-2011; President Europe for Novelis AG, a manufacturer of rolled aluminum products 2006-2009.
Andres A. Lopez (51)	Vice President and President of O-I South America since 2009; Vice President of global manufacturing and engineering 2006-2009.
Sergio B. O. Galindo (46)	Vice President and President of O-I Asia Pacific since 2012; General Manager of O-I Colombia 2009-2012.

Financial Information about Foreign and Domestic Operations

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

ITEM 1A. RISK FACTORS

Asbestos-Related Liability The Company has made, and will continue to make, substantial payments to resolve claims of persons alleging exposure to asbestos-containing products and may need to record additional charges in the future for estimated asbestos-related costs. These substantial payments have affected and may continue to affect the Company's cost of borrowing and the ability to pursue acquisitions.

The Company is a defendant in numerous lawsuits alleging bodily injury and death as a result of exposure to asbestos dust. 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 pipe and block insulation material containing asbestos. The Company exited the pipe and block insulation business in 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").

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot reasonably be estimated. Beginning with the initial liability of $975 million established in 1993, the Company has accrued a total of approximately $4.3 billion through 2013, before insurance recoveries, for its asbestos-related liability. The Company's ability to reasonably estimate its liability has 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 magnitude and timing of co-defendant bankruptcy trust payments, the inherent uncertainty of future disease incidence and claiming patterns against the Company, and the success of efforts by co-defendants to restrict or eliminate their liability in the litigation.

The Company conducted a comprehensive review of its asbestos-related liabilities and costs in connection with finalizing and reporting its results of operations for the year ended December 31, 2013 and concluded that an increase in its accrual for future asbestos-related costs in the amount of $145 million (pretax and after tax) was required.

The ultimate amount of distributions that may be required to fund the Company's asbestos-related payments cannot reasonably be estimated. The Company's reported results of operations for 2013 were materially affected by the $145 million (pretax and after tax) fourth quarter charge and asbestos-related payments continue to be substantial. Any future additional charge may likewise materially affect the Company's results of operations for the period in which it is recorded. Also, the continued use of significant amounts of cash for asbestos-related costs has affected and may continue to affect the Company's cost of borrowing and its ability to pursue global or domestic acquisitions.

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

The Company has a significant amount of debt. As of December 31, 2013, the Company had approximately $3.6 billion of total debt outstanding, a decrease from $3.8 billion at December 31, 2012.

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

- Increased vulnerability to general adverse economic and industry conditions;
- Increased vulnerability to interest rate increases for the portion of the debt under the secured credit agreement;
- Require the Company to dedicate a substantial portion of cash flow from operations to payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions, development efforts and other general corporate purposes;
- Limit flexibility in planning for, or reacting to, changes in the Company's business and the rigid packaging market;

- Place the Company at a competitive disadvantage relative to its competitors that have less debt; and

- Limit, along with the financial and other restrictive covenants in the documents governing indebtedness, among other things, the Company's ability to borrow additional funds.

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

The Company's ability to make payments on and to refinance its indebtedness and to fund working capital, capital expenditures, acquisitions, development efforts and other general corporate purposes depends on its ability to generate cash in the future. The Company has no assurance that it will generate sufficient cash flow from operations, or that future borrowings will be available under the secured credit agreement, in an amount sufficient to enable the Company to pay its indebtedness, or to fund other liquidity needs. If short term interest rates increase, the Company's debt service cost will increase because some of its debt is subject to short term variable interest rates. At December 31, 2013, the Company's debt subject to variable interest rates represented approximately 25% of total debt.

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

- Reduce or delay capital expenditures planned for replacements, improvements and expansions;

- Sell assets;

- Restructure debt; and/or

- Obtain additional debt or equity financing.

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

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

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

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

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

The Company operates manufacturing and other facilities throughout the world. Net sales from international operations totaled approximately $5.2 billion, representing approximately 74% of the Company's net sales for the year ended December 31, 2013. As a result of its international operations, the Company is subject to risks associated with operating in foreign countries, including:

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

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

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

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

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

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

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

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

Electrical power, natural gas, and fuel oil are vital to the Company's operations as it relies on a continuous energy supply to conduct its business. Depending on the location and mix of energy sources, energy accounts for 10% to 25% of total production costs. Substantial increases and volatility in energy costs could cause the Company to experience a significant increase in operating costs, which may have a material adverse effect on operations.

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

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

- Downturns in the business or financial condition of any of the Company's customers or suppliers could result in a loss of revenues or a disruption in the supply of raw materials;

- Tightening of credit in financial markets could reduce the Company's ability, as well as the ability of the Company's customers and suppliers, to obtain future financing;

- Volatile market performance could affect the fair value of the Company's pension assets and liabilities, potentially requiring the Company to make significant additional contributions to its pension plans to maintain prescribed funding levels;

- The deterioration of any of the lending parties under the Company's revolving credit facility or the creditworthiness of the counterparties to the Company's derivative transactions could result in such parties' failure to satisfy their obligations under their arrangements with the Company; and

- A significant weakening of the Company's financial position or results of operations could result in noncompliance with the covenants under the Company's indebtedness.

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

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

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

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

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

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

Seasonality Profitability could be affected by varied seasonal demands.

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

Raw Materials** **Profitability could be affected by the availability of raw materials.

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

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

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

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

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

Taxes** **Potential tax law changes could adversely affect net income and cash flow.

The Company is subject to income tax in the numerous jurisdictions in which it operates. Increases in income tax rates or other tax law changes could reduce the Company's net income and cash flow from affected jurisdictions. In particular, potential tax law changes in the U.S. regarding the treatment of the Company's unrepatriated non-U.S. earnings could have a material adverse effect on net income and cash flow. In addition, the Company's products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions in which it operates. Increases in these indirect taxes could affect the affordability of the Company's products and, therefore, reduce demand.

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

The Company is party to a number of collective bargaining agreements with labor unions which at December 31, 2013, covered approximately 79% of the Company's employees in North America. Approximately 60% of employees in South America are unionized, although according to the labor legislation of each country, 100% of employees are covered by collective bargaining agreements. The agreement covering substantially all of the Company's union-affiliated employees in its U.S. glass container operations expires on March 31, 2016. The majority of the hourly workers in Australia and

New Zealand are also covered by collective bargaining agreements. The collective bargaining agreements in South America, Australia and New Zealand have varying terms and expiration dates. Upon the expiration of any collective bargaining agreement, if the Company is unable to negotiate acceptable contracts with labor unions, it could result in strikes by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. In Europe, a large number of the Company's employees are employed in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the U.S. Such employment rights require the Company to work collaboratively with the legal representatives of the employees to effect any changes to labor arrangements. For example, most of the Company's employees in Europe are represented by workers' councils that must approve any changes in conditions of employment, including salaries and benefits and staff changes, and may impede efforts to restructure the Company's workforce. Although the Company believes that it has a good working relationship with its employees, if the Company's employees were to engage in a strike or other work stoppage, the Company could experience a significant disruption of operations and/or higher ongoing labor costs, which may have a material adverse effect on operations.

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

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

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

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

Information Technology ***Failure or disruption of information technology could disrupt operations and adversely affect operations.***

The Company relies on information technology to operate its plants, to communicate with its employees, customers and suppliers, and to report financial and operating results. As with all large systems, the Company's information technology systems could fail on their own accord or may be vulnerable to a variety of interruptions due to events, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers or other security issues. While the Company has disaster recovery programs in place, failure or disruption of the Company's information technology systems could result in transaction errors, loss of customers, business disruptions, or loss of or damage to intellectual property, which could have a material adverse effect on operations.

The Company continues to undertake the phased implementation of an Enterprise Resource Planning ("ERP") software system. The implementation of a new ERP system poses several challenges related to, among other things, training of personnel, communication of new rules and procedures, migration of data and the potential instability of the system. While the Company has taken steps to mitigate these challenges, the unsuccessful implementation of the ERP system could have a material adverse effect on the Company's operations.

***Intellectual Property** The loss of the Company's intellectual property rights may negatively impact its ability to compete.*

If the Company is unable to maintain the proprietary nature of its technologies, its competitors may use its technologies to compete with it. The Company has a number of patents. The Company's patents may not withstand challenge in litigation, and patents do not ensure that competitors will not develop competing products or infringe upon the Company's patents. Additionally, the Company markets its products internationally and the patent laws of foreign countries may offer less protection than the patent laws in the U.S. The Company also relies on trade secrets, know-how and other unpatented technology, and others may independently develop the same or similar technology or otherwise obtain access to the Company's unpatented technology.

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

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

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

The Company's implementation of and compliance with changes in accounting rules and interpretations could adversely affect its operating results or cause unanticipated fluctuations in its results in future periods. The accounting rules and regulations that the Company must comply with are complex and continually changing. Recent actions and public comments from the SEC have focused on the integrity of financial reporting generally. The Financial Accounting Standards Board has recently introduced several new or proposed accounting standards, or is developing new proposed standards, which would represent a significant change from current industry practices. In addition, many companies' accounting policies are being subjected to heightened scrutiny by regulators and the public. While the Company believes that its financial statements have been prepared in accordance with U.S. generally accepted accounting principles, the Company cannot predict the impact of future changes to accounting principles or its accounting policies on its financial statements going forward.

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

Goodwill at December 31, 2013 totaled $2.1 billion. The Company evaluates goodwill annually (or more frequently if impairment indicators arise) for impairment using the required business valuation methods. These methods include the use of a weighted average cost of capital to calculate the present value of the expected future cash flows of the Company's reporting units. Future changes in the cost of capital, expected cash flows, or other factors may cause the Company's goodwill to be impaired, resulting in a non-cash charge against results of operations to write down goodwill for the amount of the impairment. If a significant write down is required, the charge would have a material adverse effect on the Company's reported results of operations and net worth.

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

The Company contributed $96 million, $219 million and $59 million to its defined benefit pension plans in 2013, 2012 and 2011, respectively. The amount the Company is required to contribute to these plans is determined by the laws and regulations governing each plan, and is generally related to the funded status of the plans. A deterioration in the value of the plans' investments or a decrease in the discount rate used to calculate plan liabilities generally would increase the underfunded status of the plans. An increase in the underfunded status of the plans could result in an increase in the Company's obligation to make contributions to the plans, thereby reducing the cash available for working capital and other corporate uses, and may have an adverse impact on the Company's operations, financial condition and liquidity.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The principal manufacturing facilities and other material important physical properties of the Company at December 31, 2013 are listed below. All properties are glass container plants and are owned in fee, except where otherwise noted.

North American Operations

United States

Atlanta, GA
Auburn, NY
Brockway, PA
Crenshaw, PA
Danville, VA
Lapel, IN
Los Angeles, CA
Muskogee, OK
Oakland, CA
Portland, OR
Streator, IL
Toano, VA
Tracy, CA
Waco, TX
Windsor, CO
Winston-Salem, NC
Zanesville, OH

Canada

Brampton, Ontario
Montreal, Quebec

Asia Pacific Operations

Australia

Adelaide
Brisbane
Melbourne
Sydney

China

Shanghai
Tianjin
Tianjin (mold shop)
Xianxian
Zhaoqing

Indonesia

Jakarta

New Zealand

Auckland

European Operations

Czech Republic

Dubi
Nove Sedlo

Estonia

Jarvakandi

France

Beziers
Gironcourt
Labegude
Puy-Guillaume
Reims
Vayres
Veauche
Vergeze
Wingles

Germany

Bernsdorf
Holzminden
Rinteln

Hungary
Oroshaza
Italy
Asti
Aprilia
Bari
Marsala
Mezzocorona
Origgio
Ottaviano
San Gemini
San Polo
Villotta
The Netherlands
Leerdam
Maastricht
Schiedam
Poland
Jaroslaw
Poznan
Spain
Barcelona
Sevilla
United Kingdom
Alloa
Harlow

South American Operations
Argentina
Rosario
Brazil
Fortaleza
Recife
Rio de Janeiro (glass container and tableware)
Sao Paulo
Vitoria de Santo Antao (glass container and tableware)
Colombia
Buga (tableware)
Envigado
Soacha
Zipaquira
Ecuador
Guayaquil
Peru
Callao
Lurin(1)

Other Operations
Machine Shops and Engineering Support Center
Brockway, Pennsylvania
Cali, Colombia
Hawthorn, Australia
Jaroslaw, Poland
Lurin, Peru
Perrysburg, Ohio

Corporate Facilities
Hawthorn, Australia(1)
Perrysburg, Ohio(1)
Bussigny-Lausanne, Switzerland(1)

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

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

ITEM 3. LEGAL PROCEEDINGS

For further information on legal proceedings, see Note 13 to the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

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

The price range for the Company's common stock on the New York Stock Exchange, as reported by the Financial Industry Regulatory Authority, Inc., was as follows:

	2013		2012	
	High	**Low**	**High**	**Low**
First Quarter	$ 27.66	$ 21.82	$ 24.83	$ 20.24
Second Quarter	28.89	24.26	24.50	18.16
Third Quarter	31.27	27.74	20.05	17.07
Fourth Quarter	35.78	28.82	21.37	18.57

The number of share owners of record on December 31, 2013 was 1,202. Approximately 91% of the outstanding shares were registered in the name of Depository Trust Company, or CEDE, which held such shares on behalf of a number of brokerage firms, banks, and other financial institutions. The shares attributed to these financial institutions, in turn, represented the interests of more than 34,000 unidentified beneficial owners. No dividends have been declared or paid since the Company's initial public offering in December 1991 and the Company does not anticipate paying any dividends in the near future. For restrictions on payment of dividends on the Company's common stock, see Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity Current and Long-Term Debt and Note 12 to the Consolidated Financial Statements.

Information with respect to securities authorized for issuance under equity compensation plans is included herein under Item 12.

The Company purchased 407,000 shares of its common stock during the fourth quarter of 2013 (1.1 million shares for the year) pursuant to authorization by its Board of Directors in August 2012 to purchase up to $75 million of the Company's common stock until December 31, 2013. The following table provides information about the Company's purchases of its common stock during the fourth quarter of 2013:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (in thousands)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan (in millions)
October 1 - October 31, 2013				
November 1 - November 30, 2013	407	$ 32.44		
December 1 - December 31, 2013			2,491	$ 0

In December 2013, the Company's Board of Directors granted authorization to the Company to repurchase up to $100 million of its common stock through December 31, 2015.

PERFORMANCE GRAPH
COMPARISON OF CUMULATIVE TOTAL RETURN
AMONG OWENS-ILLINOIS, INC., S&P 500, AND PACKAGING GROUP

	Years Ending December 31,					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Owens-Illinois, Inc.	$ 100.00	$ 120.27	$ 112.33	$ 70.91	$ 77.83	$ 130.92
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Packaging Group	100.00	126.66	151.10	140.92	153.88	213.09

The above graph compares the performance of the Company's Common Stock with that of a broad market index (the S&P 500 Composite Index) and a packaging group consisting of companies with lines of business or product end uses comparable to those of the Company for which market quotations are available.

The packaging group consists of: AptarGroup, Inc., Ball Corp., Bemis Company, Inc., Crown Holdings, Inc., Owens-Illinois, Inc., Sealed Air Corp., Silgan Holdings Inc., and Sonoco Products Co.

The comparison of total return on investment for each period is based on the investment of $100 on December 31, 2008 and the change in market value of the stock, including additional shares assumed purchased through reinvestment of dividends, if any.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data presented below relates to each of the five years in the period ended December 31, 2013. The financial data for each of the five years in the period ended December 31, 2013 was derived from the audited consolidated financial statements of the Company.

	Years ended December 31,				
	2013	2012	2011	2010	2009
	(Dollars in millions)				
Consolidated operating results(a):					
Net sales	$ 6,967	$ 7,000	$ 7,358	$ 6,633	$ 6,652
Cost of goods sold(b)	(5,636)	(5,626)	(5,969)	(5,281)	(5,316)
Gross profit	1,331	1,374	1,389	1,352	1,336
Selling and administrative, research, development and engineering	(568)	(617)	(627)	(554)	(551)
Other expense, net(c)	(189)	(181)	(844)	(123)	(347)
Earnings (loss) before interest expense and items below	574	576	(82)	675	438
Interest expense(d)	(239)	(248)	(314)	(249)	(222)
Earnings (loss) from continuing operations before income taxes	335	328	(396)	426	216
Provision for income taxes(e)	(120)	(108)	(85)	(129)	(83)
Earnings (loss) from continuing operations	215	220	(481)	297	133
Earnings from discontinued operations				31	66
Gain (loss) on disposal of discontinued operations	(18)	(2)	1	(331)	
Net earnings (loss)	197	218	(480)	(3)	199
Net earnings attributable to noncontrolling interests	(13)	(34)	(20)	(42)	(36)
Net earnings (loss) attributable to the Company	$ 184	$ 184	$ (500)	$ (45)	$ 163

	Years ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Basic earnings (loss) per share of common stock:					
Earnings (loss) from continuing operations	$ 1.22	$ 1.13	$ (3.06)	$ 1.58	$ 0.66
Earnings from discontinued operations				0.14	0.31
Gain (loss) on disposal of discontinued operations	(0.11)	(0.01)	0.01	(2.00)	
Net earnings (loss)	$ 1.11	$ 1.12	$ (3.05)	$ (0.28)	$ 0.97
Weighted average shares outstanding (in thousands)	164,425	164,474	163,691	164,271	167,687
Diluted earnings (loss) per share of common stock:					
Earnings (loss) from continuing operations	$ 1.22	$ 1.12	$ (3.06)	$ 1.56	$ 0.65
Earnings from discontinued operations				0.14	0.30
Gain (loss) on disposal of discontinued operations	(0.11)	(0.01)	0.01	(1.97)	
Net earnings (loss)	$ 1.11	$ 1.11	$ (3.05)	$ (0.27)	$ 0.95
Diluted average shares (in thousands)	165,828	165,768	163,691	167,078	170,540

For the year ended December 31, 2011, diluted earnings per share of common stock was equal to basic earnings per share of common stock due to the loss from continuing operations.

	Years ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
	(Dollars in millions)				
Other data:					
The following are included in earnings from continuing operations:					
Depreciation	$ 350	$ 378	$ 405	$ 369	$ 364
Amortization of intangibles	47	34	17	22	21
Amortization of deferred finance fees (included in interest expense)	32	33	32	19	10
Balance sheet data (at end of period):					
Working capital (current assets less current liabilities)	$ 296	$ 486	$ 498	$ 698	$ 800
Total assets	8,419	8,598	8,975	9,793	8,764
Total debt	3,567	3,773	4,033	4,278	3,608
Share owners' equity	1,603	1,055	1,041	2,065	1,773
Free cash flow(f)	$ 339	$ 290	$ 220	$ 100	$ 322

Note that items (b) through (e) below relate to items management considers not representative of ongoing operations.

(a)

Amounts for 2009 - 2011 have been adjusted to reflect the retrospective application of a change in the method of valuing U.S. inventories to average cost from last-in, first-out.

Amounts related to the Company's Venezuelan operations have been reclassified to discontinued operations for 2009 - 2010 as a result of the expropriation of those operations in 2010.

(b) Amount for 2010 includes charges of $12 million ($7 million after tax amount attributable to the Company) for acquisition-related fair value inventory adjustments.

(c) Amount for 2013 includes charges of $145 million (pretax and after tax) to increase the accrual for estimated future asbestos-related costs and $119 million ($92 million after tax amount attributable to the Company) for restructuring, asset impairment and related charges.

Amount for 2012 includes charges of $155 million (pretax and after tax) to increase the accrual for estimated future asbestos-related costs, $168 million ($144 million after tax amount attributable to the Company) for restructuring, asset impairment and related charges, and a gain of $61 million ($33 million after tax amount attributable to the Company) related to cash received from the Chinese government as compensation for land in China that the Company was required to return to the government.

Amount for 2011 includes charges of $165 million (pretax and after tax) to increase the accrual for estimated future asbestos-related costs, $641 million ($640 million after tax amount attributable to the Company) to write down goodwill in the Asia Pacific segment and $112 million ($91 million after tax amount attributable to the Company) for restructuring, asset impairment and related charges.

Amount for 2010 includes charges of $170 million (pretax and after tax) to increase the accrual for estimated future asbestos-related costs, $13 million ($11 million after tax amount attributable to the Company) for restructuring, asset impairment and related charges, and $20 million (pretax and after tax amount attributable to the Company) for acquisition-related restructuring, transaction and financing costs.

Amount for 2009 includes charges of $180 million (pretax and after tax) to increase the accrual for estimated future asbestos-related costs, $207 million ($180 million after tax amount attributable to the Company) for restructuring, asset impairment and related charges, and $18 million ($17 million after tax amount attributable to the Company) for the remeasurement of certain bolivar-denominated assets and liabilities held outside of Venezuela.

(d) Amount for 2013 includes charges of $9 million (pretax and after tax amount attributable to the Company) for note repurchase premiums.

Amount for 2011 includes charges of $16 million (pretax and after tax amount attributable to the Company) for note repurchase premiums.

Amount for 2010 includes charges of $6 million (pretax and after tax amount attributable to the Company) for note repurchase premiums. In addition, the Company recorded a reduction of interest expense of $9 million (pretax and after tax amount attributable to the Company) to recognize the unamortized proceeds from terminated interest rate swaps.

Amount for 2009 includes charges of $5 million (pretax and after tax amount attributable to the Company) for note repurchase premiums, net of a gain from the termination of interest rate swap agreements on the notes.

Includes additional interest charges for the write-off of unamortized deferred financing fees related to the early extinguishment of debt as follows: $2 million (pretax and after tax amount attributable to the Company) for 2013; $9 million ($8 million after tax amount attributable to the Company) for 2011; and $3 million (pretax and after tax amount attributable to the Company) for 2010.

(e) Amount for 2012 includes a tax benefit of $14 million for certain tax adjustments.

Amount for 2011 includes a tax benefit of $15 million for certain tax adjustments.

Amount for 2010 includes a net tax benefit of $24 million related to the reversal of deferred tax valuation allowances and a non-cash tax benefit transferred from other income categories of $8 million.

Amount for 2009 includes a non-cash tax benefit transferred from other income categories of $48 million.

(f)

The Company defines free cash flow as cash provided by continuing operating activities less additions to property, plant and equipment from continuing operations. Free cash flow does not conform to U.S. GAAP and should not be construed as an alternative to the cash flow measures reported in accordance with U.S. GAAP. The Company uses free cash flow for internal reporting, forecasting and budgeting and believes this information allows the board of directors, management, investors and analysts to better understand the Company's financial performance. Free cash flow is calculated as follows (dollars in millions):

Years ended December 31,	**2013**	**2012**	**2011**	**2010**	**2009**
Cash provided by continuing operating activities	$ 700	$ 580	$ 505	$ 600	$ 729
Additions to property, plant and equipment continuing	(361)	(290)	(285)	(500)	(407)
Free cash flow	$ 339	$ 290	$ 220	$ 100	$ 322

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

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

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

	2013	2012	2011
Net sales:			
Europe	$ 2,787	$ 2,717	$ 3,052
North America	2,002	1,966	1,929
South America	1,186	1,252	1,226
Asia Pacific	966	1,028	1,059
Reportable segment totals	6,941	6,963	7,266
Other	26	37	92
Net sales	$ 6,967	$ 7,000	$ 7,358

	2013	2012	2011
Segment operating profit:			
Europe	$ 305	$ 307	$ 345
North America	307	288	222
South America	204	227	250
Asia Pacific	131	113	83
Reportable segment totals	947	935	900
Items excluded from segment operating profit:			
Retained corporate costs and other	(119)	(106)	(75)
Restructuring, asset impairment and related charges	(119)	(168)	(112)
Charge for asbestos related costs	(145)	(155)	(165)
Gain on China land compensation		61	
Charge for goodwill impairment			(641)
Interest income	10	9	11
Interest expense	(239)	(248)	(314)
Earnings (loss) from continuing operations before income taxes	335	328	(396)
Provision for income taxes	(120)	(108)	(85)
Earnings (loss) from continuing operations	215	220	(481)
Gain (loss) from discontinued operations	(18)	(2)	1
Net earnings (loss)	197	218	(480)
Net earnings attributable to noncontrolling interests	(13)	(34)	(20)
Net earnings (loss) attributable to the Company	$ 184	$ 184	$ (500)
Net earnings (loss) from continuing operations attributable to the Company	$ 202	$ 186	$ (501)

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

Executive Overview Comparison of 2013 with 2012

2013 Highlights

Net sales lower due to unfavorable effects of foreign currency exchange rate changes and sales volume, partially offset by higher selling prices.

Segment operating profit higher due to improved selling prices and global cost control initiatives, partially offset by cost inflation and the unfavorable effects of foreign currency exchange rate changes.

Strong cash generation used to prepay debt and continue share repurchase program.

Net sales were $33 million lower than the prior year due primarily to the unfavorable effects of changes in foreign currency exchange rates and sales volume. The unfavorable effects of foreign currency exchange rate changes were driven by a weaker Brazilian real and Australian dollar, partially offset by a stronger Euro. Higher selling prices had a positive impact on net sales.

Segment operating profit for reportable segments was $12 million higher than the prior year. The increase was attributable to higher selling prices and lower operating expenses due to global cost control initiatives. Cost inflation and the effects of foreign currency exchange rate changes unfavorably impacted segment operating profit in 2013.

Interest expense in 2013 decreased $9 million over 2012. The decrease was due to debt reduction initiatives and lower interest rates, partially offset by note repurchase premiums and the write-off of finance fees related to debt that was repaid during 2013 prior to its maturity.

The Company recorded earnings from continuing operations attributable to the Company in 2013 of $202 million, or $1.22 per share (diluted), compared with $186 million, or $1.12 per share, for 2012. Earnings in both periods included items that management considered not representative of ongoing operations. These items decreased earnings from continuing operations attributable to the Company by $248 million, or $1.50 per share, in 2013 and $252 million, or $1.52 per share, in 2012.

Results of Operations Comparison of 2013 with 2012

Net Sales

The Company's net sales in 2013 were $6,967 million compared with $7,000 million in 2012, a decrease of $33 million. Net sales were lower due to the unfavorable effects of foreign currency exchange rate changes, primarily due to a weaker Brazilian real and Australian dollar in relation to the U.S. dollar, partially offset by a stronger Euro. Glass container shipments, in tonnes, were down slightly in 2013 compared to 2012, with all regions reporting lower or flat sales volumes. Net sales benefited in 2013 from higher selling prices.

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

Net sales 2012		$ 6,963
Price	$ 118	
Sales volume	(48)	
Effects of changing foreign currency rates	(92)	
Total effect on net sales		(22)
Net sales 2013		$ 6,941

Europe: Net sales in Europe in 2013 were $2,787 million compared with $2,717 million in 2012, an increase of $70 million, or 3%. Net sales increased $68 million due to the favorable effects of foreign currency exchange rate changes, as the Euro strengthened in relation to the U.S. dollar. Higher selling prices benefited net sales in the current year by $18 million. Glass container shipments in 2013 were down less than 1% compared to the prior year, particularly in the beer and non-alcoholic beverage categories. The lower sales volume, which reduced net sales by $16 million, was mainly due to the macroeconomic environment in Europe, partially offset by an increase in wine bottle sales due to the Company's efforts to recover wine share lost in 2012.

North America: Net sales in North America in 2013 were $2,002 million compared with $1,966 million in 2012, an increase of $36 million, or 2%. The increase in net sales was due to higher selling prices of $44 million. The benefit of higher selling prices was partially offset by the unfavorable effects of foreign currency exchange rate changes, which decreased net sales by $8 million due to a weakening of the Canadian dollar in relation to the U.S. dollar. Glass container shipments were flat in the current year compared to the prior year, as lower megabeer bottle sales were offset by higher shipments of craft beer and non-alcoholic beverage containers.

South America: Net sales in South America in 2013 were $1,186 million compared with $1,252 million in 2012, a decrease of $66 million, or 5%. The unfavorable effects of foreign currency exchange rate changes decreased net sales $99 million in 2013 compared to 2012, principally due to a 10% decline in the Brazilian real in relation to the U.S. dollar. Lower sales volume in the current year reduced net sales by $18 million due to a decline in glass container shipments of less than 1%, driven by lower beer demand across the region, general economic uncertainty and the impact of general strikes in Colombia in the mining, agriculture and transportation industries. Higher selling prices benefited net sales $51 million in the current year.

Asia Pacific: Net sales in Asia Pacific in 2013 were $966 million compared with $1,028 million in 2012, a decrease of $62 million, or 6%. The unfavorable effects of foreign currency exchange rate changes decreased net sales $53 million in 2013 compared to 2012, primarily due to the weakening of the Australian dollar in relation to the U.S. dollar. Glass container shipments were down almost 1% compared to the prior year, resulting in a $14 million decline in net sales, driven by lower shipments of beer bottles partially offset by gains in non-alcoholic beverage and food containers. Improved pricing increased net sales $5 million in the current year.

Segment Operating Profit

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

Segment operating profit of reportable segments in 2013 was $947 million compared to $935 million in 2012, an increase of $12 million, or 1%. The increase in segment operating profit was the result of higher selling prices and lower operating expenses due to global cost control initiatives. Cost inflation negatively impacted segment operating profit in the current year. The effects of changes in foreign currency exchange rates unfavorably impacted segment operating profit in 2013, primarily due to a weaker Brazilian real and Australian dollar in relation to the U.S. dollar, partially offset by a stronger Euro. Manufacturing and delivery costs were flat with the prior year as lower global production volumes were offset by benefits realized from permanent footprint initiatives.

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

Segment operating profit 2012		$ 935
Price and product mix	$ 118	
Sales volume	(3)	
Cost inflation	(134)	
Manufacturing and delivery		
Operating expenses and other	44	
Effects of changing foreign currency rates	(13)	
Total net effect on segment operating profit		12
Segment operating profit 2013		$ 947

Europe: Segment operating profit in Europe in 2013 was $305 million compared with $307 million in 2012, a decrease of $2 million, or 1%. The higher selling prices discussed above increased segment operating profit by $18 million, while the decline in sales volume decreased segment operating profit by $3 million. Cost inflation in the current year reduced segment operating profit by $39 million. Cost control initiatives and the asset optimization program, partially offset by higher spending on equipment repairs and logistical costs, had a net $16 million positive impact on segment operating profit during 2013, while the favorable effects of foreign currency exchange rate changes increased segment operating profit by $6 million.

The Company continued implementing the European asset optimization program to increase the efficiency and capability of its European operations. Through this program over the next several years, the Company expects to improve the long term profitability of this region through investments and by addressing higher cost facilities to better align its European manufacturing footprint with market and customer needs.

North America: Segment operating profit in North America in 2013 was $307 million compared with $288 million in 2012, an increase of $19 million, or 7%. Higher selling prices in the current year increased segment operating profit by $44 million and lower operating expenses, driven by cost control initiatives, had a $17 million positive impact on segment operating profit. Cost inflation had a $40 million unfavorable impact on segment operating profit. Higher manufacturing and delivery costs decreased segment operating profit by $2 million in the current year.

South America: Segment operating profit in South America in 2013 was $204 million compared with $227 million in 2012, a decrease of $23 million, or 10%. The lower sales volume in the current year decreased segment operating profit by $2 million, while higher selling prices improved segment operating profit by $51 million, despite the price controls imposed by the Argentina government in the first half of the year. Cost inflation in the current year decreased segment operating profit by $37 million and higher manufacturing and delivery costs resulted in a $15 million decline in 2013 compared to the prior year. The higher manufacturing and delivery costs were primarily due to a higher number of furnace rebuilds and repairs in the current year and the effects of the general strikes in Colombia, partially offset by the benefits of the new furnace in Brazil that started production at the end of 2012. The unfavorable effects of foreign currency exchange rate changes decreased segment operating profit by $14 million in the current year while other costs increased by $6 million.

Asia Pacific: Segment operating profit in Asia Pacific in 2013 was $131 million compared with $113 million in 2012, an increase of $18 million, or 16%. The increase in segment operating profit was primarily due to a $18 million decline in manufacturing and delivery costs driven by the benefits realized from the permanent footprint adjustments made over the past year. Higher selling prices and sales volume increased segment operating profit by $5 million and $1 million, respectively, and lower operating expenses, driven by cost control initiatives, had a $16 million positive impact in the current year. Cost inflation reduced segment operating profit by $18 million, while the unfavorable effects of foreign currency exchange rate changes decreased segment operating profit by $4 million in 2013.

Interest Expense

Interest expense in 2013 was $239 million compared with $248 million in 2012. Interest expense for 2013 included $11 million for note repurchase premiums and the write-off of finance fees related to the discharge of the €300 million senior notes due 2017 and $3 million for loss on debt extinguishment and the write-off of finance fees related to the repurchase of a portion of the 2015 Exchangeable Notes. Exclusive of these items, interest expense decreased $23 million in the current year. The decrease was principally due to debt reduction initiatives and lower interest rates.

Provision for Income Taxes

The Company's effective tax rate from continuing operations for 2013 was 35.8%, compared with 32.9% for 2012. Excluding the amounts related to items that management considers not representative of ongoing operations, the Company's effective tax rate for 2013 was 21.9%, compared with 22.1% for 2012.

Net Earnings Attributable to Noncontrolling Interests

Net earnings attributable to noncontrolling interests for 2013 was $13 million compared to $34 million for 2012. The decrease was primarily due to $14 million included in 2012 related to a gain recorded by the Company for cash received from the Chinese government as compensation for land in China that the Company was required to return to the government.

Earnings from Continuing Operations Attributable to the Company

For 2013, the Company recorded earnings from continuing operations attributable to the Company of $202 million compared with $186 million for 2012. The after tax effects of the items excluded from segment operating profit, the unusual tax items and the additional interest charges increased or decreased earnings in 2013 and 2012 as set forth in the following table (dollars in millions).

Description	Net Earnings Increase (Decrease) 2013	2012
Restructuring, asset impairment and related charges	$ (92)	$ (144)
Gain on China land compensation		33
Note repurchase premiums and write-off of finance fees	(11)	
Net benefit related to changes in unrecognized tax positions		14
Charge for asbestos related costs	(145)	(155)
Total	$ (248)	$ (252)

Executive Overview Comparison of 2012 with 2011

2012 Highlights

- Net sales lower due to foreign currency exchange rate changes and 5% decline in glass container shipments, partially offset by higher selling prices
- Increased segment operating profit due to higher selling prices to offset cost inflation, as well as improved manufacturing performance in North America and cost savings from permanent footprint adjustments made in Australia
- Strong cash generation used to prepay debt, make discretionary pension contributions and initiate a share repurchase program

Net sales were $358 million lower than the prior year, primarily due to the unfavorable effects of changes in foreign currency exchange rates and lower sales volumes, partially offset by improved pricing.

Segment operating profit for reportable segments was $35 million higher than the prior year. The increase was mainly attributable to higher selling prices to offset inflation, improvements made in North America to correct the production and supply chain issues from 2011, cost savings achieved from the permanent footprint adjustments made in Australia and global cost-cutting initiatives. These increases to segment operating profit were partially offset by the unfavorable effects of changes in foreign currency exchange rates, the unfavorable impacts of the production curtailments in Europe and lower sales volume.

Interest expense in 2012 decreased $66 million over 2011. The decrease was principally due to the refinancing of higher cost debt in connection with the Company's new bank credit agreement completed in mid-2011, as well as the non-recurrence of note repurchase premiums and the write-off of finance fees related to debt redeemed in 2011. Interest expense also decreased due to the prepayment in 2012 of term loans under the Company's bank credit agreement.

The Company recorded earnings from continuing operations attributable to the Company in 2012 of $186 million, or $1.12 per share (diluted), compared to a loss from continuing operations attributable to the Company of $501 million, or $3.06 per share, for 2011. Earnings in both periods included items that management considered not representative of ongoing operations. These items decreased earnings from continuing operations attributable to the Company by $252 million, or $1.52 per share, in 2012 and $905 million, or $5.49 per share, in 2011.

Results of Operations Comparison of 2012 with 2011

Net Sales

The Company's net sales in 2012 were $7,000 million compared with $7,358 million in 2011, a decrease of $358 million, or 5%. The decrease in net sales was caused by the unfavorable effects of changes in foreign currency exchange rates and lower sales volumes, partially offset by improved pricing. The unfavorable effects of changes in foreign currency exchange rates were primarily due to a weaker Euro and Brazilian real in relation to the U.S. dollar. Glass container shipments, in tonnes, were down approximately 5% in 2012 compared to 2011, driven by lower sales in Europe and Asia Pacific, partially offset by higher sales in South America. Average selling prices improved in 2012 over the prior year as the Company increased prices to recover high cost inflation.

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

Net sales 2011		$ 7,266
Price		
Price and product mix	$ 322	
Cost pass-through provisions	(18)	
Sales volume	(287)	
Effects of changing foreign currency rates	(320)	
Total effect on net sales		(303)
Net sales 2012		$ 6,963

Europe: Net sales in Europe in 2012 were $2,717 million compared with $3,052 million in 2011, a decrease of $335 million, or 11%. The decrease in net sales was partly attributable to the unfavorable effects of foreign currency exchange rate changes as the Euro declined in value in relation to the U.S. dollar by approximately 8% in 2012 compared to the prior year. The decrease in net sales was also due to lower glass container shipment levels which were down approximately 9% in 2012 compared to 2011. Lower wine and food bottle shipments accounted for the majority of the volume decrease, primarily a result of macroeconomic conditions in the region and the Company's pricing strategy. Partially offsetting these decreases to net sales were higher selling prices resulting from the successful negotiation of annual customer contracts to recover high cost inflation.

North America: Net sales in North America in 2012 were $1,966 million compared with $1,929 million in 2011, an increase of $37 million, or 2%. The increase in net sales was due to improved pricing, as the Company increased selling prices in the current year to recover high cost inflation. Glass container shipments in 2012 were similar to 2011 shipments.

South America: Net sales in South America in 2012 were $1,252 million compared with $1,226 million in 2011, an increase of $26 million, or 2%. The increase in net sales was due to improved pricing and higher glass container shipments. The Company increased selling prices in 2012 to recover high cost inflation. Glass container shipments were up about 6% in the current year, particularly in the beer category. Partially offsetting these increases to net sales was the unfavorable effects of foreign currency exchange rate changes as the Brazilian real declined in value in relation to the U.S. dollar by approximately 17% in 2012 compared to 2011.

Asia Pacific: Net sales in Asia Pacific in 2012 were $1,028 million compared with $1,059 million in 2011, a decrease of $31 million, or 3%. The decrease in net sales was caused by lower glass container shipments, partially offset by higher selling prices to recover high cost inflation. Glass container shipments, in tonnes, were down approximately 9% in 2012 compared to the prior year. In 2012, the Company continued to experience declines in shipments of wine and beer bottles primarily due to the off-shoring of Australian wine bottling and lower beer consumption due to macroeconomic conditions.

Segment Operating Profit

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

Segment operating profit of reportable segments in 2012 was $935 million compared to $900 million in 2011, an increase of $35 million, or 4%. The increase in segment operating profit was primarily due to higher selling prices to recover high cost inflation, improved manufacturing performance in North America, footprint adjustments in Australia and global cost-cutting initiatives. These increases in segment operating profit were partially offset by the unfavorable effects of changes in foreign currency exchange rates, production curtailments in Europe and lower sales volume. Costs of goods sold were comparable to the prior year as lower costs in 2012 due to the improvements made in North America to correct the production and supply chain issues from 2011 and cost savings achieved from the permanent footprint adjustments made in Australia were offset by the unfavorable impacts of the production curtailments in Europe in the second half of 2012. Operating expenses were lower in 2012 compared to 2011 due to global cost reductions and the non-recurrence of expenses in 2011 related to the implementation of an ERP system.

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

Segment operating profit 2011		$ 900
Price and product mix	$ 322	
Cost inflation	(194)	
Price / inflation spread	128	
Sales volume	(77)	
Manufacturing and delivery		
Operating expenses and other	21	
Effects of changing foreign currency rates	(37)	
Total net effect on segment operating profit		35
Segment operating profit 2012		$ 935

Europe: Segment operating profit in Europe in 2012 was $307 million compared with $345 million in 2011, a decrease of $38 million, or 11%. The decrease in segment operating profit was mainly attributable to lower sales volume, higher costs of goods sold and the unfavorable effect of foreign currency exchange rate changes. Higher costs of goods sold were driven by lower fixed cost absorption due to production curtailment measures implemented in 2012 to balance capacity with lower demand in the region. These decreases to segment operating profit more than offset the favorable effects of higher production efficiencies experienced in the first half of 2012, as well as the favorable effects of higher selling prices to recover high cost inflation and current year cost control initiatives.

The Company continued implementing the European Asset Optimization program to increase the efficiency and capability of its European operations. Through this program over the next several years, the Company expects to improve the long term profitability of this region through investments and by addressing higher cost facilities to better align its European manufacturing footprint with market and customer needs.

North America: Segment operating profit in North America in 2012 was $288 million compared with $222 million in 2011, an increase of $66 million, or 30%. The increase in segment operating profit was primarily due to strong manufacturing performance and improvements made to correct the production and supply chain issues experienced in the prior year. High production rates in 2012, along with the restarting of two idled furnaces in the second half of 2011, resulted in higher fixed cost absorption compared to the prior year. Segment operating profit also increased during 2012 due to higher selling prices to recover high cost inflation, cost control initiatives and the non-recurrence of expenses in 2011 related to the implementation of an ERP system.

South America: Segment operating profit in South America in 2012 was $227 million compared with $250 million in 2011, a decrease of $23 million, or 9%. The decrease in segment operating profit was primarily due to the unfavorable effects of foreign currency exchange rate changes. Higher selling prices to recover high cost inflation and higher sales volume in 2012 benefited segment operating profit compared to the prior year, but were partially offset by higher transportation costs as the region imported glass containers from its facilities in other countries into Brazil to support the continued growth in that country. To partially alleviate the capacity constraints in Brazil, the Company completed the construction of a new furnace late in 2012 and incurred additional costs associated with the start-up of this new furnace.

Asia Pacific: Segment operating profit in Asia Pacific in 2012 was $113 million compared with $83 million in 2011, an increase of $30 million, or 36%. The increase in segment operating profit was primarily due to the benefits realized from the permanent footprint adjustments made in Australia over the past year, overall cost-cutting initiatives in the region and higher selling prices to recover high cost inflation, partially offset by lower sales volume. The increase in segment operating profit was also due to the non-recurrence of approximately $9 million of costs related to flooding in Australia during the first quarter of 2011.

Interest Expense

Interest expense in 2012 was $248 million compared with $314 million in 2011. The 2011 amount includes $25 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees related to the cancellation of the Company's previous bank credit agreement and the redemption of the senior notes due 2014. Exclusive of these items, interest expense decreased $41 million. The decrease in interest expense was principally due to the refinancing of higher cost debt in connection with the Company's new bank credit agreement completed in mid-2011 and the prepayment in 2012 of term loans under the bank credit agreement.

Provision for Income Taxes

The Company's effective tax rate from continuing operations for 2012 was 32.9%, compared with -21.5% for 2011. The effective tax rate for 2011 was impacted by the goodwill impairment charge, which was not deductible for income tax purposes. Excluding the amounts related to items that management considers not representative of ongoing operations, the Company's effective tax rate for 2012 was 22.1%, compared with 21.6% for 2011.

Net Earnings Attributable to Noncontrolling Interests

Net earnings attributable to noncontrolling interests for 2012 was $34 million compared to $20 million for 2011. The increase was due to $14 million included in 2012 related to a gain recorded by the Company for cash received from the Chinese government as compensation for land in China that the Company was required to return to the government.

Earnings from Continuing Operations Attributable to the Company

For 2012, the Company recorded earnings from continuing operations attributable to the Company of $186 million compared to a loss of $501 million for 2011. The after tax effects of the items excluded from segment operating profit, the unusual tax items and the additional interest charges increased or decreased earnings in 2012 and 2011 as set forth in the following table (dollars in millions).

	Net Earnings Increase (Decrease)	
Description	**2012**	**2011**
Restructuring, asset impairment and related charges	$ (144)	$ (91)
Gain on China land compensation	33	
Note repurchase premiums and write-off of finance fees		(24)
Net benefit related to changes in unrecognized tax positions	14	15
Charge for asbestos related costs	(155)	(165)
Charge for goodwill impairment		(640)
Total	$ (252)	$ (905)

Items Excluded from Reportable Segment Totals

Retained Corporate Costs and Other

Retained corporate costs and other for 2013 were $119 million compared with $106 million for 2012. Retained corporate costs and other for 2013 reflect lower earnings from global machine and equipment sales and other technical and engineering services, in addition to lower earnings from the Company's equity investment in a soda ash mining operation.

Retained corporate costs and other for 2012 were $106 million compared with $75 million for 2011. Retained corporate costs and other for 2012 reflect lower earnings from global machine and equipment sales and other technical and engineering services, in addition to higher management incentive compensation expense and lower earnings from the Company's equity investment in a soda ash mining operation.

Restructuring, Asset Impairment and Related Charges

During 2013, the Company recorded charges totaling $119 million for restructuring, asset impairment and related charges. These charges reflect completed and planned plant and furnace closures in Europe, South America and Asia Pacific, as well as global headcount reduction initiatives. These charges also include an asset impairment charge related to the Company's operations in Argentina, primarily due to macroeconomic issues in that country.

During 2012, the Company recorded charges totaling $168 million for restructuring, asset impairment and related charges. These charges reflect completed and planned plant and furnace closures in Europe and Asia Pacific, as well as global headcount reduction initiatives.

During 2011, the Company recorded charges totaling $112 million for restructuring, asset impairment and related charges. These charges reflect completed and planned furnace closures in Europe and Asia Pacific, as well as global headcount reduction initiatives.

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

Charge for Asbestos Related Costs

The fourth quarter of 2013 charge for asbestos-related costs was $145 million, compared to the fourth quarter of 2012 charge of $155 million. These charges resulted from the Company's comprehensive annual review of asbestos-related liabilities and costs. In each year, the Company concluded that an increase in the accrued liability was required to provide for estimated indemnity payments and legal fees arising from asbestos personal injury lawsuits and claims pending and expected to be filed during the several years following the completion of the comprehensive review. See "Critical Accounting Estimates" for further information.

Asbestos-related cash payments for 2013 were $158 million, a decrease of $7 million from 2012. Deferred amounts payable were approximately $12 million and $24 million at December 31, 2013 and 2012, respectively.

During 2013, the Company received approximately 1,700 new filings and disposed of approximately 1,700 claims. As of December 31, 2013, the number of asbestos-related claims pending against the Company was approximately 2,600. The Company anticipates that cash flows from operations and other sources will be sufficient to meet all asbestos-related obligations on a short-term and long-term basis. See Note 13 to the Consolidated Financial Statements for further information.

Gain on China Land Compensation

During 2012, the Company received $85 million from the Chinese government as compensation for land in China that the Company was required to return to the government. The Company recorded a gain of $61 million related to the disposal of this land.

Charge for Goodwill Impairment

During the fourth quarter of 2011, the Company completed its annual impairment testing and determined that impairment existed in the goodwill of its Asia Pacific segment. Lower projected cash flows, principally in the segment's Australian operations, caused the decline in the business enterprise value. The strong Australian dollar in 2011 resulted in many wine producers in the country exporting their wine in bulk shipments and bottling the wine closer to their end markets. This decreased the demand for wine bottles in Australia, which was a significant portion of the Company's sales in that country, and the Company expects this decreased demand to continue into the foreseeable future. Following a review of the valuation of the segment's identifiable assets, the Company recorded an impairment charge of $641 million to reduce the reported value of its goodwill.

Discontinued Operations

On October 26, 2010, the Venezuelan government, through Presidential Decree No. 7.751, expropriated the assets of Owens-Illinois de Venezuela and Fabrica de Vidrios Los Andes, C.A., two of the Company's subsidiaries in that country, which in effect constituted a taking of the going concerns of those companies. Shortly after the issuance of the decree, the Venezuelan government installed temporary administrative boards who are in control of the expropriated assets.

Since the issuance of the decree, the Company has cooperated with the Venezuelan government, as it is compelled to do under Venezuelan law, to provide for an orderly transition while ensuring the safety and well-being of the employees and the integrity of the production facilities. The Company has been engaged in negotiations with the Venezuelan government in relation to certain aspects of the expropriation, including the compensation payable by the government as a result of its expropriation. On September 26, 2011, the Company, having been unable to reach an agreement with the Venezuelan government regarding fair compensation, commenced an arbitration against Venezuela through the World Bank's International Centre for Settlement of Investment Disputes. The Company is unable at this stage to predict the amount, or timing of receipt, of compensation it will ultimately receive.

The loss from discontinued operations of $18 million for the year ended December 31, 2013 includes $8 million of special termination benefits related to a previously disposed business and $10 million for ongoing costs related to the Venezuela expropriation.

Capital Resources and Liquidity

As of December 31, 2013, the Company had cash and total debt of $383 million and $3.6 billion, respectively, compared to $431 million and $3.8 billion, respectively, as of December 31, 2012. A significant portion of the cash was held in mature, liquid markets where the Company has operations, such as the U.S., Europe and Australia, and is readily available to fund global liquidity requirements. The amount of cash held in non-U.S. locations as of December 31, 2013 was $356 million.

Current and Long-Term Debt

On May 19, 2011, the Company entered into the Secured Credit Agreement (the "Agreement"). At December 31, 2013, the Agreement included a $900 million revolving credit facility, a $405 million term loan, an 81 million Canadian dollar term loan, and a €85 million term loan, each of which has a final maturity date of May 19, 2016. During 2013, the Company repaid 51 million Australian dollars on Term Loan A, $120 million on Term Loan B, 20 million Canadian dollars on Term Loan C and €39 million on Term Loan D under the Agreement. At December 31, 2013, the Company had unused credit of $816 million available under the Agreement.

The 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 junior payments, make certain asset sales within guidelines and limits, make capital expenditures beyond a certain threshold, engage in material transactions with shareholders and affiliates, participate in sale and leaseback financing arrangements, alter its fundamental business, and amend certain outstanding debt obligations.

The Agreement also contains one financial maintenance covenant, a Leverage Ratio, that requires the Company to not exceed a ratio calculated by dividing consolidated total debt, less cash and cash equivalents, by Credit Agreement EBITDA, as defined in the Agreement. The 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 Leverage Ratio to exceed the specified maximum of 4.0x.

The Leverage Ratio does not conform to U.S. GAAP and should not be construed as an alternative to amounts reported in accordance with U.S. GAAP. The Company uses the Leverage Ratio to evaluate its liquidity and its compliance with its debt covenants. The Leverage Ratio for the years ended December 31, 2013 and 2012 was calculated as follows (dollars in millions):

	2013	2012
Earnings (loss) from continuing operations	$ 215	$ 220
Interest expense	239	248
Provision for income taxes	120	108
Depreciation	350	378
Amortization of intangibles	47	34
EBITDA	971	988
Adjustments in accordance with the Agreement:		
Restructuring and asset impairment	119	168
Charges for asbestos-related costs	145	155
Gain on China land compensation		(61)
Credit Agreement EBITDA	$ 1,235	$ 1,250
Total Debt at December 31	$ 3,567	$ 3,773
Less cash	(383)	(431)
Net debt	$ 3,184	$ 3,342
Leverage Ratio (Net debt divided by Credit Agreement EBITDA)	2.6 x	2.7 x

Failure to comply with these covenants and restrictions could result in an event of default under the Agreement. In such an event, the Company could not request borrowings under the revolving facility, and all amounts outstanding under the Agreement, together with accrued interest, could then be declared immediately due and payable. If an event of default occurs under the Agreement and the lenders cause all of the outstanding debt obligations under the 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. A default or event of default under the Agreement, indentures or agreements governing other indebtedness could also lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross-default provisions.

The Leverage Ratio also determines pricing under the Agreement. The interest rate on borrowings under the Agreement is, at the Company's option, the Base Rate or the Eurocurrency Rate, as defined in the Agreement. These rates include a margin linked to the Leverage Ratio. The margins range from 1.25% to 2.00% for Eurocurrency Rate loans and from 0.25% to 1.00% for Base Rate loans. In addition, a facility fee is payable on the revolving credit facility commitments ranging from 0.25% to 0.50% per annum linked to the Leverage Ratio. The weighted average interest rate on borrowings outstanding under the Agreement at December 31, 2013 was 2.12%. As of December 31, 2013, the Company was in compliance with all covenants and restrictions in the Agreement. In addition, the Company believes that it will remain in compliance and that its ability to borrow funds under the Agreement will not be adversely affected by the covenants and restrictions.

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

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 €215 million European accounts receivable securitization program, which extends through September 2016, subject to periodic renewal of backup credit lines. Information related to the Company's accounts receivable securitization program as of December 31, 2013 and 2012 is as follows:

	2013	2012
Balance (included in short-term loans)	$ 276	$ 264
Weighted average interest rate	1.41%	1.33%

Cash Flows

Free cash flow was $339 million for 2013 compared to $290 million for 2012. The Company defines free cash flow as cash provided by continuing operating activities less additions to property, plant and equipment. Free cash flow does not conform to U.S. GAAP and should not be construed as an alternative to the cash flow measures reported in accordance with U.S. GAAP. The Company uses free cash flow for internal reporting, forecasting and budgeting and believes this information allows the board of directors, management, investors and analysts to better understand the Company's financial performance. Free cash flow for the years ended December 31, 2013 and 2012 is calculated as follows (dollars in millions):

	2013	2012
Cash provided by continuing operating activities	$ 700	$ 580
Additions to property, plant and equipment	(361)	(290)
Free cash flow	$ 339	$ 290

Operating activities: Cash provided by continuing operating activities was $700 million for 2013 compared to $580 million for 2012. The increase in cash flows from continuing operating activities was primarily due to a decrease in pension plan contributions of $123 million in 2013 compared to 2012. Working capital decreased $124 million in 2013 compared to $81 million in 2012, primarily due to an increase in accounts payable partially offset by a smaller decrease in accounts receivable. Cash provided by continuing operating activities also benefited from lower interest payments of $29 million and asbestos payments of $7 million, offset by an increase in cash paid for restructuring activities of $12 million and installment payments made in 2013 of $43 million related to a non-income tax assessment from a foreign tax authority.

During 2013, the Company contributed $96 million to its defined benefit pension plans, compared with $219 million in 2012. The decrease in pension plan contributions in the current year was due to the Company making discretionary contributions of approximately $125 million in 2012, compared to $65 million of discretionary contributions in 2013. These discretionary contributions, along with other factors, have improved the funded status of the Company's pension plans and reduced required future contributions. In 2014, the Company may elect to continue to contribute amounts in excess of minimum required amounts in order to further improve the funded status of certain plans, and expects that the total contributions for all plans will be approximately $50 million.

Investing activities: Cash utilized in investing activities was $402 million for 2013 compared to $221 million for 2012. Capital spending for property, plant and equipment from continuing operations during 2013 was $361 million compared with $290 million in the prior year. The increase in capital spending was primarily due to additional planned spending related to the European Asset Optimization program. In 2013, the Company deconsolidated a subsidiary in Europe, resulting in a $32 million use of cash related to the subsidiary's cash on hand at the time of deconsolidation. Cash utilized in investing activities in 2013 included $16 million of loans made to noncontrolling partners in South America and Asia Pacific compared to $21 million of loans made in 2012. During 2012, the Company also received $85 million from the Chinese government as compensation for the land in China that the Company was required to return to the government.

Financing activities: Cash utilized in financing activities was $321 million for 2013 compared to $339 million for 2012. Financing activities in 2013 included repayments of long-term debt of $1,040 million, primarily related to the discharge of the €300 million senior notes due 2017, payments of $240 million on term loans under the Secured Credit Agreement and the repurchase of $46 million of the 2015 Exchangeable Notes, partially offset by additions to long-term debt of $768 million, primarily related to the issuance of the €330 million senior notes due 2021, and additions to short-term loans of $8 million. Financing activities in 2012 included repayments of long-term debt of $402 million, partially offset by additions to long-term debt of $119 million. The Company also repurchased shares of its common stock for $33 million in 2013 and $27 million in 2012. The Company received $25 million in 2013 from the exercise of stock options compared to $3 million in 2012.

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.

Contractual Obligations and Off-Balance Sheet Arrangements

The following information summarizes the Company's significant contractual cash obligations at December 31, 2013 (dollars in millions).

	Payments due by period				
	Total	**Less than one year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Contractual cash obligations:					
Long-term debt	$ 3,258	$ 3	$ 1,847	$ 255	$ 1,153
Capital lease obligations	37	13	14	4	6
Operating leases	211	50	66	47	48
Interest(1)	731	172	262	166	131
Purchase obligations(2)	1,585	752	551	244	38
Pension benefit plan contributions(3)	30	30			
Postretirement benefit plan benefit payments(1)	134	14	28	28	64
Total contractual cash obligations	$ 5,986	$ 1,034	$ 2,768	$ 744	$ 1,440

	Amount of commitment expiration per period				
	Total	**Less than one year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Other commercial commitments:					
Standby letters of credit	$ 84	$ 84			
Total commercial commitments	$ 84	$ 84			

(1) Amounts based on rates and assumptions at December 31, 2013.

(2)

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

(3)

In order to maintain minimum funding requirements, the Company is required to make contributions to its defined benefit pension plans of approximately $30 million in 2014. The Company may elect to contribute amounts in excess of minimum required amounts in order to improve the funded status of certain plans, and expects that the total contributions for all plans will be approximately $50 million. Future funding requirements for the Company's pension plans will depend largely on actual asset returns and future actuarial assumptions, such as discount rates, and can vary significantly.

The Company is unable to make a reasonably reliable estimate as to when cash settlement with taxing authorities may occur for its unrecognized tax benefits. Therefore, the liability for unrecognized tax benefits is not included in the table above. See Note 11 to the Consolidated Financial Statements for additional information.

Critical Accounting Estimates

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

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

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

Property, Plant and Equipment

The net carrying amount of property, plant and equipment ("PP&E") at December 31, 2013 totaled $2.6 billion, representing 31% of total assets. Depreciation expense during 2013 totaled $350 million, representing approximately 6% of total costs and expenses. Given the significance of PP&E and associated depreciation to the Company's consolidated financial statements, the determinations of an asset's cost basis and its economic useful life are considered to be critical accounting estimates.

Cost Basis PP&E is recorded at cost, which is generally objectively quantifiable when assets are purchased individually. However, when assets are purchased in groups, or as part of a business, costs assigned to PP&E are based on an estimate of fair value of each asset at the date of acquisition. These estimates are based on assumptions about asset condition, remaining useful life and market conditions, among others. The Company frequently employs expert appraisers to aid in allocating cost among assets purchased as a group.

Included in the cost basis of PP&E are those costs which substantially increase the useful lives or capacity of existing PP&E. Significant judgment is needed to determine which costs should be capitalized under these criteria and which costs should be expensed as a repair or maintenance expenditure. For example, the Company frequently incurs various costs related to its existing glass melting furnaces and forming machines and must make a determination of which costs, if any, to capitalize. The Company relies on the experience and expertise of its operations and engineering staff to make reasonable and consistent judgments regarding increases in useful lives or capacity of PP&E.

Estimated Useful Life PP&E is generally depreciated using the straight-line method, which deducts equal amounts of the cost of each asset from earnings each period over its estimated economic useful life. Economic useful life is the duration of time an asset is expected to be productively employed by the Company, which may be less than its physical life. Management's assumptions regarding the following factors, among others, affect the determination of estimated economic useful life: wear and tear, product and process obsolescence, technical standards, and changes in market demand.

The estimated economic useful life of an asset is monitored to determine its appropriateness, especially in light of changed business circumstances. For example, technological advances, excessive wear and tear, or changes in customers' requirements may result in a shorter estimated useful life than originally anticipated. In these cases, the Company depreciates the remaining net book value over the new estimated remaining life, thereby increasing depreciation expense per year on a prospective basis. Likewise, if the estimated useful life is increased, the adjustment to the useful life decreases depreciation expense per year on a prospective basis. Changes in economic useful life assumptions did not have a material impact on the Company's reported results in 2013, 2012 or 2011.

Impairment of Long-Lived Assets

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

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

Goodwill Goodwill at December 31, 2013 totaled $2.1 billion, representing 24% of total assets. Goodwill is tested for impairment annually as of October 1 (or more frequently if impairment indicators arise) using a two-step process. Step 1 compares the business enterprise value ("BEV") of each reporting unit with its carrying value. The BEV is computed based on estimated future cash flows, discounted at the weighted average cost of capital of a hypothetical third-party buyer. If the BEV is less than the carrying value for any reporting unit, then Step 2 must be performed. Step 2 compares the implied fair value of goodwill with the carrying amount of goodwill. Any excess of the carrying value of the goodwill over the implied fair value will be recorded as an impairment loss. The calculations of the BEV in Step 1 and the implied fair value of goodwill in Step 2 are based on significant unobservable inputs, such as price trends, customer demand, material costs, discount rates and asset replacement costs, and are classified as Level 3 in the fair value hierarchy.

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

During the fourth quarter of 2013, the Company completed its annual impairment testing and determined that no impairment of goodwill existed. The testing performed as of October 1, 2013, indicated a significant excess of BEV over book value for each unit that has goodwill. If the Company's projected future cash flows were substantially lower, or if the assumed weighted average cost of capital was substantially higher, the testing performed as of October 1, 2013, may have indicated an impairment of one or more of these reporting units and, as a result, the related goodwill may also have been impaired. However, less significant changes in projected future cash flows or the assumed weighted average cost of capital would not have indicated an impairment. For example, if projected future cash flows had been decreased by 5%, or if the weighted average cost of capital had been increased by 5%, or both, the resulting lower BEV's would still have exceeded the book value of each of these reporting units.

The Company will monitor conditions throughout 2014 that might significantly affect the projections and variables used in the impairment test to determine if a review prior to October 1 may be appropriate. If the results of impairment testing confirm that a write down of goodwill is necessary, then the Company will record a charge in the fourth quarter of 2014, or earlier if appropriate. In the event the Company would be required to record a significant write down of goodwill, the charge would have a material adverse effect on reported results of operations and net worth.

Other Long-Lived Assets Other long-lived assets include, among others, equity investments and repair parts inventories. The Company's equity investments are non-publicly traded ventures with other companies in businesses related to those of the Company. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. In the event that a decline in fair value of an investment occurs, and the decline in value is considered to be other than temporary, an impairment loss is recognized. Summarized financial information of equity affiliates is included in Note 5 to the Consolidated Financial Statements.

The Company carries a significant amount of repair parts inventories in order to provide a dependable supply of quality parts for servicing the Company's PP&E, particularly its glass melting furnaces and forming machines. The Company evaluates the recoverability of repair parts inventories based on undiscounted projected cash flows, excluding interest and taxes, when factors indicate that impairment may exist. If impairment exists, the repair parts are written down to fair value. The Company continually monitors the carrying value of repair parts for recoverability, especially in light of changing business circumstances. For example, technological advances related to, and changes in, the estimated future demand for products produced on the equipment to which the repair parts relate may make the repair parts obsolete. In these circumstances, the Company writes down the repair parts to fair value.

Pension Benefit Plans

Significant Estimates The determination of pension obligations and the related pension expense or credits to operations involves significant estimates. The most significant estimates are the discount rate used to calculate the actuarial present value of benefit obligations and the expected long-term rate of return on plan assets. The Company uses discount rates based on yields of high quality fixed rate debt securities at the end of the year. At December 31, 2013, the weighted average discount rate was 4.81% and 4.14% for U.S. and non-U.S. plans, respectively. The Company uses an expected long-term rate of return on assets that is based on both past performance of the various plans' assets and estimated future performance of the assets. Due to the nature of the plans' assets and the volatility of debt and equity markets, actual returns may vary significantly from year to year. The Company refers to average historical returns over longer periods (up to 10 years) in determining its expected rates of return because short-term fluctuations in market values do not reflect the rates of return the Company expects to achieve based upon its long-term investing strategy. For purposes of determining pension charges and credits in 2014, the Company's estimated weighted average expected long-term rate of return on plan assets is 8.00% for U.S. plans and 6.01% for non-U.S. plans compared to 8.00% for U.S. plans and 6.34% for non-U.S. plans in 2013. The Company recorded pension expense from continuing operations of $60 million, $54 million, and $47 million for the U.S. plans in 2013, 2012, and 2011, respectively, and $41 million, $38 million, and $44 million for the non-U.S. plans from its principal defined benefit pension plans. Depending on currency translation rates, the Company expects to record approximately $55 million of total pension expense for the full year of 2014.

Future effects on reported results of operations depend on economic conditions and investment performance. For example, a one-half percentage point change in the actuarial assumption regarding either the expected return on assets or discount rates used to calculate plan liabilities would result in a change of approximately $20 million in the pretax pension expense for the full year 2014.

Recognition of Funded Status The Company recognizes the funded status of each pension benefit plan on the balance sheet. The funded status of each plan is measured as the difference between the fair value of plan assets and actuarially calculated benefit obligations as of the balance sheet date. Actuarial gains and losses are accumulated in Other Comprehensive Income and the portion of each plan that exceeds 10% of the greater of that plan's assets or projected benefit obligation is amortized to income on a straight-line basis over the average remaining service period of active employees or the average remaining expected life of inactive participants (if all, or almost all, of the plan's participants are inactive).

Contingencies and Litigation

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot reasonably be estimated. The Company's ability to reasonably estimate its liability has 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 magnitude and timing of co-defendant bankruptcy trust payments, the inherent uncertainty of future disease incidence and claiming patterns, the expanding list of non-traditional defendants that have been sued in this litigation, and the use of mass litigation screenings to generate large numbers of claims by parties who allege exposure to asbestos dust but have no present physical asbestos impairment. The Company continues to monitor trends that may affect its ultimate liability and continues to analyze the developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company.

The Company conducts a comprehensive 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. If the results of an annual comprehensive review indicate that the existing amount of the accrued liability is insufficient to cover its estimated future asbestos-related costs, then the Company will record an appropriate charge to increase the accrued liability. The Company believes that a reasonable estimation of the probable amount of the liability for claims not yet asserted against the Company is not possible beyond a period of several years. Therefore, while the results of future annual comprehensive reviews cannot be determined, the Company expects the addition of one year to the estimation period will result in an annual charge.

In the fourth quarter of 2013, the Company recorded a charge of $145 million to increase its accrued liability for asbestos-related costs. This amount was lower than the 2012 charge of $155 million. The factors and developments that particularly affected the determination of the amount of the 2013 accrual included the following: (i) the rates and average disposition costs of new filings against the Company; (ii) the Company's successful litigation record; (iii) legislative developments and court rulings in several states; and (iv) the impact these and other factors had on the Company's valuation of existing and future claims.

The Company's estimates are based on a number of factors as described further in Note 13 to the Consolidated Financial Statements.

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.

Income Taxes

The Company accounts for income taxes as required by general accounting principles under which management judgment is required in determining income tax expense and the related balance sheet amounts. This judgment includes estimating and analyzing historical and projected future operating results, the reversal of taxable temporary differences, tax planning strategies, and the ultimate outcome of uncertain income tax positions. Actual income taxes paid may vary from estimates, depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed. Changes in the estimates and assumptions used for calculating income tax expense and potential differences in actual results from estimates could have a material impact on the Company's results of operations and financial condition.

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

- future reversals of existing taxable temporary differences;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- taxable income in prior carryback years; and
- tax planning strategies

The assessment regarding whether a valuation allowance is required or should be adjusted also considers all available positive and negative evidence, including but not limited to:

- nature, frequency, and severity of recent losses;
- duration of statutory carryforward periods;
- historical experience with tax attributes expiring unused; and
- near- and medium-term financial outlook.

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

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

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

In the U.S., the Company has experienced cumulative losses in previous years and has recorded a valuation allowance against its deferred tax assets. As of December 31, 2013, however, the Company's U.S. operations are in a three-year cumulative income position, but this is not solely determinative of the need for a valuation allowance. The Company considered this factor and all other available positive and negative evidence and concluded that it is still more likely than not that the net deferred tax assets in the U.S. will not be realized, and accordingly continued to record a valuation allowance. The evidence considered included the magnitude of the current three-year cumulative income compared to historical losses, expected impact of tax planning strategies, interest rates, and the overall business environment. The Company continues to evaluate its cumulative income position and income trend as well as its future projections of sustained profitability and whether this profitability trend constitutes sufficient positive evidence to support a reversal of the valuation allowance (in full or in part). The amount of the valuation allowance recorded in the U.S. as of December 31, 2013 is $837 million.

The utilization of tax attributes to offset taxable income reduces the overall level of deferred tax assets subject to a valuation allowance. Additionally, the Company's recorded effective tax rate is lower than the applicable statutory tax rate, due primarily to income earned in jurisdictions for which a valuation allowance is recorded. The effective tax rate will approach the statutory tax rate in periods

after valuation allowances are released. In the period in which valuation allowances are released, the Company will record a material tax benefit, which could result in a negative effective tax rate.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from fluctuations in foreign currency exchange rates, changes in interest rates, and changes in commodity prices, principally energy and soda ash. The Company uses certain derivative instruments to mitigate a portion of the risk associated with changing foreign currency exchange rates and fluctuating energy prices. These instruments carry varying degrees of counterparty credit risk. To mitigate this risk, the Company has established limits on the exposure with individual counterparties and the Company regularly monitors these exposures. Substantially all of these exposures are with counterparties that are rated single-A or above.

Foreign Currency Exchange Rate Risk

Earnings of operations outside the United States

A substantial portion of the Company's operations are conducted by subsidiaries outside the U.S. The primary international markets served by the Company's subsidiaries are in Canada, Australia, China, South America (principally Colombia and Brazil), and Europe (principally Italy, France, the Netherlands, Germany, the United Kingdom, Spain and Poland). In general, revenues earned and costs incurred by the Company's major international operations are denominated in their respective local currencies. Consequently, the Company's reported financial results could be affected by factors such as changes in foreign currency exchange rates or highly inflationary economic conditions in the international markets in which the Company's subsidiaries operate. When the U.S. dollar strengthens against foreign currencies, the reported U.S. dollar value of local currency earnings generally decreases; when the U.S. dollar weakens against foreign currencies, the reported U.S. dollar value of local currency earnings generally increases. For the years ended December 31, 2013, 2012, and 2011, the Company did not have any significant foreign subsidiaries whose functional currency was the U.S. dollar.

Borrowings not denominated in the functional currency

Because the Company's subsidiaries operate within their local economic environment, the Company believes it is appropriate to finance those operations with borrowings denominated in the local currency to the extent practicable where debt financing is desirable or necessary. Considerations which influence the amount of such borrowings include long- and short-term business plans, tax implications, and the availability of borrowings with acceptable interest rates and terms. In those countries where t