



March 2011

Dear Stakeholder,

We stand on the cusp of the creation of a new, more agile, innovative and customer-focused O-I. Building on our unsurpassed expertise in manufacturing and engineering, we are developing a broad range of capabilities in our people, processes and products. We are growing in the world's most exciting emerging markets. We are investing in our people through programs that focus on leadership and skill enhancement at all levels. We are aggressively implementing a global business-development approach called *glass smart*[™] that identifies new opportunities to build our customers' brands. And, we are securing our reputation as a preferred producer with numerous quality initiatives.

We continue to invest in innovation and technology; research and development; and tools such as Lean Six Sigma and a global information technology system for resource planning, all of which are aimed at maintaining our position as the world's leading glass container maker.

Many of our accomplishments in 2010 can be attributed to our focus on strategic and profitable growth and capability building. Despite a sluggish economic recovery, we successfully expanded our business in the dynamic emerging markets of Latin America and Asia. We also began reaping the benefits of investments in innovation made in recent years, as well as of our streamlined footprint and our margin repair initiatives.

Our sales volumes were up in most markets and end-use categories, with beer in the mature markets the lone exception. But, with challenges come opportunities. We successfully launched Vortex[®], a long-neck beer bottle with spiraling grooves on the inside of the neck, significantly spurring sales of MillerCoors' Miller Lite brand in North America. Other internal embossing innovations, as well as black glass, are being embraced by customers in several regions who seek to differentiate their products in highly competitive markets.

In 2010, we generated sales of \$6.6 billion. Segment operating profit was \$964 million, an eight-percent improvement over the previous year. Adjusted net earnings from continuing operations were \$2.60 per share in 2010, compared with \$2.61 per share in 2009. We completed four acquisitions and established one joint venture, adding 10 plants to our footprint in 2010. We also invested in three new furnaces to serve expanding needs in the glass markets of Argentina and Peru and to replace imported products in New Zealand. While these investments impacted free cash flow in 2010, we expect to see it improve in 2011 when we include the contributions from the new plants and furnaces.

Our investments in 2010 solidly positioned us for future growth. Four of the newly acquired plants were in Latin America – our most profitable region – one in Argentina and three in Brazil. Segment operating profit in Latin America increased 55 percent in 2010 over the prior year, with shipments up more than 33 percent. Boosted by an expanding economy, our growth in Latin America stems from our focused customer-centric approach, improved marketing efforts, product innovation and access to new markets.

Four of the plants added were in China, doubling the number of our manufacturing facilities there. We are energized by the market opportunities in China, which is expected to account for 25 percent of the world's beer consumption by 2015. We are strengthening our leadership team in China, and establishing an engineering and operations support center in Shanghai. In addition to participating in the country's burgeoning economic growth, we are learning new lower-cost approaches to our business that we will transfer to other operations worldwide.

Sustainability is an increasingly important focus for O-I: the sustainability of glass, as well as our own sustainability as a company. The recyclability of glass and the lower carbon footprint of our package give us significant advantages over competitive materials. And, the aggressive sustainability goals we have set for ourselves – to reduce emissions and energy use, increase the use of post-consumer cullet and eliminate accidents in the workplace – signal our long-term commitment to our economic future, our people and the planet. Achieving these goals also will provide a significant competitive advantage for the company.

The dynamic of change and transformation is palpable at O-I, and it's an exciting time. Our unmatched manufacturing capabilities, the vast experience and expertise of our people around the world, consumers' preference for glass, increased global competition and a demand for sustainable packaging have ideally positioned our products and our company for growth.

Glass is back.

A handwritten signature in black ink, appearing to read 'Al Stroucken', with a long horizontal flourish extending to the right.

Al Stroucken
Chairman and CEO

In October 2010, the Venezuelan government expropriated our two plants in Venezuela. We were taken aback and saddened by this unexpected event. We continue to negotiate with the government regarding certain aspects of the expropriation, including compensation. The most difficult aspect of this situation, however, has been the loss of our long-time employees.