O-I GLASS performance over 2022 yields promising Q3 results

Referring to his company's strong third quarter performance last year, O-I GLASS CEO Andres Lopez has spoken of exceeded guidance driven by solid net price realization as O-I began implementing its third price increase in Europe during 2022.

After much-needed new capacity was commissioned last year to support future growth at O-I Glass, CEO Andres Lopez recently explained how elevated asset project activity at the company contributed to higher operating costs, which were partially offset by solid operating performance and the benefits of O-I's ongoing Margin Expansion initiatives. He also mentioned that, predictably, O-I's glass shipments had slightly increased as compared to earlier that same year.

KEY CEO TAKEAWAYS

"As previously announced, the company continues to deliver on key transformation initiatives," continued Lopez. "Following Paddock's fair and final resolution of its legacy asbestos liabilities and emergence from Chapter 11 protection in July, O-I completed its USD 1.5B portfolio optimization programme in August 2022 with proceeds used to reduce debt and pre-fund upcoming expansion initiatives. Indeed, reflecting a healthier balance sheet, both Moody's and S&P upgraded the company's credit rating during the third quarter." (figure 1)

WHERE THINGS STAND

"O-I is performing well and is advancing its strategy as a truly resilient and agile company that continues to navigate elevated market volatility. Reflecting strong year-to-date earnings and business momentum, we now expect 2022 full-year adjusted earnings will be at the high-end of our recently increased guidance range and we anticipate further improvement in 2023," concluded Lopez. (figure 2)

Net sales were USD 1.7B in the third quarter of 2021, up from USD 1.6B in the prior year quarter. Higher average selling prices boosted sales by USD 221M. Shipments (in tons) improved nearly one percent but a slightly less favourable mix resulted in a USD 4M decrease to net sales. Other sales declined USD 3M driven by lower machine part sales. Unfavourable foreign currency translation and divestitures reduced sales by USD 110M and USD 20M, respectively.

SEGMENT OPERATING PROFIT

Segment operating profit was USD 266M in the third quarter of 2021 compared to USD 243M in the prior quarter of 2022.

Americas

Segment operating profit in the Americas was USD 130M compared to USD 133M in the third quarter of 2021. Results were negatively impacted USD 8M due to divestitures while earnings benefited USD 5M from foreign currency translation. Results reflected favourable net price as higher selling prices more than offset cost inflation. Shipments were down 1.8 percent (in tons) primarily due to elevated asset project activity and unplanned production downtime. As a result, the region incurred higher maintenance costs, which were partially offset by the benefit from ongoing Margin Expansion initiatives.

Europe

Segment operating profit in Europe was USD 136M compared to USD 110M in the third quarter of 2021. Results were negatively impacted USD 16M due to unfavourable foreign currency translation. Earnings benefited from favourable net price as higher selling prices more than offset cost inflation and volume growth as shipments increased 3.6 percent (in tons). Modestly lower operating costs reflected the net benefit of a subsidy received in Italy to help mitigate the impact of elevated energy costs and an insurance recovery in the prior year period that did not repeat in 2021.

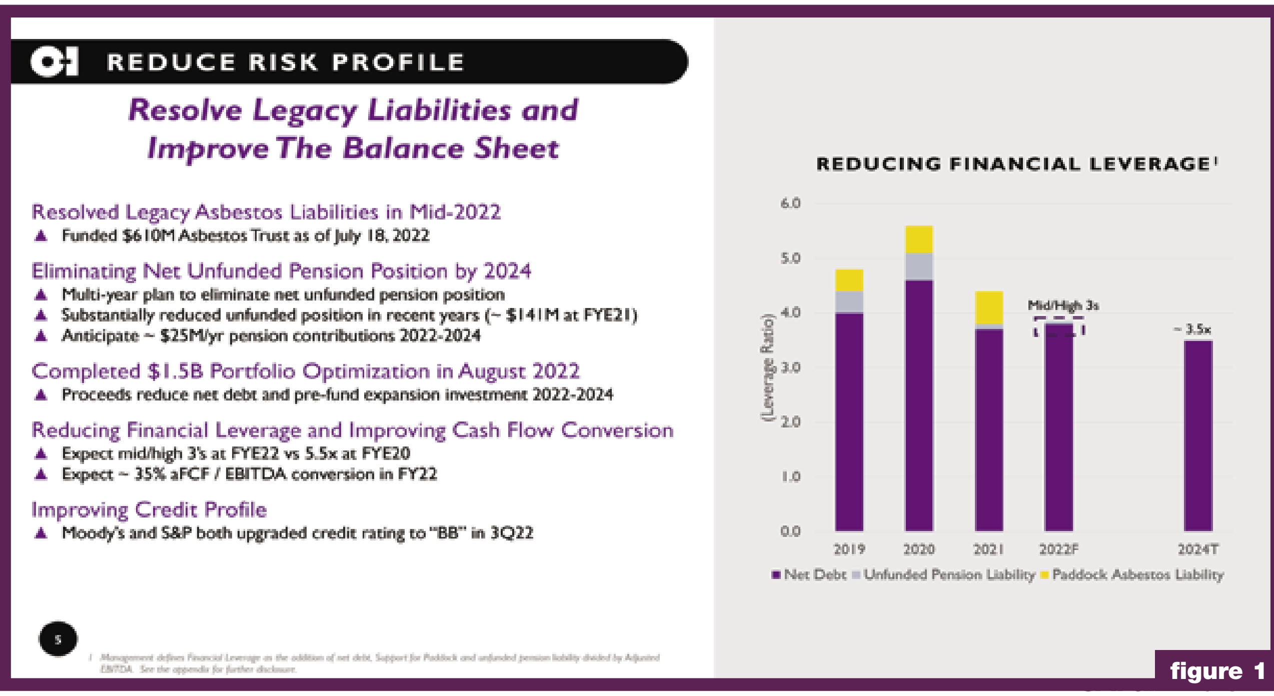

figure 1

figure 2

REPORTING DYNAMICS

Retained corporate and other costs were USD 63M compared to USD 49M in the prior year quarter, primarily due to higher management incentive expense and elevated cost inflation.

For the third quarter 2022, earnings from continuing operations attributable to the company were USD 1.45 per share (diluted) compared to USD 0.48 per share (diluted) in the third quarter of 2021. Third quarter 2022 earnings from continuing operations before income taxes were USD 278M, compared to USD 127M in the prior quarter of 2022. Both periods included items management considers not representative of ongoing operations and other adjustments.

In both the third quarter of 2022 and 2021, the company recorded several significant items impacting reported results as presented in the table entitled Reconciliation for Adjusted Earnings. Company management didn't consider these items representative of ongoing operations - excluding them from adjusted earnings. In the third quarter of 2022, this included a USD 153M gain on a sale leaseback transaction entered into by the company for land and buildings related to its plant in Vernon, California, USD 10M for restructuring, asset impairment and other charges as well as USD 5M in pension settlement charges. In the third quarter of 2021, these items included USD 12M for restructuring, asset impairment and other charges and USD 5M in pension settlement charges.

Excluding certain items management didn't consider to be representative of ongoing operations and other adjustments, adjusted earnings were USD 0.63 per share in the third quarter of 2022 as compared to USD 0.58 per share in the third quarter of 2021 and guidance of USD 0.55 to USD 0.60 per share.

2022 OVERVIEW

The expectation at O-I has been that fourth quarter 2022 adjusted earnings will range between USD 0.28 and USD 0.33 per share - an increase from prior guidance of between USD 0.20 and USD 0.30 per share. Here results are expected to lag prior year adjusted earnings of USD 0.36 per share - primarily due to an estimated USD 0.12 per share headwind from unfavourable foreign currency translation, impacts of divestitures and incremental interest expense for debt incurred to settle the Paddock 524 (g) trust. Results should reflect a higher net price, which will benefit from the recently implemented third price increase in Europe. Likewise, the company expects slightly lower sales volumes (in tons) given the strong 5.4 percent growth in the prior year period, as well as current record low inventory levels and capacity constraints in key markets. Operating costs will be higher, given incremental expense for expansion project activity which should be partially offset by benefits from the company's ongoing Margin Expansion initiatives.

Again the company is improving its full year 2022 guidance compared to its most recent outlook (shared during an investor conference in

September). Management now expects adjusted earnings to range between USD 2.20 and USD 2.25 per share - which is at the high end of prior guidance of between USD 2.10 and USD 2.25 per share. The updated range reflects favourable year-to-date results and solid momentum heading into the fourth quarter. Here management has affirmed its cash flow outlook and expects adjusted free cash flow of at least USD 400M and free cash flow of at least USD 200M in 2021.

O-I's earnings outlook assumes foreign currency rates as of 31 October 2021, earnings dilution from the company's Portfolio Optimization programme, incremental interest expense for debt incurred to settle the Paddock 524(g) trust and an effective annual adjusted tax rate of approximately 25 to 28 percent. The free cash flow and adjusted free cash flow outlook excludes USD 618M related to the funding of the Paddock 524(g) trust and related expenses which occurred in the third quarter of 2022.

NON-GAAP FINANCIAL MEASURES

The company uses certain non-GAAP financial measures which calibrate its historical or future financial performance and are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. Here management believes that its presentation and use of certain non-GAAP financial measures, including adjusted earnings, adjusted earnings per share, free cash flow, adjusted free cash flow, segment operating profit and adjusted effective tax rate, provide relevant and useful supplemental financial information that is widely used by analysts and investors, as well as by management in assessing both consolidated and business unit performance. These non-GAAP measures reconcile with the most directly-comparable GAAP measures and, as such, are expected to be considered supplemental in nature rather than being considered in isolation or else construed as more important than comparable GAAP measures.

Adjusted earnings relates to earnings from continuing operations attributable to the company, exclusive of items management considers not representative of ongoing operations and other adjustments because such items are not reflective of the company's principal business activity, which is glass container production. Adjusted earnings are divided by weighted average shares outstanding (diluted) to derive adjusted earnings per share. Segment operating profit relates to earnings before interest expense, net, and before income taxes and is also exclusive of items management considers not representative of ongoing operations as well as certain retained corporate costs and other adjustments. Adjusted effective tax rate relates to the provision for income taxes, excluding tax items management considers not representative of ongoing operations and other adjustments, divided by earnings from continuing operations before income taxes, exclusive of items management considers not representative of ongoing operations and other adjustments Management uses the above non-GAAP financial measures to evaluate its period-over-period operating performance because it believes these provide useful supplemental measures of the results of operations of its principal business activity by excluding items that are not reflective of such operations. The above non-GAAP financial measures may be useful to investors in evaluating the underlying operating performance of the company's business as these measures eliminate items that are not reflective of its principal business activity.

Further, free cash flow relates to cash provided by operating activities plus cash payments to the Paddock 524(g) trust and related expenses less cash payments for property, plant, and equipment. Adjusted free cash flow relates to cash provided by operating activities plus cash payments to the Paddock 524(g) trust and related expenses less cash payments for property, plant and equipment plus cash payments for property, plant and equipment related to strategic or expansion projects. Management has historically used free cash flow and adjusted free cash flow to evaluate its period-over-period cash generation performance because it believes these have provided useful supplemental measures related to its principal business activity. It should not be inferred that the entire free cash flow or adjusted free cash flow amount is available for discretionary expenditures, since the company has mandatory debt service requirements and other non-discretionary expenditures that are not deducted from these measures. Management uses non-GAAP information principally for internal reporting, forecasting, budgeting, and calculating compensation payments.

FORWARD-LOOKING STATEMENTS

O-I's forward-looking statements reflect the company's current expectations and projections about future events, not excluding uncertainty and risk. The words believe, expect, anticipate, will, could, would, should, may, plan, estimate, intend, predict, potential, continue, and the negatives of such terms -including similar expressions- all generally identify forward-looking statements. (figure 3)

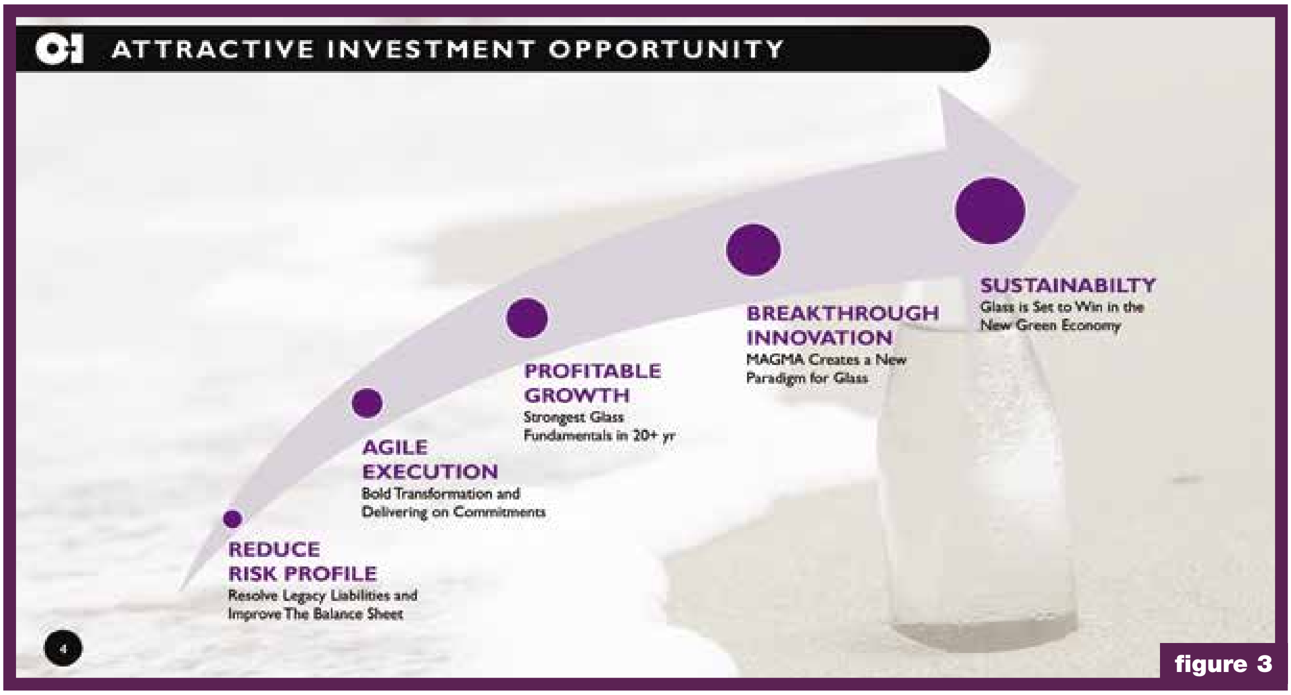

figure 3

It's possible that O-I's future financial performance may differ from expectations due to a variety of factors including, but not limited, to the following: (1) the impact of the COVID-19 pandemic and various governmental, industry and consumer actions related thereto, (2) the company's ability to obtain the benefits it anticipates from the Corporate Modernization, (3) the company's ability to manage its cost structure, including its success in implementing restructuring or other plans aimed at improving its operating efficiency and working capital management, and achieving cost savings, (4) the company's ability to acquire or divest businesses, acquire and expand plants, integrate operations of acquired businesses and achieve expected benefits from acquisitions, divestitures or expansions, (5) the company's ability to achieve its strategic plan, (6) the company's ability to improve its glass melting technology, known as the MAGMA programme, and implement it within the timeframe expected, (7) foreign currency fluctuations relative to the US dollar, (8) changes in capital availability or cost, including interest rate fluctuations and the ability of the company to refinance debt on favourable terms, (9) the general political, economic and competitive conditions in markets and countries where the company has operations, including uncertainties related to economic and social conditions, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, changes in tax rates and laws, war, civil disturbance or acts of terrorism, natural disasters, and weather, (10) the company's ability to generate sufficient future cash flows to ensure its goodwill is not impaired, (11) consumer preferences for alternative forms of packaging, (12) cost and availability of raw materials, labor, energy and transportation (including impacts related to the current conflict between Russia and Ukraine and disruptions in supply of raw materials caused by transportation delays), (13) consolidation among competitors and customers, (14) unanticipated expenditures with respect to data privacy, environmental, safety and health laws,

(15) unanticipated operational disruptions, including higher capital spending, (16) the company's ability to further develop its sales, marketing and product development capabilities, (17) the failure of the company's joint venture partners to meet their obligations or commit additional capital to the joint venture, (18) the ability of the company and the third parties on which it relies for information technology system support to prevent and detect security breaches related to cybersecurity and data privacy, (19) changes in US trade policies, (20) risks related to recycling and recycled content laws and regulations, (21) risks related to climate-change and air emissions, including related laws or regulations and the other risk factors discussed in the company's filings with the Securities and Exchange Commission.

It is not possible to foresee or identify all such factors. As such, any forward-looking statements

I-O makes are based on certain assumptions and analyses made by the company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes appropriate to the circumstances. Forward-looking statements are not a guarantee of future performance and actual results or developments may differ materially from expectations. While the company continually reviews trends and uncertainties affecting its results or operations and financial condition, it does not assume any obligation to update or supplement any of its forward-looking statements. ■

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ABOUT O-I GLASS

O-I Glass, Inc. is one of the leading global producers of glass bottles and jars. Headquartered in Perrysburg, Ohio (USA), the company is a coveted partner of many of the world's leading food and beverage brands, ever seeking to innovate in line with customer needs to create iconic packaging that builds brands around the world. Led by its diverse team of approximately 24.000 people across 70 plants in 19 countries, O-I achieved net sales of USD 6.4B in 2021. (figure 4)

figure 4