OWENS ILLINOIS INC /DE/
Form 10-Q
May 02, 2019
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended

March 31, 2019

or

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

For the transition period from to

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	Trading symbol	Name of each exchange on which registered
Common Stock, $.01 par value	OI	New York Stock Exchange

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	Accelerated filer	Non-accelerated filer
Smaller reporting company	Emerging growth company	

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

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

The number of shares of common stock, par value $.01, of Owens-Illinois, Inc. outstanding as of March 31, 2019 was 155,230,560.

Part I — FINANCIAL INFORMATION

Item 1. Financial Statements.

The Condensed Consolidated Financial Statements of Owens-Illinois, Inc. (the "Company") presented herein are unaudited but, in the opinion of management, reflect all adjustments necessary to present fairly such information for the periods and at the dates indicated. All adjustments are of a normal recurring nature. Because the following unaudited condensed consolidated financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)
(Unaudited)

	Three months ended March 31,	
	2019	2018
Net sales	$ 1,638	$ 1,736
Cost of goods sold	(1,340)	(1,417)
Gross profit	298	319
Selling and administrative expense	(115)	(126)
Research, development and engineering expense	(16)	(16)
Interest expense, net	(65)	(62)
Equity earnings	19	17
Other income (expense), net	(10)	3
Earnings from continuing operations before income taxes	111	135
Provision for income taxes	(27)	(32)
Earnings from continuing operations	84	103
Loss from discontinued operations		
Net earnings	84	103
Net earnings attributable to noncontrolling interests	(5)	(5)
Net earnings attributable to the Company	$ 79	$ 98
Amounts attributable to the Company:		
Earnings from continuing operations	$ 79	$ 98
Loss from discontinued operations		
Net earnings	$ 79	$ 98
Basic earnings per share:		
Earnings from continuing operations	$ 0.51	$ 0.60
Loss from discontinued operations		
Net earnings	$ 0.51	$ 0.60
Weighted average shares outstanding (thousands)	154,361	162,919
Diluted earnings per share:		
Earnings from continuing operations	$ 0.51	$ 0.59
Loss from discontinued operations		
Net earnings	$ 0.51	$ 0.59

Weighted average diluted shares outstanding (thousands)	156,635	165,186

See accompanying notes.

2

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)

(Unaudited)

	Three months ended March 31,	
	2019	2018
Net earnings	$ 84	$ 103
Other comprehensive income (loss):		
Foreign currency translation adjustments	49	126
Pension and other postretirement benefit adjustments, net of tax	6	7
Change in fair value of derivative instruments, net of tax	5	(5)
Other comprehensive income	60	128
Total comprehensive income	144	231
Comprehensive income attributable to noncontrolling interests	(8)	(11)
Comprehensive income attributable to the Company	$ 136	$ 220

See accompanying notes.

3

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

(Unaudited)

	March 31, 2019	December 31, 2018	March 31, 2018
Assets			
Current assets:			
Cash and cash equivalents	$ 326	$ 512	$ 418
Trade receivables, net of allowance of $34 million, $35 million, and $36 million at March 31, 2019, December 31, 2018 and March 31, 2018	939	549	1,045
Inventories	1,038	1,018	1,065
Prepaid expenses and other current assets	276	278	240
Total current assets	2,579	2,357	2,768
Property, plant and equipment, net	3,074	3,085	3,190
Goodwill	2,507	2,513	2,649
Intangibles, net	394	400	452
Other assets	1,598	1,344	1,222
Total assets	$ 10,152	$ 9,699	$ 10,281
Liabilities and Share owners' equity			
Current liabilities:			
Accounts payable	$ 1,065	$ 1,321	$ 1,115
Short-term loans and long-term debt due within one year	91	160	194
Current portion of asbestos-related liabilities	160	160	100
Other liabilities	544	566	554
Other liabilities - discontinued operations			115
Total current liabilities	1,860	2,207	2,078
Long-term debt	5,820	5,181	5,640
Asbestos-related liabilities	372	442	475
Other long-term liabilities	1,090	969	969
Share owners' equity	1,010	900	1,119
Total liabilities and share owners' equity	$ 10,152	$ 9,699	$ 10,281

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED CASH FLOWS

(Dollars in millions)

(Unaudited)

	Three months ended March 31, 2019	2018
Cash flows from operating activities:		
Net earnings	$ 84	$ 103
Loss from discontinued operations		
Non-cash charges		
Depreciation and amortization	126	131
Pension expense	8	10
Cash payments		
Pension contributions	(11)	(10)
Asbestos-related payments	(71)	(7)
Cash paid for restructuring activities	(15)	(6)
Change in components of working capital	(697)	(622)
Other, net (a)	(19)	31
Cash utilized in operating activities	(595)	(370)
Cash flows from investing activities:		
Cash payments for property, plant and equipment	(121)	(142)
Contributions and advances to joint ventures	(15)	(26)
Net cash proceeds on disposal of assets	1	7
Other, net		1
Cash utilized in investing activities	(135)	(160)
Cash flows from financing activities:		
Changes in borrowings, net	589	488
Issuance of common stock and other	(3)	
Treasury shares repurchased	(38)	(45)
Dividends paid	(8)	
Cash provided by financing activities	540	443
Effect of exchange rate fluctuations on cash	4	13
Decrease in cash	(186)	(74)
Cash at beginning of period	512	492
Cash at end of period	$ 326	$ 418

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

See accompanying notes.

OWENS-ILLINOIS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Tabular data dollars in millions, except per share amounts

1. Segment Information

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

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

Financial information for the three months ended March 31, 2019 and 2018 regarding the Company's reportable segments is as follows:

	Three months ended March 31,	
	2019	2018
Net sales:		
Americas	$ 881	$ 908
Europe	596	643
Asia Pacific	151	173
Reportable segment totals	1,628	1,724
Other	10	12
Net sales	$ 1,638	$ 1,736

	Three months ended March 31,	
	2019	2018
Segment operating profit:		
Americas	$ 113	$ 147
Europe	79	72
Asia Pacific	8	5

Reportable segment totals	200	224
Items excluded from segment operating profit:		
Retained corporate costs and other	(24)	(27)
Interest expense, net	(65)	(62)
Earnings from continuing operations before income taxes	$ 111	$ 135

6

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

	March 31, 2019	December 31, 2018	March 31, 2018
Total assets:			
Americas	$ 5,621	$ 5,497	$ 5,637
Europe	3,273	3,036	3,387
Asia Pacific	1,012	918	1,056
Reportable segment totals	9,906	9,451	10,080
Other	246	248	201
Consolidated totals	$ 10,152	$ 9,699	$ 10,281

2. Revenue

Revenue is recognized when obligations under the terms of the Company's contracts and related purchase orders with its customers are satisfied. This occurs with the transfer of control of glass containers, which primarily takes place when products are shipped from the Company's manufacturing or warehousing facilities to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods, which includes estimated provisions for rebates, discounts, returns and allowances. Sales, value added, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. The Company's payment terms are based on customary business practices and can vary by customer type. The term between invoicing and when payment is due is not significant. Also, the Company elected to account for shipping and handling costs as a fulfillment cost at the time of shipment.

For the three month periods ended March 31, 2019 and March 31, 2018, the Company had no material bad debt expense and there were no material contract assets, contract liabilities or deferred contract costs recorded on the Condensed Consolidated Balance Sheet. For the three month periods ended March 31, 2019 and March 31, 2018, revenue recognized from prior periods (for example, due to changes in transaction price) was not material.

The following tables for the three months ended March 31, 2019 and 2018 disaggregates the Company's revenue by customer end use:

	Three months ended March 31, 2019			
	Americas	Europe	Asia Pacific	Total
Alcoholic beverages (beer, wine, spirits)	$ 564	$ 432	$ 109	$ 1,105
Food and other	180	103	25	308
Non-alcoholic beverages	137	61	17	215
Reportable segment totals	$ 881	$ 596	$ 151	$ 1,628
Other				10
Net sales				$ 1,638

	Three months ended March 31, 2018		
	Americas	Europe	Total

			Asia Pacific	
Alcoholic beverages (beer, wine, spirits)	$ 576	$ 471	$ 127	$ 1,174
Food and other	189	112	24	325
Non-alcoholic beverages	143	60	22	225
Reportable segment totals	$ 908	$ 643	$ 173	$ 1,724
Other				12
Net sales				$ 1,736

3. Inventories

Major classes of inventory at March 31, 2019, December 31, 2018 and March 31, 2018 are as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Finished goods	$ 868	$ 849	$ 901
Raw materials	126	125	120
Operating supplies	44	44	44
	$ 1,038	$ 1,018	$ 1,065

4. Derivative Instruments

The Company has certain derivative assets and liabilities, which consist of natural gas forwards, foreign exchange option and forward contracts, interest rate swaps and cross currency swaps. The valuation of these instruments is determined primarily using the income approach, including discounted cash flow analysis on the expected cash flows of each derivative. Natural gas forward rates, foreign exchange rates and interest rates are the significant inputs into the valuation models. The Company also evaluates counterparty risk in determining fair values. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. These inputs are observable in active markets over the terms of the instruments the Company holds, and accordingly, the Company classifies its derivative assets and liabilities as Level 2 in the hierarchy.

Commodity Forward Contracts Designated as Cash Flow Hedges

The Company enters into commodity forward contracts related to forecasted natural gas requirements, the objectives of which are to limit the effects of fluctuations in the future market price paid for natural gas and the related volatility in cash flows.

An unrecognized gain of $3 million at March 31, 2019, an unrecognized gain of $1 million at December 31, 2018 and an unrecognized gain of $4 million at March 31, 2018 related to the commodity forward contracts were included in Accumulated OCI, and will be reclassified into earnings in the period when the commodity forward contracts expire.

Foreign Exchange Derivative Contracts Not Designated as Hedging Instruments

The Company uses short-term forward exchange or option agreements to purchase foreign currencies at set rates in the future. These agreements are used to limit exposure to fluctuations in foreign currency exchange rates for significant planned purchases of fixed assets or commodities that are denominated in currencies other than the subsidiaries' functional currency. The Company also uses foreign exchange agreements to offset the foreign currency risk for receivables and payables, including intercompany receivables, payables, and loans, not denominated in, or indexed to, their functional currencies.

Cash Flow Hedges of Foreign Exchange Risk

The Company has variable-interest rate borrowings denominated in currencies other than the functional currency of the borrowing subsidiaries. As a result, the Company is exposed to fluctuations in the currency of the borrowing against the subsidiaries' functional currency. The Company uses derivatives to manage these exposures and designates these derivatives as cash flow hedges of foreign exchange risk.

During the first quarter of 2019, one of the Company's Euro-functional subsidiaries entered into a cross-currency swap that has a pay fixed notional amount of €184 million and a receive notional amount of $210 million. The swap reaches maturity in the fourth quarter of 2019. During 2018, two of the Company's subsidiaries, a New Zealand dollar functional currency subsidiary and an Australian dollar functional currency subsidiary, entered into a series of cross-currency swaps to U.S. dollar instruments with a fixed notional amount of $109 million and $168 million, respectively. They reach final maturity in 2022. During 2017, one of the Company's Euro-functional subsidiaries entered into a series of cross-currency swaps that have a pay fixed notional amount of €263 million and a receive notional amount of $310 million. They reach final maturity in 2023.

An unrecognized loss of $11 million at March 31, 2019, an unrecognized loss of $9 million at December 31, 2018 and an unrecognized loss of $6 million at March 31, 2018, related to these cross-currency swaps, were included in Accumulated OCI, and will be reclassified into earnings within the next twelve months.

Interest Rate Swaps Designated as Fair Value Hedges

The Company enters into interest rate swaps in order to maintain a capital structure containing targeted amounts of fixed and floating-rate debt and manage interest rate risk. The Company's fixed-to-variable interest rate swaps are accounted for as fair value hedges. The relevant terms of the swap agreements match the corresponding terms of the notes and therefore there is no hedge ineffectiveness. The Company recorded the net of the fair market values of the swaps as a long-term liability and short-term asset, along with a corresponding net decrease in the carrying value of the hedged debt.

Cash Flow Hedges of Interest Rate Risk

The Company enters into interest rate swaps in order to maintain a capital structure containing targeted amounts of fixed and floating-rate debt and manage interest rate risk. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments. These interest rate swap agreements were used to hedge the variable cash flows associated with variable-rate debt.

An unrecognized loss of less than $1 million at year ended March 31, 2019 and an unrecognized loss of less than $1 million at year ended December 31, 2018, related to these interest rate swaps, was included in Accumulated OCI, and will be reclassified into earnings within the next twelve months.

Net Investment Hedges

The Company is exposed to fluctuations in foreign exchange rates on investments it holds in non-U.S. subsidiaries and uses cross currency swaps to partially hedge this exposure.

Balance Sheet Classification

The following table shows the amount and classification (as noted above) of the Company's derivatives at March 31, 2019, December 31, 2018 and March 31, 2018:

	Fair Value of Hedge Assets			Fair Value of Hedge Liabilities		
	March 31, 2019	December 31, 2018	March 31, 2018	March 31, 2019	December 31, 2018	March 31, 2018
Derivatives designated as hedging instruments:						
Commodity forward contracts (a)	$ 3	$ 1	$ 4	$ -	$ -	$ -
Interest rate swaps - fair value hedges (b)	18	6	4		1	15
Cash flow hedges of foreign exchange risk (c)	18	10	6	4	1	26
Interest rate swaps - cash flow hedges (d)				1		
Net investment hedges (e)	6	6	4	4	8	1
Total derivatives accounted for as hedges	$ 45	$ 23	$ 18	$ 9	$ 10	$ 42
Derivatives not designated as hedges:						
Foreign exchange derivative contracts (f)	2	2		1	2	
Total derivatives	$ 47	$ 25	$ 18	$ 10	$ 12	$ 42
Current	$ 23	$ 19	$ 14	$ 3	$ 3	$ -
Noncurrent	24	6	4	7	9	42
Total derivatives	$ 47	$ 25	$ 18	$ 10	$ 12	$ 42

(a) The notional amounts of the commodity forward contracts were $20 million, $21 million and $31 million at March 31, 2019, December 31, 2018 and March 31, 2018, respectively. The maximum maturity dates were in 2020 for all three periods.

(b) The notional amounts of the interest rate swaps designated as fair value hedges were €725 million at March 31, 2019, December 31, 2018 and March 31, 2018, respectively. The maximum maturity dates were in 2024 for all three periods.

(c) The notional amounts of the cash flow hedges of foreign exchange risk were $797 million, $587 million and $310 million at March 31, 2019, December 31, 2018 and March 31, 2018, respectively. The maximum maturity dates were in 2023 for all three periods.

(d) The notional amounts of the interest rate swaps designated as cash flow hedges were $180 million and maximum maturity dates were 2020 at March 31, 2019 and December 31, 2018.

(e) The notional amounts of the net investment hedges were €160 million and maximum maturity dates were 2020 at March 31, 2019 and December 31, 2018.

(f) The notional amounts of the foreign exchange derivative contracts were $625 million, $470 million and $350 million and maximum maturity dates were 2019, 2019, and 2018 at March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Derivatives designated as hedging instruments:	Gain (Loss) Recognized in OCI (Effective Portion) March 31, 2019	March 31, 2018	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (1) March 31, 2019	March 31, 2018
Cash Flow Hedges				
Commodity forward contracts (a)	$ 2	$ 1	$ —	$ —
Cash flow hedges of foreign exchange risk (b)	7	(13)	(10)	(8)
Cash flow hedges of interest rate risk (c)				
Net Investment Hedges				
Net Investment Hedges	5		(2)	
	$ 14	$ (12)	$ (12)	$ (8)

Derivatives not designated as hedges:	Amount of Gain (Loss) Recognized in Other income (expense), net March 31, 2019	March 31, 2018
Foreign exchange derivative contracts	$ 6	$ —

(1) Gains and losses reclassified from accumulated OCI and recognized in income are recorded to (a) cost of goods sold, (b) other expense, net or (c) interest expense, net.

5. Restructuring Accruals

Selected information related to the restructuring accruals for the three months ended March 31, 2019 and 2018 is as follows:

	Employee Costs	Other Exit Costs	Total Restructuring
Balance at January 1, 2019	$ 47	$ 22	$ 69
Net cash paid, principally severance and related benefits	(13)	(2)	(15)
Other, including foreign exchange translation		(1)	(1)
Balance at March 31, 2019	$ 34	$ 19	$ 53

	Employee	Other	Total

	Costs	Exit Costs	Restructuring
Balance at January 1, 2018	$ 52	$ 33	$ 85
Net cash paid, principally severance and related benefits	(5)	(1)	(6)
Other, including foreign exchange translation	1	—	1
Balance at March 31, 2018	$ 48	$ 32	$ 80

In the past several years, the Company implemented several discrete restructuring initiatives and recorded restructuring, asset impairment and other charges associated with those actions. These charges consisted of employee costs, write-down of assets and other exit costs primarily related to plant and furnace closures in the Americas region. These restructuring charges were discrete actions and are expected to approximate the total cumulative costs for those actions as no significant additional costs are expected to be incurred. For the three months ended March 31, 2019 and 2018, the Company has paid severance and related benefits that were associated with the past restructuring actions. The Company expects that the majority of the remaining cash expenditures related to the accrued employee costs will be paid out over the next several years.

6. Pension Benefit Plans

The components of the net periodic pension cost for the three months ended March 31, 2019 and 2018 are as follows:

	U.S.		Non-U.S.	
	2019	2018	2019	2018
Service cost	$ 3	$ 4	$ 3	$ 4
Interest cost	15	15	8	8
Expected asset return	(22)	(25)	(12)	(13)
Amortization of actuarial loss	10	13	3	4
Net periodic pension cost	$ 6	$ 7	$ 2	$ 3

7. Leases

In the first quarter of 2019, the Company adopted ASC 842, Leases, and selected the modified retrospective transition as of the effective date of January 1, 2019 (the effective date method). Under the effective date method, financial results reported in periods prior to 2019 are unchanged.

The Company determines if an arrangement is a lease at inception. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses an estimated incremental borrowing rate at the lease commencement date to determine the present value of lease payments. The Company's incremental borrowing rate reflects a fully secured rate based on recent debt issuances, the credit rating of the Company, changes in currency, repayment timing of the lease, as well as publicly available data for instruments with similar characteristics when calculating incremental borrowing rates.

Certain lease agreements include terms with options to extend the lease, however none of these have been recognized in the Company's right-of-use assets or lease liabilities since those options were not reasonably certain to be exercised. Leases with a term of 12 months or less are not recorded on the balance sheet and lease expense for these leases is recognized on a straight-line basis over the lease term. The Company's lease agreements include lease payments that are largely fixed, do not contain material residual value guarantees or variable lease payments and no lease transactions with related parties. For the three months ended March 31, 2019, the Company's lease costs associated with leases with terms less than 12 months or variable lease costs were immaterial. Certain leases include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The Company's leases do not contain restrictions or covenants that restrict the Company from incurring other financial obligations.

The Company leases warehouses, office buildings and equipment under both operating and finance lease arrangements. Information related to leases is as follows:

	Three months ended

	March 31, 2019
Lease cost	
Finance lease cost:	
Amortization of right-of-use assets (included in Cost of goods sold and Selling and administrative expense)	$ 2
Interest on lease liabilities (included in Interest expense, net)	1
Operating lease cost (included in Cost of goods sold and Selling and administrative expense)	20
Total lease cost	$ 23
Other information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 20

Operating cash flows from finance leases	1
Financing cash flows from finance leases	2
Right-of-use assets obtained in exchange for new operating lease liabilities	5

	March 31, 2019
Supplemental balance sheet information	
Operating leases:	
Operating lease right-of-use assets (included in Other assets)	$ 199
Current operating lease liabilities (included in Other current liabilities)	61
Noncurrent operating lease liabilities (included in Other long-term liabilities)	138
Total operating lease liabilities	$ 199
Finance leases:	
Property, plant and equipment	$ 74
Accumulated amortization	(27)
Property, plant and equipment, net	47
Current finance lease liabilities (included in Long-term debt due within one year)	6
Noncurrent finance lease liabilities (included in Long-term debt)	37
Total finance lease liabilities	$ 43
Weighted-average remaining lease term (in years):	
Operating leases	5.1
Finance leases	7.2
Weighted-average discount rate:	
Operating leases	3.9 %
Finance leases	5.2 %

Maturity of lease liabilities	Operating leases	Finance leases
2019	$ 52	$ 8
2020	55	8
2021	35	8
2022	27	6
2023	18	6
2024 and thereafter	31	17
Total lease payments	218	53
Less: imputed interest	(19)	(10)
Total lease obligations	$ 199	$ 43
Minimum payments related to leases not yet commenced as of March 31, 2019	$ -	$ 85

8. Income Taxes

The Company calculates its interim tax provision using the estimated annual effective tax rate ("EAETR") methodology in accordance with ASC 740-270. The EAETR is applied to the year-to-date ordinary income, exclusive of discrete items. The tax effect of discrete items are then included to arrive at the total reported interim tax provision. The determination of the EAETR is based upon a number of estimates, including the estimated annual pretax ordinary income or loss in each tax jurisdiction in which the Company operates. The tax effects of discrete items are recognized in the tax provision in the quarter they occur in accordance with GAAP. Depending on various factors such as the item's significance in relation to total income and the rate of tax applicable in the jurisdiction to which it relates, discrete items in any quarter can materially impact the reported effective tax rate. The Company's annual effective tax rate may be affected by the mix of earnings in the U.S. and foreign jurisdictions and such factors as changes in tax laws, tax rates or regulations, changes in business, changing interpretation of existing tax laws or regulations, the finalization of tax audits and reviews, as well as other factors. As such, there can be significant volatility in interim tax provisions. The annual effective tax rate differs from the statutory U.S. Federal tax rate of 21% primarily because of varying non-U.S. tax rates.

The Company is currently under examination in various tax jurisdictions in which it operates, including Bolivia, Brazil, Canada, China, Colombia, France, Germany, Indonesia, and Italy. The years under examination range from 2004 through 2017. The Company has received tax assessments in excess of established reserves. The Company is contesting these tax assessments, and will continue to do so, including pursuing all available remedies such as appeals and litigation, if necessary. The Company believes that adequate provisions for all income tax uncertainties have been made. However, if tax assessments are settled against the Company at amounts in excess of established reserves, it could have a material impact on the Company's results of operations, financial position or cash flows.

9. Debt

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

	March 31, 2019	December 31, 2018	March 31, 2018
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$ 553	$ —	$ —
Term Loans:			
Term Loan A	897	897	
Previous Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans			462
Term Loans:			
Term Loan A			1,149
Other secured debt	504	404	
Senior Notes:			
6.75%, due 2020 (€500 million)	560	570	613
4.875%, due 2021 (€330 million)	369	376	404
5.00%, due 2022	497	497	496
4.00%, due 2023	307	306	305
5.875%, due 2023	688	688	686
3.125%, due 2024 (€725 million)	824	825	872
6.375%, due 2025	296	295	295
5.375%, due 2025	298	297	297
Finance leases	43	45	53
Other	18	14	19
Total long-term debt	5,854	5,214	5,651

Less amounts due within one year	34	33	11
Long-term debt	$ 5,820	$ 5,181	$ 5,640

The Company presents debt issuance costs in the balance sheet as a deduction of the carrying amount of the related debt liability.

On June 27, 2018, certain of the Company's subsidiaries entered into a new Senior Secured Credit Facility (the "Agreement"), which amended and restated the previous credit agreement (the "Previous Agreement"). The proceeds from the Agreement were used to repay all outstanding amounts under the Previous Agreement. The Company recorded $11 million of additional interest charges for the write-off of unamortized fees in the second quarter of 2018.

The Agreement provides for up to $1.910 billion of borrowings pursuant to term loans and revolving credit facilities. The term loans mature, and the revolving credit facilities terminate, in June 2023. At March 31, 2019, the Agreement includes a $300 million revolving credit facility, a $700 million multicurrency revolving credit facility, and a $910 million term loan A facility ($897 million net of debt issuance costs). At March 31, 2019, the Company had unused credit of $434 million available under the Agreement. The weighted average interest rate on borrowings outstanding under the Agreement at March 31, 2019 was 3.88%.

The Agreement contains various covenants that restrict, among other things and subject to certain exceptions, the ability of the Company to incur certain indebtedness and liens, make certain investments, become liable under contingent obligations in certain defined instances only, make restricted payments, make certain asset sales within guidelines and limits, engage in certain affiliate transactions, participate in sale and leaseback financing arrangements, alter its fundamental business, and amend certain subordinated debt obligations.

The Agreement also contains one financial maintenance covenant, a Total Leverage Ratio (the “Leverage Ratio”), that requires the Company not to exceed a ratio of 4.5x calculated by dividing consolidated total debt, less cash and cash equivalents, by Consolidated EBITDA, as defined in the Agreement. The maximum Leverage Ratio is subject to an increase of 0.5x for (i) any fiscal quarter during which certain qualifying acquisitions (as specified in the Agreement) are consummated and (ii) the following three fiscal quarters. 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.

Failure to comply with these covenants and other customary restrictions could result in an event of default under the Agreement. In such an event, the Company could not request borrowings under the revolving facilities, and all amounts outstanding under the Agreement, together with accrued interest, could then be declared immediately due and payable. Upon the occurrence and for the duration of a payment event of default, an additional default interest rate equal to 2.0% per annum will apply to all overdue obligations under the Agreement. 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. As of March 31, 2019, 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.

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, plus an applicable margin. The applicable margin is linked to the Leverage Ratio. The margins range from 1.00% to 1.50% for Eurocurrency Loans and from 0.00% to 0.50% for Base Rate Loans. In addition, a commitment fee is payable on the unused revolving credit facility commitments ranging from 0.20% to 0.30% per annum linked to the Leverage Ratio.

Obligations under the Agreement are secured by substantially all of the assets, excluding real estate and certain other excluded assets, of certain of the Company’s domestic subsidiaries and certain foreign subsidiaries. Such obligations are also secured by a pledge of intercompany debt and equity investments in certain of the Company’s domestic subsidiaries and, in the case of foreign obligations, of stock of certain foreign subsidiaries. All obligations under the Agreement are guaranteed by certain domestic subsidiaries of the Company, and certain foreign obligations under the Agreement are guaranteed by certain foreign subsidiaries of the Company.

In order to maintain a capital structure containing appropriate amounts of fixed and floating-rate debt, the Company has entered into a series of interest rate swap agreements. These interest rate swap agreements were accounted for as either fair value hedges or cash flow hedges (see Note 4).

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

Fair values at March 31, 2019 of the Company's significant fixed rate debt obligations are as follows:

	Principal Amount	Indicated Market Price	Fair Value
Senior Notes:			
6.75%, due 2020 (€500 million)	$ 562	$ 109.50	$ 615
4.875%, due 2021 (€330 million)	371	109.09	405
5.00%, due 2022	500	102.64	513
5.875%, due 2023	700	104.88	734
4.00%, due 2023	310	105.36	327
3.125%, due 2024 (€725 million)	814	98.51	802
6.375%, due 2025	300	105.88	318
5.375%, due 2025	300	101.97	306

10. Contingencies

Asbestos

From 1948 to 1958, one of the Company's former business units commercially produced and sold approximately $40 million of a high-temperature, calcium-silicate based pipe and block insulation material containing asbestos. The Company sold its insulation business unit in April 1958. The Company receives claims from individuals alleging bodily injury and death as a result of exposure to asbestos from this product ("Asbestos Claims"). Some Asbestos Claims are brought as personal injury lawsuits that typically allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and, in some cases, punitive damages.

Predominantly, however, Asbestos Claims are presented to the Company under administrative claims-handling agreements, which the Company has in place with many plaintiffs' counsel throughout the country ("Administrative Claims"). Administrative Claims require evaluation and negotiation regarding whether particular claimants qualify under the criteria established by the related claims-handling agreements. The criteria for Administrative Claims include verification of a compensable illness and a reasonable probability of exposure to a product manufactured by the Company's former business unit during its manufacturing period ending in 1958. Plaintiffs' counsel present, and the Company negotiates, Administrative Claims under these various agreements in differing quantities, at different times, and under a variety of conditions.

As of March 31, 2019, the Company had approximately 1,070 asbestos lawsuits pending. These pending lawsuits do not include an estimate of potential Administrative Claims that may be presented under a claims-handling agreement due to the uncertainties around presentation timing, quantities, or qualification rates. The Company considers Administrative Claims to be filed and disposed when they are accepted for payment.

The lack of uniform rules in lawsuit pleading practice, technical pleading requirements in some jurisdictions, local rules, and other factors cause considerable variation in the specific amounts of monetary damages asserted. In the Company's experience, the monetary relief alleged in a lawsuit bears little relationship to an Asbestos Claim's merits or its disposition value. Rather, several variables, including but not limited to, the type and severity of the asbestos disease, medical history, and exposure to other disease-causing agents; the product identification evidence against the Company and other co-defendants; the defenses available to the Company and other co-defendants; the specific jurisdiction in which the claim is made; the applicable law; and the law firm representing the claimant, affect the value.

The Company has also been a defendant in other Asbestos Claims involving maritime workers, medical monitoring, co-defendants' third-party actions, and property damage allegations. Based upon its experience, the Company believes that these categories of Asbestos Claims will not involve any material liability. Therefore, they are not included in the description of pending or disposed matters.

Since receiving its first Asbestos Claim, as of March 31, 2019, the Company in the aggregate has disposed of approximately 400,600 Asbestos Claims at an average indemnity payment of approximately $10,000 per claim. The Company's asbestos indemnity payments have varied on a per-claim basis and are expected to continue to vary considerably over time. Asbestos-related cash payments for 2018, 2017, and 2016 were $105 million, $110 million, and $125 million, respectively. The Company's cash payments per claim disposed (inclusive of legal costs) were approximately $86,000, $83,000 and $71,000 for the years ended December 31, 2018, 2017, and 2016, respectively.

The Company's objective is to achieve, where possible, resolution of Asbestos Claims pursuant to claims-handling agreements. Failure of claimants to meet certain medical and product exposure criteria in claims-handling agreements generally has reduced the number of claims that would otherwise have been received by the Company in the tort system. In addition, changes in jurisdictional dynamics, legislative acts, asbestos docket management and procedures, the substantive law, the co-defendant pool, and other external factors have affected lawsuit volume, claim volume, qualification rates, claim values, and related matters. Collectively, these variables generally have had the effect of increasing the Company's per-claim average indemnity payment over time.

Beginning with the initial liability of $975 million established in 1993, the Company has accrued a total of approximately $5.0 billion through March 31, 2019, before insurance recoveries, for its asbestos-related liability. The Company's estimates of its liability have been significantly affected by, among other factors, the volatility of asbestos-related litigation in the United States, the significant number of co-defendants that have filed for bankruptcy, changes in mortality rates, the inherent uncertainty of future disease incidence and claiming patterns against the Company, the significant expansion of the types of defendants that are now sued in this litigation, and the continuing changes in the extent to which these defendants participate in the resolution of cases in which the Company is also a defendant.

The Company continues to monitor trends that may affect its ultimate liability and analyze the developments and variables likely to affect the resolution of Asbestos Claims against the Company. The material components of the Company's total accrued liability are determined by the Company in connection with its annual comprehensive legal review and consist of the following estimates, to the extent it is probable that such liabilities have been incurred and can be reasonably estimated: (i) the liability for Asbestos Claims already asserted against the Company; (ii) the liability for Asbestos Claims not yet asserted against the Company; and (iii) the legal defense costs estimated to be incurred in connection with the Asbestos Claims already asserted and those Asbestos Claims the Company believes will be asserted.

The Company conducts an annual comprehensive legal review of its asbestos-related liabilities and costs in connection with finalizing and reporting its annual results of operations, unless significant changes in trends or new developments warrant an earlier review. As part of its annual comprehensive legal review, the Company provides historical Asbestos Claims' data to a third party with expertise in determining the impact of disease incidence and mortality on future filing trends to develop information to assist the Company in estimating the total number of future Asbestos Claims likely to be asserted against the Company. The Company uses this estimate, along with an estimation of disposition costs and related legal costs, as inputs to develop its best estimate of its total probable liability. If the results of the annual comprehensive legal review indicate that the existing amount of the accrued liability is lower (higher) than its reasonably estimable asbestos-related costs, then the Company will record an appropriate charge (credit) to the Company's results of operations to increase (decrease) the accrued liability.

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

a) settlements will continue to be limited almost exclusively to claimants who were exposed to the Company's asbestos containing insulation prior to its exit from that business in 1958;

b) Asbestos Claims will continue to be resolved primarily under the Company's administrative claims-handling agreements or on terms comparable to those set forth in those agreements;

c) the incidence of serious asbestos-related disease cases and claiming patterns against the Company for such cases do not change materially;

d) the Company is substantially able to defend itself successfully at trial and on appeal;

e) the number and timing of additional co-defendant bankruptcies do not change significantly the assets available to participate in the resolution of cases in which the Company is a defendant; and

f) co-defendants with substantial resources and assets continue to participate significantly in the resolution of future Asbestos Claims.

For the years ended December 31, 2018 and 2017, the Company concluded that accruals in the amounts of $602 million and $582 million, respectively, were required. These amounts have not been discounted for the time value of money. The Company's comprehensive legal reviews resulted in charges of $125 million, $0 million and $0 million for the years ended December 31, 2018, 2017 and 2016, respectively. As previously disclosed, the Company anticipated that adjustments to its asbestos-related accruals were possible given the inherent uncertainties involved in asbestos litigation. In the fourth quarter of 2018, the Company determined that it was advantageous to accelerate the disposition of certain claims in light of additional information the Company obtained about higher estimated future claim volumes and values in certain of the affected discrete streams of potential liability. Factors impacting the increased likelihood of these additional losses included changes in the law, procedure, the expansion of judicial resources in certain jurisdictions, and renewed attention to dockets of non-mesothelioma cases. The Company also obtained new information about other Asbestos Claims, which had the effect of reducing its asbestos-related liability. The combined effect of these items resulted in a change in estimate of the Company's asbestos-related liability.

The Company believes that it is reasonably possible that it will incur a loss for its asbestos-related liabilities in excess of the amount currently recognized, which was $602 million as of December 31, 2018. The Company estimated that reasonably possible losses could result in asbestos-related liabilities of approximately $722 million. This estimate of additional reasonably possible loss reflects a qualitative judgment regarding the nature of contingencies that could impact future Asbestos Claims and legal costs, which include, but are not limited to, successful attempts by plaintiffs to challenge existing legal barriers to entry, enact plaintiff-oriented procedural rules or liability or damage-related legislation, establish new theories of liability, revive long-dormant inventories of non-mesothelioma cases, or leverage changing jurisdictional dynamics and a changing litigation environment to increase the volume of Asbestos Claims presented or per-claim indemnity values. However, it is also possible that the ultimate amount of asbestos-related liabilities could be above this estimate.

The Company expects a significant majority of the total number of Asbestos Claims to be received in the next five to seven years. This timeframe appropriately reflects the mortality of current and expected claimants in light of the Company's sale of its insulation business unit in 1958. The Company may continue to experience increased year-over-year variability with regard to the annual quantity of Asbestos Claims presented to and disposed by the Company. This increased variability, jurisdictional dynamics, a changing litigation environment, the size of the remaining pool of claimants, and the expected increase in mortality over the next five to seven years may present the Company with further opportunities to accelerate disposition of discrete parts of its claimant pool. These influences may create increased variability in the annual cash payments year-over-year.

The Company's asbestos-related liability is based on a projection of new Asbestos Claims that will eventually be filed against the Company and the estimated average disposition cost of these claims and related legal costs. Changes in these projections, and estimates, as well as changes in the significant assumptions noted above, have the potential to significantly impact the estimation of the Company's asbestos-related liability.

Other Matters

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.

11. Share Owners' Equity

The activity in share owners' equity for the three months ended March 31, 2019 and 2018 is as follows:

	Share Owners' Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners' Equity
Balance on January 1, 2019	$ 2	3,124	(705)	333	(1,968)	114	$ 900
Reissuance of common stock (0.1 million shares)		2	3				5
Treasury shares purchased (2.1 million shares)			(38)				(38)
Stock compensation (0.5 million shares)		4					4
Net earnings				79		5	84
Other comprehensive income					57	3	60
Other			(5)				(5)
Balance on March 31, 2019	$ 2	$ 3,130	$ (745)	$ 412	$ (1,911)	$ 122	$ 1,010

	Share Owners' Equity of the Company						
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Share Owners' Equity
Balance on January 1, 2018	$ 2	3,099	(551)	84	(1,826)	119	$ 927
Reissuance of common stock (.03 million shares)			1				1
Treasury shares purchased (2.0 million shares)			(45)				(45)
Stock compensation (0.5 million shares)		5					5
Net earnings				98		5	103
Other comprehensive income					122	6	128
Balance on March 31, 2018	$ 2	$ 3,104	$ (595)	$ 182	$ (1,704)	$ 130	$ 1,119

During the three months ended March 31, 2019 and 2018, the Company purchased 2,064,652 and 1,999,759 shares of its common stock for approximately $38 million and $45 million, respectively. The stock purchases were pursuant to the authorization by its Board of Directors that had approximately $512 million in remaining purchase authority as of March 31, 2019.

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

	Shares Outstanding (in thousands)		
	March 31, 2019	December 31, 2018	March 31, 2018
Shares of common stock issued (including treasury shares)	188,348	186,576	186,324
Treasury shares	33,117	30,918	24,617

12. Accumulated Other Comprehensive Loss

The activity in accumulated other comprehensive loss for the three months ended March 31, 2019 and 2018 is as follows:

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments		Employee Benefit Plans		Total Accumulated Other Comprehensive Loss
Balance on January 1, 2019	$ (889)	(18)		(1,061)		$ (1,968)
Change before reclassifications	46	(2)		(2)		42
Amounts reclassified from accumulated other comprehensive income		3	(a)	13	(b)	16
Translation effect		2		(5)		(3)
Tax effect		2				2
Other comprehensive income attributable to the Company	46	5		6		57
Balance on March 31, 2019	$ (843)	$ (13)		$ (1,055)		$ (1,911)

	Net Effect of Exchange Rate Fluctuations	Change in Certain Derivative Instruments		Employee Benefit Plans		Total Accumulated Other Comprehensive Loss
Balance on January 1, 2018	$ (723)	$ (12)		$ (1,091)		$ (1,826)
Change before reclassifications	120			(4)		116
Amounts reclassified from accumulated other comprehensive income		(4)	(a)	17	(b)	13
Translation effect		(1)		(6)		(7)
Tax effect						—
Other comprehensive income (loss) attributable to the Company	120	(5)		7		122
Balance on March 31, 2018	$ (603)	$ (17)		$ (1,084)		$ (1,704)

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

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

13. Other Expense (Income), net

Other expense (income), net for the three months ended March 31, 2019 and 2018 included the following:

	Three months ended March 31, 2019	2018
Foreign currency exchange loss	$ 3	2

Intangible amortization expense	10	10
Royalty income	(3)	(3)
Other expense (income), net		(12)
	$ 10	$ (3)

14. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended March 31,	
	2019	2018
Numerator:		
Net earnings attributable to the Company	$ 79	$ 98
Denominator (in thousands):		
Denominator for basic earnings per share-weighted average shares outstanding	154,361	162,919
Effect of dilutive securities:		
Stock options and other	2,274	2,267
Denominator for diluted earnings per share-adjusted weighted average shares outstanding	156,635	165,186
Basic earnings per share:		
Earnings from continuing operations	$ 0.51	$ 0.60
Loss from discontinued operations		—
Net earnings	$ 0.51	$ 0.60
Diluted earnings per share:		
Earnings from continuing operations	$ 0.51	$ 0.59
Loss from discontinued operations		—
Net earnings	$ 0.51	$ 0.59

Options to purchase 1,496,298 and 1,802,122 weighted average shares of common stock, which were outstanding during the three months ended March 31, 2019 and 2018, respectively, were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares.

15. Supplemental Cash Flow Information

Income taxes paid (received) in cash were as follows:

	Three months ended March 31,	
	2019	2018
U.S.	$ (7)	$ 3
Non-U.S.	33	31
Total income taxes paid in cash	$ 26	$ 34

Interest paid in cash for the three months ended March 31, 2019 and 2018 was $70 million and $69 million, respectively.

The Company uses various factoring programs to sell certain receivables to financial institutions as part of managing its cash flows. At March 31, 2019, December 31, 2018 and March 31, 2018, the amount of receivables sold by the Company was $303 million, $600 million and $216 million, respectively. Any continuing involvement with the sold receivables is immaterial.

16. Discontinued Operations

On December 6, 2018, an ad hoc committee for the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") rejected the request by the Bolivarian Republic of Venezuela ("Venezuela") to annul the award issued by an ICSID tribunal in favor of OI European Group B.V. ("OIEG") related to the 2010 expropriation of OIEG's majority interest in two plants in Venezuela (the "Award"). The annulment proceeding with respect to the Award is now concluded.

On July 31, 2017, OIEG sold its right, title and interest in amounts due under the Award to an Ireland-domiciled investment fund. Under the terms of the sale, OIEG received a payment, in cash, at closing equal to $115 million (the

"Cash Payment"). OIEG may also receive additional payments in the future ("Deferred Amounts") calculated based on the total compensation that is received from Venezuela as a result of collection efforts or as settlement of the Award with Venezuela. OIEG's right to receive any Deferred Amounts is subject to the limitations described below.

OIEG's interest in any amounts received in the future from Venezuela in respect of the Award is limited to a percentage of such recovery after taking into account reimbursement of the Cash Payment to the purchaser and reimbursement of legal fees and expenses incurred by the Company and the purchaser. OIEG's percentage of such recovery will also be reduced over time. Because the Award has yet to be satisfied and the ability to successfully enforce the Award in countries that are party to the ICSID Convention is subject to significant challenges, the Company is unable to reasonably predict the amount of recoveries from the Award, if any, to which the Company may be entitled in the future. Any future amounts that the Company may receive from the Award are highly speculative and the timing of any such future payments, if any, is highly uncertain. As such, there can be no assurance that the Company will receive any future payments under the Award beyond the Cash Payment.

A separate arbitration involving other subsidiaries of the Company was initiated in 2012 to obtain compensation primarily for third-party minority shareholders' lost interests in the two expropriated plants. However, on November 13, 2017, ICSID issued an award that dismissed this arbitration on jurisdiction grounds. In March 2018, the two subsidiaries of the Company submitted to ICSID an application to annul the November 13, 2017 award; they have since submitted a pleading seeking annulment.

As a result of the favorable ruling by an ICSID ad hoc committee rejecting Venezuela's request to annul the OIEG Award, and thereby concluding those annulment proceedings, the Company recognized a $115 million gain from discontinued operations in the fourth quarter of 2018. The Loss from discontinued operations, which primarily reflects the ongoing costs for the Venezuelan expropriation, was less than $1 million for each of the three month periods ended March 31, 2019 and 2018.

17. New Accounting Pronouncement

Leases - On January 1, 2019, the Company adopted ASU No. 2016-02, "Leases". Under this guidance, lessees are required to recognize on the balance sheet a lease liability and a right-of-use asset for all leases, with the exception of short-term leases. The adoption of ASU No. 2016-02 had a significant impact on the Company's consolidated balance sheet due to the recognition of approximately $214 million of lease liabilities with corresponding right-of-use assets for operating leases as of January 1, 2019. The adoption of ASU No. 2016-02 had no material impact on the Company's retained earnings, consolidated results of operations or consolidated cash flows.

The Company elected the package of practical expedients relating to the identification, classification and initial direct costs of leases commencing before the effective date, and the transitional practical expedient for the treatment of existing land easements; however, the Company did not elect the hindsight transitional practical expedient. The Company has also elected the practical expedient to not account for lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) separately from the nonlease components (e.g., common-area maintenance costs). See Note 7, Leases, for additional information.

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

Income Taxes - In January 2018, the FASB issued ASU 2018-02, “Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” which gives entities the option to reclassify to retained earnings the tax effects resulting from the U.S. Tax Cuts and Jobs Act (the “Act”) related to items in Accumulated other comprehensive income (“AOCI”) that the FASB refers to as having been stranded in AOCI. The new guidance may be applied retrospectively to each period in which the effect of the Act is recognized in the period of adoption. The Company must adopt this guidance for fiscal years beginning after December

15, 2018 and interim periods within those fiscal years. The Company adopted this standard in the first quarter of 2019. The Company has not elected to reclassify income tax effects of the Act from AOCI to retained earnings.

Disclosure Requirements for Fair Value Measurement - In August 2018, the FASB issued ASU No. 2018-13, “Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement” which modifies the fair value disclosure requirements. Application of the standard is required for annual periods beginning after December 15, 2019. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

Disclosure Requirements for Defined Benefit Plans - In August 2018, the FASB issued ASU No. 2018-14, “Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans” which modifies the defined benefit plan disclosure requirements. Application of the standard is required for annual periods beginning after December 15, 2020. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's measure of profit for its reportable segments is segment operating profit, which consists of consolidated earnings from continuing operations before interest income, interest expense, and provision for income taxes and excludes amounts related to certain items that management considers not representative of ongoing operations as well as certain retained corporate costs. The segment data presented below is prepared in accordance with general accounting principles for segment reporting. The lines titled "reportable segment totals" in both net sales and segment operating profit, however, are non-GAAP measures when presented outside of the financial statement footnotes. Management has included reportable segment totals below to facilitate the discussion and analysis of financial condition and results of operations and believes this information allows the board of directors, management, investors and analysts to better understand the Company's financial performance. The Company's management uses segment operating profit, in combination with net sales and selected cash flow information, to evaluate performance and to allocate resources. Segment operating profit is not, however, intended as an alternative measure of operating results as determined in accordance with U.S. GAAP and is not necessarily comparable to similarly titled measures used by other companies.

Financial information for the three months ended March 31, 2019 and 2018 regarding the Company's reportable segments is as follows (dollars in millions):

	Three months ended March 31,	
	2019	2018
Net Sales:		
Americas	$ 881	$ 908
Europe	596	643
Asia Pacific	151	173
Reportable segment totals	1,628	1,724
Other	10	12
Net Sales	$ 1,638	$ 1,736

	Three months ended March 31,	
	2019	2018
Segment operating profit:		
Americas	$ 113	$ 147
Europe	79	72
Asia Pacific	8	5
Reportable segment totals	200	224
Items excluded from segment operating profit:		
Retained corporate costs and other	(24)	(27)
Interest expense, net	(65)	(62)
Earnings from continuing operations before income taxes	111	135
Provision for income taxes	(27)	(32)
Earnings from continuing operations	84	103
Loss from discontinued operations		
Net earnings	84	103
Net (earnings) attributable to noncontrolling interests	(5)	(5)

Net earnings attributable to the Company	$ 79	$ 98
Net earnings from continuing operations attributable to the Company	$ 79	$ 98

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

Executive Overview — Quarters ended March 31, 2019 and 2018

First Quarter 2019 Highlights

- Net sales in the first quarter of 2019 were down nearly 6% from the same quarter in 2018, primarily due to the unfavorable effects of changes in foreign currency exchange rates and lower volumes, partially offset by higher prices.
- Segment operating profit for reportable segments was down nearly 11% in the first quarter of 2019 compared to the first quarter of 2018. Higher segment profit in Europe and Asia Pacific was more than offset by lower segment profit in the Americas.
- The Company repurchased 2.1 million shares of its common stock for approximately $38 million and paid a $0.05 per share dividend of nearly $8 million.
- On April 1, 2019, the Company entered into a definitive agreement to acquire a four furnace glass plant located near Mexico City, Mexico for approximately $188 million, subject to customary closing conditions, including competition authority approval, and is expected to close in the second half of 2019. This plant produces glass containers for Grupo Modelo brands, which include Corona, Modelo Especial and Pacifico.

Net sales for the first quarter of 2019 were $98 million lower than the first quarter of the prior year primarily due to the unfavorable effect of changes in foreign currency exchange rates and lower sales volumes, partially offset by higher prices.

Earnings from continuing operations before income taxes were $24 million lower in the first quarter of 2019 than the prior year quarter, primarily due to lower segment operating profit. Segment operating profit for reportable segments for the first quarter of 2019 was $24 million lower than the first quarter of the prior year. The decrease was largely due to the unfavorable effect of changes in foreign currency, lower sales volumes and higher operating costs, partially offset by higher selling prices. Higher segment profit in Europe and Asia Pacific was more than offset by lower segment profit in the Americas.

Net interest expense for the first quarter of 2019 increased $3 million compared to the first quarter of 2018, primarily due to higher debt balances throughout the quarter.

For the first quarter of 2019, the Company recorded net earnings from continuing operations attributable to the Company of $79 million, or $0.51 per share (diluted), compared to $98 million, or $0.59 per share (diluted), in the first quarter of 2018.

Results of Operations — First Quarter of 2019 compared with First Quarter of 2018

Net Sales

The Company's net sales in the first quarter of 2019 were $1,638 million compared with $1,736 million for the first quarter of 2018, a decrease of $98 million, or nearly 6%. Unfavorable foreign currency exchange rates decreased sales by $97 million in the first quarter of 2019 compared to the prior year quarter as the U.S. dollar strengthened against all of the significant local currencies that impact the Company. Higher selling prices increased net sales by $42 million in the quarter. Total glass container shipments, in tonnes, were down approximately 2.5% in the first quarter of 2019 compared to the prior year quarter. Sales volume and mix decreased net sales by $41 million.

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

Reportable segment net sales - 2018		$ 1,724
Price	$ 42	
Sales volume and mix	(41)	
Effects of changing foreign currency rates	(97)	
Total effect on reportable segment net sales		(96)
Reportable segment net sales - 2019		$ 1,628

Americas: Net sales in the Americas in the first quarter of 2019 were $881 million compared with $908 million for the first quarter of 2018, a decrease of $27 million, or 3%. Higher selling prices increased net sales by $27 million in the first quarter of 2019. Total glass container shipments in the region were down nearly 2% in the first quarter of 2019 compared to the prior year quarter, driven primarily by lower shipments to alcoholic beverage customers. Year over year shipments in Brazil, Mexico and Peru were strong in the first quarter. In the U.S., sales volumes were primarily impacted by lower shipments to alcoholic beverage customers, largely due to ongoing trends in beer shipments and the transfer of production to the Company's joint venture with Constellation Brands. Overall, lower shipments in the region decreased net sales by $21 million in the first quarter of 2019. The unfavorable effects of foreign currency exchange rate changes decreased net sales $33 million in the first quarter of 2019 compared to 2018.

Europe: Net sales in Europe in the first quarter of 2019 were $596 million compared with $643 million for the first quarter of 2018, a decrease of $47 million, or 7%. Unfavorable foreign currency exchange rates impacted the region by approximately $51 million in the first quarter of 2019 as the Euro weakened in relation to the U.S. dollar. Glass container shipments in the first quarter of 2019 were down approximately 2.5% compared to the first quarter of 2018, primarily driven by capacity constraints, resulting in $11 million of lower net sales. Selling prices in Europe increased net sales by $15 million in the first quarter of 2019 compared to the same period in the prior year.

Asia Pacific: Net sales in Asia Pacific in the first quarter of 2019 were $151 million compared with $173 million for the first quarter of 2018, a decrease of $22 million, or 13%. Glass container shipments in the first quarter of 2019 were down nearly 6%, primarily driven by lower shipments to alcoholic beverage customers in Australia as they rebalanced their supply chains. This resulted in $9 million of lower net sales in the first quarter of 2019 compared to the prior year quarter. The unfavorable effects of foreign currency exchange rate changes in the current year quarter decreased net sales by $13 million in the first quarter of 2019.

Earnings from Continuing Operations before Income Taxes and Segment Operating Profit

Earnings from continuing operations before income taxes were $111 million in the first quarter of 2019 compared to $135 million in the first quarter of 2018, a decrease of $24 million, or 18%. This decrease was largely due to the unfavorable effect of changes in foreign currency, lower sales volumes and higher operating costs, partially offset by higher selling prices.

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

Segment operating profit of reportable segments in the first quarter of 2019 was $200 million compared to $224 million for the first quarter of 2018, a decrease of $24 million, or 11%. This decrease was largely due to the unfavorable effect of changes in foreign currency, lower sales volumes and higher operating costs, partially offset by higher selling prices.

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

Reportable segment operating profit - 2018		$ 224
Price	$ 42	
Sales volume and mix	(9)	
Operating costs	(45)	

Effects of changing foreign currency rates	(12)	
Total net effect on reportable segment operating profit		(24)
Reportable segment operating profit - 2019		$ 200

Americas: Segment operating profit in the Americas in the first quarter of 2019 was $113 million compared with $147 million in the first quarter of 2018, a decrease of $34 million, or 23%. The decrease in sales volume discussed above decreased segment operating profit in the current year quarter by $3 million. Higher selling prices increased segment operating profit by $27 million in the current year quarter compared to the prior year quarter. Segment operating profit was impacted by $55 million of higher operating costs in the first quarter of 2019 than the same quarter in the prior year, driven by cost inflation and costs incurred to add production capacity at several plants. Segment operating profit in the region was also impacted by $4 million of lower insurance gains in the first quarter of 2019 than in the prior year. Partially offsetting this, the region's previous restructuring actions have reduced operating costs by approximately $8 million in the first quarter of 2019, in line with management's expectations. The effects of foreign currency exchange rates decreased segment operating profit by $7 million in the current year quarter, which included a $2 million impact from the highly-inflationary basis of accounting in the region's operation in Argentina.

Europe: Segment operating profit in Europe in the first quarter of 2019 was $79 million compared with $72 million in the first quarter of 2018, an increase of $7 million, or 10%. The decrease in sales volume discussed above decreased segment operating profit in the current year quarter by $3 million. The effects of foreign currency exchange rates decreased segment operating profit by $5 million in the current year quarter. Higher selling prices increased segment operating profit by $15 million in the current quarter compared to the prior year quarter. Overall, operating costs in the first quarter of 2019 were comparable to the same period in the prior year but included two offsetting items. The impact of cost inflation and other costs increased the region's operating costs by approximately $11 million in the first quarter of 2019 compared to the same period in the prior year. This was offset by an energy credit from a local government entity of approximately $11 million that had been recorded in the second quarter of the prior year. In the future, the region expects to receive this energy credit ratably throughout the year rather than at one-time.

Asia Pacific: Segment operating profit in Asia Pacific in the first quarter of 2019 was $8 million compared with $5 million in the first quarter of 2018, an increase of $3 million, or 60%. The decrease in sales volume discussed above reduced segment operating profit by $3 million. The region experienced approximately $10 million of lower operating costs, which benefited segment operating income, in the first quarter of 2019 compared to the prior year quarter due to fewer asset improvement projects in the current year quarter. In addition, the region was impacted by the nonoccurrence of a $4 million gain related to a land sale that was recorded in the first quarter of 2018.

Interest Expense, Net

Net interest expense for the first quarter of 2019 was $65 million compared with $62 million for the first quarter of 2018 and increased due to higher debt balances throughout the quarter.

Provision for Income Taxes

The Company's effective tax rate from continuing operations for the three months ended March 31, 2019 was 24.3% compared with 23.7% for the three months ended March 31, 2018. The effective tax rate for the first quarter of 2019 was higher than the first quarter of 2018 due, in part, to the geographic mix of earnings.

The Company expects that the full year effective tax rate for 2019 will range between approximately 23% and 25% (excluding the tax on items that management considers not representative of ongoing operations).

Net Earnings from Continuing Operations Attributable to the Company

For the first quarter of 2019, the Company recorded earnings from continuing operations attributable to the Company of $79 million, or $0.51 per share (diluted), compared to $98 million, or $0.59 per share (diluted), in the first quarter of 2018.

Items excluded from Reportable Segment Totals

Retained Corporate Costs and Other

Retained corporate costs and other for the first quarter of 2019 were $24 million compared with $27 million recorded in the first quarter of 2018. These costs were lower in 2019 primarily due to management incentive compensation expense.

Discontinued Operations

On December 6, 2018, an ad hoc committee for the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") rejected the request by the Bolivarian Republic of Venezuela ("Venezuela") to annul the award issued by an ICSID tribunal in favor of OI European Group B.V. ("OIEG") related to the 2010 expropriation of OIEG's majority interest in two plants in Venezuela (the "Award"). The annulment proceeding with respect to the Award is now concluded.

On July 31, 2017, OIEG sold its right, title and interest in amounts due under the Award to an Ireland-domiciled investment fund. Under the terms of the sale, OIEG received a payment, in cash, at closing equal to $115 million (the "Cash Payment"). OIEG may also receive additional payments in the future ("Deferred Amounts") calculated based on the total compensation that is received from Venezuela as a result of collection efforts or as settlement of the Award with Venezuela. OIEG's right to receive any Deferred Amounts is subject to the limitations described below.

OIEG's interest in any amounts received in the future from Venezuela in respect of the Award is limited to a percentage of such recovery after taking into account reimbursement of the Cash Payment to the purchaser and reimbursement of legal fees and expenses incurred by the Company and the purchaser. OIEG's percentage of such recovery will also be reduced over time. Because the Award has yet to be satisfied and the ability to successfully enforce the Award in countries that are party to the ICSID Convention is subject to significant challenges, the Company is unable to reasonably predict the amount of recoveries from the Award, if any, to which the Company may be entitled in the future. Any future amounts that the Company may receive from the Award are highly speculative and the timing of any such future payments, if any, is highly uncertain. As such, there can be no assurance that the Company will receive any future payments under the Award beyond the Cash Payment.

A separate arbitration involving other subsidiaries of the Company was initiated in 2012 to obtain compensation primarily for third-party minority shareholders' lost interests in the two expropriated plants. However, on November 13, 2017, ICSID issued an award that dismissed this arbitration on jurisdiction grounds. In March 2018, the two subsidiaries of the Company submitted to ICSID an application to annul the November 13, 2017 award; they have since submitted a pleading seeking annulment.

As a result of the favorable ruling by an ICSID ad hoc committee rejecting Venezuela's request to annul the OIEG Award, and thereby concluding those annulment proceedings, the Company recognized a $115 million gain from discontinued operations in the fourth quarter of 2018. The Loss from discontinued operations, which primarily reflects the ongoing costs for the Venezuelan expropriation, was less than $1 million for each of the three month periods ended March 31, 2019 and 2018.

Capital Resources and Liquidity

On June 27, 2018, certain of the Company's subsidiaries entered into a new Senior Secured Credit Facility (the "Agreement"), which amended and restated the previous credit agreement (the "Previous Agreement"). The proceeds from the Agreement were used to repay all outstanding amounts under the Previous Agreement. The Company recorded $11 million of additional interest charges for the write-off of unamortized fees in the second quarter of 2018.

The Agreement provides for up to $1.910 billion of borrowings pursuant to term loans and revolving credit facilities. The term loans mature, and the revolving credit facilities terminate, in June 2023. At March 31, 2019, the Agreement includes a $300 million revolving credit facility, a $700 million multicurrency revolving credit facility, and a $910 million term loan A facility ($897 million net of debt issuance costs). At March 31, 2019, the Company had unused credit of $434 million available under the Agreement. The weighted average interest rate on borrowings outstanding under the Agreement at March 31, 2019 was 3.88%.

The Agreement contains various covenants that restrict, among other things and subject to certain exceptions, the ability of the Company to incur certain indebtedness and liens, make certain investments, become liable under contingent obligations in certain defined instances only, make restricted payments, make certain asset sales within guidelines and limits, engage in certain affiliate transactions, participate in sale and leaseback financing arrangements, alter its fundamental business, and amend certain subordinated debt obligations.

The Agreement also contains one financial maintenance covenant, a Total Leverage Ratio (the "Leverage Ratio"), that requires the Company not to exceed a ratio of 4.5x calculated by dividing consolidated total debt, less cash and cash equivalents, by Consolidated EBITDA, as defined in the Agreement. The maximum Leverage Ratio is subject to an increase of 0.5x for (i) any fiscal quarter during which certain qualifying acquisitions (as specified in the Agreement) are consummated and (ii) the following three fiscal quarters. 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.

Failure to comply with these covenants and other customary restrictions could result in an event of default under the Agreement. In such an event, the Company could not request borrowings under the revolving facilities, and all amounts outstanding under the Agreement, together with accrued interest, could then be declared immediately due and payable. Upon the occurrence and for the duration of a payment event of default, an additional default interest rate equal to 2.0% per annum will apply to all overdue obligations under the Agreement. 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. As of March 31, 2019, 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.

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, plus an applicable margin. The applicable margin is linked to the Leverage Ratio. The margins range from 1.00% to 1.50% for Eurocurrency Loans and from 0.00% to 0.50% for Base Rate Loans. In addition, a commitment fee is payable on the unused revolving credit facility commitments ranging from 0.20% to 0.30% per annum linked to the Leverage Ratio.

Obligations under the Agreement are secured by substantially all of the assets, excluding real estate and certain other excluded assets, of certain of the Company's domestic subsidiaries and certain foreign subsidiaries. Such obligations are also secured by a pledge of intercompany debt and equity investments in certain of the Company's domestic subsidiaries and, in the case of foreign obligations, of stock of certain foreign subsidiaries. All obligations under the Agreement are guaranteed by certain domestic subsidiaries of the Company, and certain foreign obligations under the Agreement are guaranteed by certain foreign subsidiaries of the Company.

In order to maintain a capital structure containing appropriate amounts of fixed and floating-rate debt, the Company has entered into a series of interest rate swap agreements. These interest rate swap agreements were accounted for as either fair value hedges or cash flow hedges (see Note 4 to the Condensed Consolidated Financial Statements).

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

Cash Flows

Operating activities: Cash utilized by continuing operating activities was $595 million for the three months ended March 31, 2019, compared to $370 million utilized for the three months ended March 31, 2018. The increase in cash utilized by operating activities in the first three months ended March 31, 2019 was primarily due to lower net earnings, higher cash paid for asbestos-related payments and restructuring payments and higher working capital levels than in the same period in 2018. Working capital was a use of cash of $697 million in the first three months of 2019 compared to a use of cash of $622 million in the same period in 2018. The primary reasons for the higher use of working capital were higher accounts receivable balances and lower accounts payable balances than at year end 2018. As of March 31, 2019 and 2018, the Company reduced its level of accounts receivable factoring compared to the most recent respective year periods and this led to a use of working capital in both the first quarter of 2019 and 2018. The reduction in accounts receivable factoring compared to the most recent year end period was approximately $60 million more in the first quarter of 2019 than in 2018 and this contributed to a higher use of working capital in the 2019 period. Also, the Company has continued to experience higher year over year sales levels in several countries, such as Brazil, Peru and Mexico, and lower sales levels in the U.S. This change in the Company’s sales mix has impacted its receivables as longer payment terms are more common outside the U.S. Together, the impact of less factoring and a higher mix of sales outside the U.S. have negatively impacted the Company’s operating cash flows in the first three months of 2019.

Cash payments for restructuring activities were $15 million in the first three months of 2019 compared to $6 million in the first quarter of 2018, driven higher in 2019 by several restructuring projects in the Americas region. Also, asbestos-related payments in the first quarter of 2019 were $71 million, or approximately $64 million higher, compared to the same period in the prior year due the execution of the Company's de-risking and accelerated claim disposition strategy. The Company continues to expect that its full year 2019 asbestos-related payments will approximate $160 million. See Note 10 to the Consolidated Financial Statements for additional information. In addition, the Company utilized approximately $19 million of cash for other operating items in the first quarter of 2019 compared to $31 million of cash provided by other items in the first quarter of 2018. This change was due, in part, to the nonoccurrence of a dividend paid to the Company by a joint venture investment in the first quarter of 2018 since the joint venture is utilizing its cash for a major project that is currently underway.

Investing activities: Cash utilized in investing activities was $135 million for the three months ended March 31, 2019, compared to $160 million utilized for the three months ended March 31, 2018. Capital spending for property, plant and equipment was $121 million during the first three months of 2019 compared to $142 million in the same period in 2018. Capital spending decreased in the first quarter of 2019 due to lower project activity in the Asia Pacific region, as well as due to lower payments of vendor invoices accrued at the end of 2018 than were accrued at the end of 2017.

Contributions and advances to joint ventures were $15 million and $26 million in the first three months of 2019 and 2018, respectively. On April 1, 2019, the Company entered into a definitive agreement to acquire Nueva Fábrica Nacional de Vidrio, S. de R.L. de C.V., a glass packaging facility located near Mexico City, Mexico, from Grupo Modelo, a wholly owned affiliate of Anheuser-Busch InBev SA/NV. Currently, this plant has four furnaces to produce and supply glass containers annually for Grupo Modelo brands, which include Corona, Modelo Especial and Pacifico. The acquisition is a cash transaction valued at approximately $188 million, subject to customary closing conditions, including competition authority approval, and is expected to close in the second half of 2019.

Financing activities: Cash provided by financing activities was $540 million for the three months ended March 31, 2019, compared to $443 million for the three months ended March 31, 2018. The increase in cash provided by financing activities was primarily due to higher net borrowings in the first quarter of 2019.

As of December 31, 2018, the Company's Board of Directors had authorized a share repurchase program with approximately $550 million in remaining repurchase authority. Through the first three months of 2019 and 2018, the Company repurchased $38 million and $45 million, respectively, in shares of the Company's stock. Additional share repurchases in 2019 will be dependent on the generation of net proceeds from divestitures and the timing of cash generation. In addition, the Company's Board of Directors declared a dividend of $0.05 per share, or nearly $8 million, which was paid in the first quarter of 2019. On May 1, 2019, the Company's Board of Directors declared a dividend of $0.05 per share, which will be paid on June 17, 2019, to shareholders of record on the close of business on May 31, 2019. The Board anticipates declaring a dividend in future quarters on a regular basis; however, future declarations of dividends are subject to Board approval and may be adjusted based on the Company's results of operations, financial position and cash flow, or as business needs or market conditions change.

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.

The Company currently intends to retain earnings for use in its business, for investment in acquisitions and to repurchase shares of its common stock. Historically, the Company has not paid any cash dividends on its common stock; however, the Company continuously reassesses its capital allocation strategy, and evaluates a variety of options, including share repurchases and dividends, as a means to return capital to its share owners.

Critical Accounting Estimates

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

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

There have been no other material changes in critical accounting estimates at March 31, 2019 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Forward-Looking Statements

This document contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933. Forward-looking statements reflect the Company's current expectations and projections about future events at the time, and thus involve uncertainty and risk. The words "believe," "expect," "anticipate," "will," "could," "would," "should," "r "plan," "estimate," "intend," "predict," "potential," "continue," and the negatives of these words and other similar expressions generally identify forward-looking statements. It is possible the Company's future financial performance may differ from expectations due to a variety of factors including, but not limited to the following: (1) foreign currency fluctuations relative to the U.S. dollar, (2) changes in capital availability or cost, including interest rate fluctuations and the ability of the Company to refinance debt at favorable terms, (3) the general political, economic and competitive conditions in markets and countries where the Company has operations, including uncertainties related to Brexit, economic and social conditions, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (4) the Company's ability to generate sufficient future cash flows to ensure the Company's goodwill is not impaired, (5) consumer preferences for alternative forms of packaging, (6) cost and availability of raw materials, labor, energy and transportation, (7) the Company's ability to manage its cost structure, including its success in implementing restructuring plans and achieving cost savings, (8) consolidation among competitors and customers, (9) the Company's ability to acquire businesses and expand plants, integrate operations of acquired businesses and achieve expected synergies, (10) unanticipated expenditures with respect to data privacy, environmental, safety and health laws, (11) unanticipated operational disruptions, including higher capital spending, (12) the Company's ability to further develop its sales, marketing and product development capabilities, (13) the failure of the Company's joint venture partners to meet their obligations or commit additional capital to the joint venture, (14) the 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, (15) the Company's ability to accurately estimate its total asbestos-related liability or to control the timing and occurrence of events related to outstanding asbestos-related claims, including but not limited to settlements of those claims, (16) changes in U.S. trade policies, (17) the Company's ability to achieve its strategic plan, and the other risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and any subsequently filed Quarterly Report on Form 10-Q. It is not possible to foresee or identify all such factors. Any forward-looking statements in this document are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. Forward-looking statements are not a guarantee of future performance and actual results or developments may differ materially from expectations. While the Company continually reviews trends and uncertainties affecting the Company's results of operations and financial condition, the Company does not assume any obligation to update or supplement any particular forward-looking statements contained in this document.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in market risk at March 31, 2019 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures.

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

As required by Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2019.

As required by Rule 13a-15(d) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of any change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. There have been no changes in the Company's internal controls over financial reporting during the fiscal quarter ended March 31, 2019 that have materially affected, or are reasonably likely to material affect, the Company's internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

For further information on legal proceedings, see Note 10 to the Condensed Consolidated Financial Statements, “Contingencies,” that is included in Part I of this Quarterly Report and incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes in risk factors at March 31, 2019 from those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

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

The Company purchased 2,064,652 shares of its common stock during the first quarter of 2019 for approximately $38 million pursuant to authorization by its Board of Directors in January 2018 to purchase up to $400 million of the Company’s common stock along with an authorization by its Board of Directors in November 2018 to purchase an additional $313 million of the Company’s common stock. The following table provides information about the Company’s purchases of its common stock during the three months ended March 31, 2019:

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)
January 1 - January 31, 2019	2,065	$ 18.28	2,065	512
February 1 - February 28, 2019				512
March 1 - March 31, 2019				512

Item 6. Exhibits.

Exhibit 10.1	Form of Employee Restricted Stock Unit Agreement for use under the Owens-Illinois, Inc. 2017 Incentive Award Plan.
Exhibit 10.2	Form of Employee Performance Stock Unit Agreement for use under the Owens-Illinois, Inc. 2017 Incentive Award Plan.
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C.

	Section 1350.
Exhibit 32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
Exhibit 101	Financial statements from the Quarterly Report on Form 10-Q of Owens-Illinois, Inc. for the quarter ended March 31, 2019, formatted in XBRL: (i) the Condensed Consolidated Results of Operations, (ii) the Condensed Consolidated Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements.

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

SIGNATURES

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

OWENS-ILLINOIS, INC.

Date	May 2, 2019	By	/s/ John A. Haudrich
			John A. Haudrich
			Senior Vice President and Chief Financial Officer