Owens-Illinois Reports Improved Results for Full Year, Fourth Quarter

February 5, 1998

TOLEDO, Ohio, Feb. 5 /PRNewswire/ -- Owens-Illinois, Inc., (NYSE: OI) today reported increased sales and earnings before extraordinary items for both the full year and fourth quarter of 1997.

Owens-Illinois reported 1997 earnings before extraordinary items of $272.4 million or $2.03 per share (basic), compared to net earnings of $191.1 million, or $1.58 per share (basic) in 1996. Excluding the net aftertax effect of certain unusual items, 1997 earnings before extraordinary items rose to $264.8 million, or $1.97 per share (basic), an increase of 25% in earnings per share (basic). The 1997 unusual items, recorded in the first quarter, include a net gain of $16.3 million on the sale of the remaining 49% interest in Kimble Glass, partially offset by unusual charges, net of tax, totaling $8.7 million.

Net sales rose to a record $4.66 billion, up 21% from $3.85 billion in 1996.

Joseph H. Lemieux, Owens-Illinois chairman and chief executive officer, said, "Increased demand for our products, improved productivity, newly acquired businesses, and a major refinancing all contributed to our record results in 1997."

Owens-Illinois has now achieved double-digit percentage increases in earnings from continuing operations, excluding the effects of unusual items, in each of the past six years. This includes improved year-over-year results in 24 consecutive quarters.

Mr. Lemieux said, "Our record of strong earnings growth is the result of continuing efforts to improve quality, productivity, and cost control on a company-wide basis, while expanding existing operations in key locations as well as investing in strategic acquisitions."

Mr. Lemieux added, "We expect additional acquisition opportunities to result from the continuing trend of consolidation within the worldwide packaging industry. As a result of our 1997 refinancing plan, we now have significant additional financial flexibility to expand in growing markets." The plan, which was completed in the fourth quarter, involved the refinancing of approximately $1.9 billion of public indebtedness with proceeds from offerings of common stock and lower-coupon debt, combined with additional borrowings under the company's amended bank credit facility.

"We are especially gratified that our performance is translating into significant returns for our share owners," Mr. Lemieux said. The price of Owens-Illinois common shares rose by 67% in 1997, compared with 31% for the Standard & Poor's 500 Index. For the three-year period ended December 31, 1997, the price of Owens-Illinois shares rose at a compound average annual growth rate of 51%, compared with 28% for the S&P 500 Index.

Business Review

The plastics group reported increased sales and operating profit. Increased unit shipments by most businesses, combined with a more favorable product mix and continued emphasis on productivity and cost management, were major contributors to the improved results. Over the past five years, the plastics group has invested nearly $500 million in capital expenditures to improve productivity and add new product lines in support of its strategic growth objectives.

The international operations reported increased sales and operating profit due in part to the effects of the February 1997 acquisition of AVIR S.p.A., the largest glass container company in Italy. Improved operating results in Colombia, Venezuela, and the United Kingdom more than offset the effects of soft market conditions in Brazil and Hungary. Excluding the effect of recently acquired operations, international glass container unit sales were up approximately 10%, reflecting increased shipments in emerging markets as well as in developed regions.

The domestic glass container operations benefited from increased sales volume in most product lines as well as additional business gained through the February 1997 acquisition of certain assets from Anchor Glass Container Corporation.

Extraordinary Items

The company recorded extraordinary aftertax charges of $104.5 million, or $0.78 per share (basic), in 1997 for the early retirement of debt as part of the refinancing plan. Net earnings after extraordinary items were $167.9 million, or $1.25 per share (basic).

Fourth Quarter

Fourth quarter earnings before extraordinary items were $39.1 million, or $0.28 per share (basic), up from net earnings of $22.9 million, or $0.19 per share (basic) in the fourth quarter of 1996.

Fourth quarter net sales were $1.14 billion, up from $962.1 million in the fourth quarter of 1996. The increase reflected improved sales by most businesses as well as contributions from recent acquisitions.

Owens-Illinois Profile

Owens-Illinois is one of the world's leading manufacturers of packaging products. It is the largest manufacturer of glass containers in the United States, North America, South America, and India, and the second largest in Europe. Approximately one of every two glass containers made worldwide is made by Owens-Illinois, its affiliates, or its licensees. The company also manufactures plastic containers, plastic closures, plastic prescription containers, labels, and multipack plastic carriers for beverage containers.

Note

The company has implemented Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("FAS No. 128"), which is effective for

periods after December 15, 1997. FAS No. 128 establishes standards for computing and presenting earnings per share information. Accordingly, both basic and diluted earnings per share information is presented in the tables included with this release. Consistent with the company's past practice, the discussion of earnings per share in the text of this release focuses on basic earnings per share.

OWENS-ILLINOIS, INC.
Condensed Consolidated Results of Operations
(Millions of dollars, except per share amounts)

	Year ended December 31,	
	1997	1996
Net sales	$4,658.5	$3,845.7
Earnings before interest expense, income taxes, minority share owners' interests and extraordinary items(a)	$ 755.0	$ 626.7
Interest expense	302.7	302.6
Earnings before items below	452.3	324.1
Provision for income taxes	148.5	104.9
Minority share owners' interests in earnings of subsidiaries	31.4	28.1
Earnings before extraordinary items	272.4	191.1
Extraordinary charges from early extinguishment of debt, net of applicable income taxes(b)	(104.5)	--
Net earnings	$ 167.9	$ 191.1
Basic earnings per share of common stock(c):		
Earnings before extraordinary items	$ 2.03	$ 1.58
Extraordinary charges(b)	(0.78)	--
Net earnings	$ 1.25	$ 1.58
Average shares outstanding (000s)(d)	133,578	120,276
Diluted earnings per share of common stock:		
Earnings before extraordinary items	$ 2.01	$ 1.55
Extraordinary charges(b)	(0.77)	--
Net earnings	$ 1.24	$ 1.55

Diluted average shares (000s)(d)	135,803	123,598

(a) Amount for 1997 includes: (1) a gain of $16.3 million ($16.3 million aftertax) on the sale of the remaining 49% interest in Kimble Glass, and (2) charges of $14.1 million ($8.7 million aftertax) principally for guarantees of certain obligations of a business divested several years ago. These items were recorded in the first quarter of 1997.

The net aftertax effects of these items on 1997 earnings per share are as follows:

	Basic	Diluted
Earnings before extraordinary items	$ 2.03	$ 2.01
Unusual first quarter charges (credits):		
Charge for guarantee obligations and other	0.06	0.06
Gain on sale of Kimble Glass	(0.12)	(0.12)
Earnings before extraordinary items and unusual first quarter items	$ 1.97	$ 1.95

(b) The write-off of unamortized deferred finance fees and redemption premiums related to indebtedness repaid or redeemed prior to its scheduled maturity totaled $169.2 million less applicable income taxes of $64.7 million.

(c) Earnings per share are computed independently for each period presented. Due to the issuance of 16.9 million shares of common stock in the second quarter of 1997 and the resultant effect on average shares outstanding, per share amounts calculated on a year-to-date basis do not equal the sums of such amounts calculated separately for each quarter.

(d) The increase in average shares outstanding from 1996 to 1997 resulted primarily from the issuance of approximately 16.9 million shares in the second quarter of 1997 in connection with a refinancing plan.

OWENS-ILLINOIS, INC.
Condensed Consolidated Results of Operations
(Millions of dollars, except per share amounts)

	Three Months ended December 31,	
	1997	1996
Net sales	$1,138.2	$ 962.1
Earnings before interest expense, income taxes, minority share owners' interests and extraordinary items	$ 134.0	114.0
Interest expense	65.6	77.6

Earnings before items below	68.4	36.4
Provision for income taxes	22.8	7.0
Minority share owners' interests in earnings of subsidiaries	6.5	6.5
Earnings before extraordinary shares	39.1	22.9
Extraordinary charges from early extinguishment of debt, net of applicable income taxes(a)	(3.6)	
Net earnings	$ 35.5	$ 22.9
Basic earnings per share of common stock:		
Earnings before extraordinary items	$ 0.28	$ 0.19
Extraordinary charges(a)	(0.03)	--
Net earnings	$ 0.25	$ 0.19
Average shares outstanding (000s)(b)	140,479	120,398
Diluted earnings per share of common stock:		
Earnings before extraordinary items	$ 0.27	$ 0.19
Extraordinary charges(a)	(0.02)	--
Net earnings	$ 0.25	$ 0.19
Diluted average shares (000s)(b)	142,270	123,718

(a) The write-off of unamortized deferred finance fees and redemption premiums related to indebtedness repaid or redeemed prior to its scheduled maturity totaled $5.7 million less applicable income taxes of $2.1 million.

(b) The increase in average shares outstanding from 1996 to 1997 resulted primarily from the issuance of approximately 16.9 million shares in the second quarter of 1997 in connection with a refinancing plan.

OWENS-ILLINOIS, INC.
Consolidated Supplemental Financial Data
(Preliminary -- subject to change)
Millions of Dollars

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1997	1996	1997	1996

Net sales:				
Glass Containers	$ 864.2	$ 697.3	$3,528.4	$2,783.3
Plastics Group	273.6	264.4	1,128.6	1,060.7
Eliminations and other	.4	.4	1.5	1.7
Consolidated total	$1,138.2	$ 962.1	$4,658.5	$3,845.7
Operating profit:				
Glass Containers	$ 96.3	$ 68.7	$ 525.2	$ 424.5
Plastics Group	33.1	36.4	188.7	172.1
Eliminations and other retained costs	(4.5)	.9	(.4)(a)	(7.4)
Consolidated total	$ 124.9	$ 106.0	$ 713.5	$ 589.2
Equity earnings	$ 4.9	$ 2.0	$ 17.9	$ 15.2
Amortization of deferred costs	$ 14.8	$ 12.8	$ 60.0	$ 51.8
Depreciation	$ 77.2	$ 56.4	$ 283.5	$ 219.8
Additions to property, plant, and equipment	$ 192.4	$ 97.8	$ 470.8	$ 388.4

	December 31, 1997	December 31, 1996
Total debt	$3,323.6	$3,394.7
Share owners' equity	$1,341.9	$ 729.7

(a) Operating profit for 1997 includes: (1) a gain of $16.3 million ($16.3 million aftertax) on the sale of the remaining 49% interest in Kimble Glass, and (2) charges of $14.1 million ($8.7 million aftertax) principally for guarantees of certain obligations of a business divested several years ago. These items were recorded in the first quarter of 1997.

SOURCE Owens-Illinois, Inc.
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