OWENS ILLINOIS INC /DE/
Form 10-Q
April 24, 2018
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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, 2018

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	(Do not check if a smaller reporting

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, 2018 was 161,707,364.

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, 2017.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts)

	Three months ended March 31,	
	2018	2017
Net sales	$ 1,736	$ 1,615
Cost of goods sold	(1,417)	(1,300)
Gross profit	319	315
Selling and administrative expense	(126)	(119)
Research, development and engineering expense	(16)	(15)
Interest expense, net	(62)	(78)
Equity earnings	17	15
Other income (expense), net	3	(45)
Earnings from continuing operations before income taxes	135	73
Provision for income taxes	(32)	(20)
Earnings from continuing operations	103	53
Loss from discontinued operations		
Net earnings	103	53
Net earnings attributable to noncontrolling interests	(5)	(4)
Net earnings attributable to the Company	$ 98	$ 49
Amounts attributable to the Company:		
Earnings from continuing operations	$ 98	$ 49
Loss from discontinued operations		
Net earnings	$ 98	$ 49
Basic earnings per share:		
Earnings from continuing operations	$ 0.60	$ 0.30
Loss from discontinued operations		
Net earnings	$ 0.60	$ 0.30
Weighted averages shares outstanding (thousands)	162,919	162,388
Diluted earnings per share:		
Earnings from continuing operations	$ 0.59	$ 0.30
Loss from discontinued operations		
Net earnings	$ 0.59	$ 0.30
Weighted average diluted shares outstanding (thousands)	165,186	163,840

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)

	Three months ended March 31,	
	2018	2017
Net earnings	$ 103	$ 53
Other comprehensive income:		
Foreign currency translation adjustments	126	189
Pension and other postretirement benefit adjustments, net of tax	7	11
Change in fair value of derivative instruments, net of tax	(5)	(6)
Other comprehensive income	128	194
Total comprehensive income	231	247
Comprehensive income attributable to noncontrolling interests	(11)	(7)
Comprehensive income attributable to the Company	$ 220	$ 240

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	March 31, 2018	December 31, 2017	March 31, 2017
Assets			
Current assets:			
Cash and cash equivalents	$ 418	$ 492	$ 312
Trade receivables, net of allowance of $36 million, $34 million, and $36 million at March 31, 2018, December 31, 2017 and March 31, 2017	1,045	663	844
Inventories	1,065	1,036	1,051
Prepaid expenses and other current assets	240	229	212
Total current assets	2,768	2,420	2,419
Property, plant and equipment, net	3,190	3,131	2,926
Goodwill	2,649	2,590	2,524
Intangibles, net	452	439	485
Other assets	1,222	1,176	1,105
Total assets	$ 10,281	$ 9,756	$ 9,459
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	$ 194	$ 162	$ 196
Current portion of asbestos-related liabilities	100	100	115
Accounts payable	1,115	1,324	1,017
Other liabilities	554	579	531
Other liabilities - discontinued operations	115	115	
Total current liabilities	2,078	2,280	1,859
Long-term debt	5,640	5,121	5,431
Asbestos-related liabilities	475	482	565
Other long-term liabilities	969	946	988
Share owners' equity	1,119	927	616
Total liabilities and share owners' equity	$ 10,281	$ 9,756	$ 9,459

See accompanying notes.

OWENS-ILLINOIS, INC.

CONDENSED CONSOLIDATED CASH FLOWS

(Dollars in millions)

	Three months ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net earnings	$ 103	$ 53
Loss from discontinued operations	—	—
Non-cash charges		
Depreciation and amortization	131	127
Pension expense	10	7
Restructuring, asset impairment and related charges		38
Cash payments		
Pension contributions	(10)	(14)
Asbestos-related payments	(7)	(12)
Cash paid for restructuring activities	(6)	(8)
Change in components of working capital	(622)	(542)
Other, net (a)	31	14
Cash utilized in operating activities	(370)	(337)
Cash flows from investing activities:		
Additions to property, plant and equipment	(142)	(98)
Acquisitions, net of cash acquired	(26)	(17)
Net cash proceeds on disposal of assets	7	
Other, net	1	1
Cash utilized in investing activities	(160)	(114)
Cash flows from financing activities:		
Changes in borrowings, net	488	273
Treasury shares repurchased	(45)	
Issuance of common stock and other		3
Payment of finance fees		(19)
Cash provided by financing activities	443	257
Effect of exchange rate fluctuations on cash	13	14
Decrease in cash	(74)	(180)
Cash at beginning of period	492	492
Cash at end of period	$ 418	$ 312

(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. As previously disclosed, to better leverage its scale and presence across a larger geography and market, the Company completed the consolidation of the former North America and Latin America segments into one segment, named the Americas, effective January 1, 2018. The consolidation resulted in the leadership roles of the former North America and Latin America segments being combined into one position, President of the Americas, reporting to the Company's chief operating decision maker ("CODM"), who is the Company's Chief Executive Officer. Beginning January 1, 2018, the CODM reviews the operating results at the Americas level to make resource allocation decisions and to assess performance. The consolidation also resulted in the elimination of duplicative costs as certain functions of the former North America and Latin America segments were combined to simplify the management of the new Americas segment. For example, the Company consolidated its business shared service centers in North America and Latin America into one Americas shared service center.

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 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, 2018 and 2017 regarding the Company's reportable segments is as follows:

	Three months ended March 31,	
	2018	2017
Net sales:		
Americas	$ 908	$ 869
Europe	643	554
Asia Pacific	173	173

Reportable segment totals	1,724	1,596
Other	12	19
Net sales	$ 1,736	$ 1,615

	Three months ended March 31, 2018	2017
Segment operating profit:		
Americas	$ 147	$ 139
Europe	72	59
Asia Pacific	5	20
Reportable segment totals	224	218
Items excluded from segment operating profit:		
Retained corporate costs and other	(27)	(28)
Restructuring, asset impairment and other		(39)
Interest expense, net	(62)	(78)
Earnings from continuing operations before income taxes	$ 135	$ 73

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

	March 31, 2018	December 31, 2017	March 31, 2017
Total assets:			
Americas	$ 5,637	$ 5,411	$ 5,433
Europe	3,387	3,133	2,858
Asia Pacific	1,056	1,001	998
Reportable segment totals	10,080	9,545	9,289
Other	201	211	170
Consolidated totals	$ 10,281	$ 9,756	$ 9,459

2. Revenue

On January 1, 2018, the Company adopted accounting standard ASC 606, Revenue from Contracts with Customers, and selected the modified retrospective transition method. The adoption of this new standard did not impact the Company's results of operations or balance sheet and there was no cumulative effect of initially applying this new revenue standard to the opening balance of retained earnings.

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 months ended 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 months ended March 31, 2018, revenue recognized from prior periods (for example, due to changes in transaction price) was not material.

The following table disaggregates the Company's revenue by customer end use:

	Three months ended March 31, 2018			
	Americas	Europe	Asia Pacific	Total
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, 2018, December 31, 2017 and March 31, 2017 are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Finished goods	$ 901	$ 873	$ 889
Raw materials	120	122	124
Operating supplies	44	41	38
	$ 1,065	$ 1,036	$ 1,051

4. Derivative Instruments

The Company has certain derivative assets and liabilities which consist of natural gas forwards and foreign exchange option and forward contracts. The Company uses an income approach to value these contracts. Natural gas forward rates and foreign exchange rates are the significant inputs into the valuation models. 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. The Company also evaluates counterparty risk in determining fair values.

Commodity Forward Contracts Designated as Cash Flow Hedges

In several regions, 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. In the Americas, some of its customer contracts contain provisions that pass the price of natural gas to its customers. In certain of these contracts, the customer has the option of fixing the natural gas price component for a specified period of time. To limit the effects of fluctuations in cash flows resulting from these customer contracts, the Company enters into commodity forward contracts related to forecasted natural gas requirements. In Asia Pacific, the Company implemented a hedging program that included the execution of

commodity forward contracts for certain contracted natural gas requirements. The Company had entered into commodity forward contracts covering approximately 8,600,000 MM BTUs at March 31, 2018, 8,800,000 MM BTUs at December 31, 2017 and 11,200,000 MM BTUs at March 31, 2017.

The Company accounts for the above forward contracts as cash flow hedges at March 31, 2018 and recognizes them on the Condensed Consolidated Balance Sheet at fair value. The effective portion of changes in the fair value of a derivative that is designated as, and meets the required criteria for, a cash flow hedge is recorded in the Accumulated Other Comprehensive Income component of share owners' equity ("OCI") and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. An unrecognized gain of $4 million at March 31, 2018, an unrecognized gain of $3 million at December 31, 2017 and an unrecognized gain of $1 million at March 31, 2017 related to the commodity forward contracts was included in Accumulated OCI, and will be reclassified into earnings in the period when the commodity forward contracts expire. Any material portion of the change in the fair value of a derivative designated as a cash flow hedge that is deemed to be ineffective is recognized in current earnings.

The ineffectiveness related to these natural gas hedges for the three months ended March 31, 2018 and 2017 was not material.

The effect of the commodity forward contracts on the results of operations for the three months ended March 31, 2018 and March 31, 2017 is as follows:

Amount of gain (loss) Recognized in OCI on Commodity Forward Contracts (Effective Portion)		Amount of gain (loss) Reclassified from Accumulated OCI into Income (reported in cost of goods sold) (Effective Portion)	
2018	2017	2018	2017
$ 1	$ 6	$ —	$ —

Foreign Exchange Derivative Contracts and not Designated as Hedging Instruments

The Company may enter into 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 may also use 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. The Company records these short-term foreign exchange agreements on the balance sheet at fair value and changes in the fair value are recognized in current earnings.

At March 31, 2018 and 2017, the Company had outstanding foreign exchange and option agreements denominated in various currencies covering the equivalent of approximately $350 million and $340 million, respectively, related primarily to intercompany transactions and loans.

The effect of the foreign exchange derivative contracts on the results of operations for the three months ended March 31, 2018 and March 31, 2017 is as follows:

Location of Gain (Loss) Recognized in Income on Foreign Exchange Contracts	Amount of Gain (Loss) Recognized in Income on Foreign Exchange Contracts	
	2018	2017
Other expense, net	$ —	$ —

Hedges of Multiple Risks

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 both the underlying variable interest rate and 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 both interest rate and foreign

exchange risks. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges of both interest rate risk and foreign exchange risk is recorded in Accumulated OCI and is subsequently reclassified into earnings in the period for which the hedged forecasted transaction affects earnings. If there is an ineffective portion of the change in fair value of the derivative it is recognized directly in earnings.

During the fourth quarter of 2017, one of the Company's Euro-functional subsidiaries entered into a series of cross-currency interest rate swaps to manage its exposure to fluctuations in the Euro-U.S. dollar exchange rate arising from a U.S. dollar denominated borrowing. These swaps involve exchanging fixed rate Euro interest payments for fixed rate U.S. dollar interest receipts, both of which will occur at the forward exchange rates in effect upon entering into the instrument. An unrecognized loss of $6 million at March 31, 2018 and an unrecognized loss of less than $1 million at December 31, 2017, related to these cross-currency interest rate swaps, were included in Accumulated OCI, and will be reclassified into earnings within the next twelve months. These instruments, in the aggregate, have a pay fixed notional amount of €263 million and a receive notional amount of $310 million and reach final maturity in 2023. There was no ineffectiveness related to these cross-currency interest rate swaps for the three months ended March 31, 2018.

The effect of the cross-currency interest rate swaps on the results of operations for the three months ended March 31, 2018 is as follows:

Amount of gain (loss) Recognized in OCI on Hedges of Multiple Risks (Effective Portion)	Amount of gain (loss) Reclassified from Accumulated OCI into Income (reported in Other expense, net) (Effective Portion)
$ (13)	$ (8)

Interest Rate Swaps Designated as Fair Value Hedges

During 2017, the Company entered into a series of interest rate swap agreements with a total notional amount of €725 million that reach final maturity in 2024. The swaps were executed in order to maintain a capital structure containing appropriate amounts of fixed and floating-rate debt.

The Company’s fixed-to-variable interest rate swaps were 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.

Under the swaps, the Company receives fixed rate interest amounts (equal to the interest on the corresponding hedged note) and pays interest at a six-month Euribor rate (set in arrears) plus a margin spread (see table below). The interest rate differential on each swap is recognized as an adjustment of interest expense during each six-month period over the term of the agreement.

The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. 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. The Company has determined that the majority of the inputs used to value these derivatives fall within Level 2 of the fair value hierarchy.

The following selected information relates to fair value swaps at March 31, 2018:

	Amount Hedged	Receive Rate	Average Spread
Senior Notes due 2024	€ 725	3.125 %	2.6 %

Balance Sheet Classification

The Company records the fair values of derivative financial instruments on the balance sheet as follows:
(a) receivables if the instrument has a positive fair value and maturity within one year, (b) deposits, receivables, and other assets if the instrument has a positive fair value and maturity after one year, (c) other accrued liabilities or other

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liabilities (current) if the instrument has a negative fair value and maturity within one year, and (d) other accrued liabilities or other liabilities if the instrument has a negative fair value and maturity after one year.

The following table shows the amount and classification (as noted above) of the Company's derivatives at March 31, 2018, December 31, 2017 and March 31, 2017:

	Fair Value			
	Balance Sheet Location	March 31, 2018	December 31, 2017	March 31, 2017
Asset Derivatives:				
Derivatives designated as hedging instruments:				
Commodity futures contracts	b	$ 4	$ 3	$ 2
Interest rate swaps designated as fair value hedges	a	4	6	
Hedges of multiple risks designated as cash flow hedges	a	6	4	
Derivatives not designated as hedging instruments:				
Foreign exchange derivative contracts	a	4	4	5
Total asset derivatives		$ 18	$ 17	$ 7
Liability Derivatives:				
Derivatives designated as hedging instruments:				
Commodity futures contracts	c	$ —	$ —	$ 1
Interest rate swaps designated as fair value hedges	d	15	13	
Hedges of multiple risks designated as cash flow hedges	d	26	10	
Derivatives not designated as hedging instruments:				
Foreign exchange derivative contracts	d	1	1	2
Total liability derivatives		$ 42	$ 24	$ 3

5. Restructuring Accruals

Selected information related to the restructuring accruals for the three months ended March 31, 2018 and 2017 is as follows:

	Total Restructuring
Balance at January 1, 2018	$ 85
Net cash paid, principally severance and related benefits	(6)
Other, including foreign exchange translation	1
Balance at March 31, 2018	$ 80

Total

	Restructuring
Balance at January 1, 2017	$ 85
Charges	38
Write-down of assets to net realizable value	(9)
Net cash paid, principally severance and related benefits	(8)
Other, including foreign exchange translation	(2)
Balance at March 31, 2017	$ 104

The Company's decisions to curtail selected production capacity have resulted in write downs of certain long-lived assets to the extent their carrying amounts exceeded fair value or fair value less cost to sell. The Company classified the significant assumptions used to determine the fair value of the impaired assets as Level 3 in the fair value hierarchy as set forth in the general accounting principles for fair value measurements.

When a decision is made to take these actions, the Company manages and accounts for them programmatically apart from the on-going operations of the business. Information related to major programs are presented separately while minor initiatives are presented on a combined basis. As of March 31, 2018 and 2017, no major restructuring programs were in effect.

In the three months ended March 31, 2017, the Company implemented a number of minor restructuring initiatives and recorded restructuring, asset impairment and other charges of $38 million. These charges primarily consisted of employee costs, write-down of assets, and other exit costs in the following regions: Americas ($25 million) and Europe ($13 million). The restructuring charges recorded in the first quarter of 2017 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. The restructuring charges recorded in the first quarter of 2017 in the Americas and European regions primarily relate to capacity curtailments. The Company plans to reallocate the products produced at these facilities to others in their respective regions. The Company expects that the majority of the remaining cash expenditures related to the above charges will be paid out by the end of 2018.

6. Pension Benefit Plans

The components of the net periodic pension cost for the three months ended March 31, 2018 and 2017 are as follows:

	U.S.		Non-U.S.	
	2018	2017	2018	2017
Service cost	$ 4	$ 4	$ 4	$ 4
Interest cost	15	20	8	11
Expected asset return	(25)	(33)	(13)	(18)
Amortization:				
Actuarial loss	13	14	4	5
Net periodic pension cost	$ 7	$ 5	$ 3	$ 2

7. 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% for 2018 and 35% for 2017 primarily because of varying non-U.S. tax rates and valuation allowances in some jurisdictions, respectively.

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate income tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. The

Company is applying the guidance in Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cut and Jobs Act, when accounting for the enactment-date effects of the Act. At March 31, 2018, the Company has not completed its accounting for the tax effects of the Act; however, it has made reasonable estimates of the tax effects. During the three months ended March 31, 2018, the Company has not recorded any adjustments to the provisional amounts recorded at December 31, 2017 related to the remeasurement of its deferred balances and the one-time transition tax. In all cases, the Company is continuing to make and refine its calculations as additional analysis is completed. In addition, the Company's estimates may also be affected as it gains a more thorough understanding of the tax law and certain aspects of the Act are clarified by the taxing authorities.

The Act subjects a U.S. shareholder to current tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. At December 31, 2017, the Company elected to recognize the resulting tax on GILTI as a period expense in the period the tax is incurred. The Company has made sufficient progress in its calculation to reasonably estimate the tax expense related to GILTI for the year ended December 31, 2018 and included it in the estimated annual effective tax rate. The impact of GILTI resulted in no incremental tax expense for the quarter ended March 31, 2018 due to net operating loss carryforwards, foreign tax credits and a full valuation allowance on U.S. net deferred tax assets. The Company will continue to refine its calculations, which may result in changes to the expected impact for 2018.

The Company maintains its assertion on a provisional basis that it intends to continue to indefinitely reinvest the gross book-tax differences in its non-U.S. consolidated subsidiaries. However, the Company records deferred foreign taxes on gross book-tax basis differences to the extent of foreign distributable reserves for certain foreign subsidiaries. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis differences in these entities (i.e., basis difference in excess of that subject to the one-time transition tax) is not practicable.

The Company is currently under examination in various tax jurisdictions in which it operates, including Bolivia, Brazil, Canada, China, Colombia, France, Germany, and Indonesia. The years under examination range from 2004 through 2015. The Company has received tax assessments in excess of established reserves for uncertain tax positions. 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 income tax assessments are settled against the Company at amounts in excess of established reserves, it could have a material impact to the Company's results of operations, financial position or cash flows.

8. Debt

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

	March 31, 2018	December 31, 2017	March 31, 2017
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$ 462	$ —	$ 285
Term Loans:			
Term Loan A	1,149	1,148	1,370
Term Loan A (€279 million at March 31, 2017)			284
Senior Notes:			
6.75%, due 2020 (€500 million)	613	594	530
4.875%, due 2021 (€330 million)	404	392	350
5.00%, due 2022	496	496	495
4.00%, due 2023	305	305	
5.875%, due 2023	686	685	683
3.125%, due 2024 (€725 million at March 31, 2018)	872	849	763
6.375%, due 2025	295	295	294
5.375%, due 2025	297	297	297
Senior Debentures:			
7.80%, due 2018			