Owens-Illinois Reports Increased Sales and Earnings for Second Quarter, First Six Months of 1998

August 5, 1998

TOLEDO, Ohio, Aug. 5 /PRNewswire/ -- Owens-Illinois, Inc., (NYSE: OI) today reported increased sales and earnings for the second quarter and first six months of 1998.

For the second quarter, earnings before extraordinary items were $115.0 million or $0.75 per share (diluted), compared with earnings before extraordinary items of $86.9 million, or $0.65 per share (diluted) in the second quarter of 1997. After extraordinary items, net earnings were $100.9 million, or $0.66 per share (diluted) in the second quarter of 1998, compared with $2.4 million, or $0.02 per share (diluted), in the second quarter of 1997.

Second quarter net sales were $1.385 billion, up 13% from $1.225 billion in the second quarter of 1997.

Joseph H. Lemieux, Owens-Illinois chairman and chief executive officer, said, "Our second quarter results reflect the contributions of our most recently acquired glass and plastics packaging businesses, our improved financial position, and ongoing efforts throughout the company to improve quality, productivity, and cost control. With the completion during the second quarter of the BTR packaging acquisition and the related financings, we are in an excellent position to meet the growing worldwide demand for quality packaging and increase value for our share owners."

Excluding the effects of unusual items, Owens-Illinois has now achieved improved year-over-year results in 26 consecutive quarters, with double-digit percentage increases in earnings from continuing operations in each of the past six calendar years.

The 1998 second quarter results include two months of operations of the glass and plastics packaging businesses that Owens-Illinois acquired from BTR plc on April 30, as announced previously. The company also completed during the second quarter of 1998 the financings related to the acquisition, which included public debt and equity offerings totaling $2.2 billion and a $1.8 billion increase in borrowing capacity under its bank credit agreement. The additional earnings of certain of the acquired businesses, which historically have been seasonally lower in the second and third quarters, combined with the dilutive effects of the related financings, resulted in a dilution of $0.01 in earnings per share in the second quarter of 1998.

The Asia-Pacific glass container businesses acquired from BTR contributed to increased sales and operating profit of the company's international glass container operations. The international glass container operations benefited from increased shipments in Poland and Venezuela, which were partially offset by soft market conditions in Brazil and Colombia. The stronger U.S. dollar adversely affected the 1998 second quarter U.S. dollar results of certain international operations.

The plastics businesses acquired from BTR contributed to improved results for the plastics packaging operations. For the two months since the acquisition, worldwide shipments of PET containers by the newly acquired businesses were up by more than 10% over prior year. Closure and prescription container volumes showed good unit increases from prior year levels. The plastics businesses' comparison with prior year results was adversely affected by the previously announced first quarter 1998 termination of a license agreement under which the company had produced plastic multipack carriers for beverage cans. The effects of lower resin costs on pass-through arrangements with customers also reduced 1998 reported sales compared with the second quarter of 1997.

The domestic glass container operations benefited from continued strong demand for beer containers and increased shipments of iced tea and juice bottles, while shipments of certain food containers were below levels of the prior year period.

The recently acquired businesses, which derive more than 50% of their sales from markets in the southern hemisphere, historically have reported seasonally higher earnings in the first and fourth quarters, primarily as a result of weather related demand for beer and the filling of wine and food containers. As a result, the recently acquired businesses are expected to moderate the quarter-to-quarter variation in earnings of Owens-Illinois, which historically have been seasonally higher in the second and third quarters.

Six-Month Results

For the first six months of 1998, earnings before extraordinary items were $195.4 million, or $1.32 per share (diluted), compared with $141.5 million, or $1.10 per share (diluted), for the first six months of 1997. Net earnings after extraordinary items were $181.3 million, or $1.22 per share (diluted) in the first six months of 1998, compared with $57.0 million, or $0.44 per share (diluted), in the first six months of 1997. Excluding the effect of certain unusual items, 1998 first half earnings before extraordinary items were $1.21 per share (diluted), compared with $1.04 per share (diluted) in the first half of 1997.

Net sales were $2.484 billion for the first half of 1998, up from $2.281 billion for the first half of 1997.

The effective tax rate for the first six months of 1998, excluding the one-time effects of the reduction in Italy's statutory income tax rate, was 35.1%. This compares with 34.1% for the full year 1997, excluding the effect of the gain on the 1997 sale of the remaining 49% interest in Kimble Glass.

Unusual Items

The 1998 results include the following items, recorded in the first quarter of 1998: a net aftertax gain of $11.4 million related to the termination of a licensing agreement; aftertax charges totaling $10.1 million for the settlement of certain environmental litigation and severance costs at certain international affiliates; and a tax benefit of $15.1 million to adjust net deferred income tax liabilities as a result of a reduction in Italy's statutory income tax.

The 1997 unusual items, recorded in the first quarter of 1997, include an aftertax gain of $16.3 million on the sale of the remaining 49% interest in Kimble Glass, partially offset by unusual aftertax charges totaling $8.7 million.

Extraordinary Items

In the second quarter of 1998, the company recorded aftertax charges of $14.1 million for the early retirement of debt in connection with the financing of the BTR packaging acquisition.

In the second quarter of 1997, the company recorded aftertax charges of $84.5 million for the early retirement of debt as part of its refinancing plan.

Forward-Looking Statements

This news release contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements are necessarily projections which are subject to change upon the occurrence of events that may affect the business. The Company also points out that acquisitions involve a number of risks that can cause actual results to be materially different from expected results.

Company Profile

Owens-Illinois is the largest manufacturer of glass containers in North America, South America, Australia, New Zealand, and India, and the second-largest in Europe. O-I also is a worldwide manufacturer of plastics packaging with operations in North America, South America, Australia, Europe, and Asia. Plastics packaging products manufactured by O-I include containers, closures, prescription containers, labels, and multipack carriers for beverage bottles.

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

	Three Months ended June 30, 1998	1997
Net sales	$1,385.0	$1,224.5
Earnings before interest expense, income taxes, minority share owners' interests and extraordinary items	$ 283.6	$ 230.0
Interest expense	99.1	81.4
Earnings before items below	184.5	148.6
Provision for income taxes	62.0	50.8
Minority share owners' interests in earnings of subsidiaries	7.5	10.9
Earnings before extraordinary items	115.0	86.9
Extraordinary charges from early extinguishment of debt, net of applicable income taxes (a)	(14.1)	(84.5)
Net earnings	$ 100.9	$ 2.4
Basic earnings per share of common stock:		
Earnings before extraordinary items	$ 0.76	$ 0.66
Extraordinary charges (a)	(0.10)	(0.64)
Net earnings	$ 0.66	$ 0.02
Average shares outstanding (000s) (b)	148,278	131,483
Diluted earnings per share of common stock:		
Earnings before extraordinary		

items	$ 0.75	$ 0.65
Extraordinary charges (a)	(0.09)	(0.63)
Net earnings	$ 0.66	$ 0.02
Diluted average shares (000s) (b)	153,942	133,504

(a) -- The 1998 write-off of unamortized deferred finance fees related to indebtedness repaid prior to its maturity totaled $22.8 million less applicable income taxes of $8.7 million. The 1997 write-off of unamortized deferred finance fees and redemption premiums related to indebtedness repaid or redeemed prior to its scheduled maturity totaled $136.9 million less applicable income taxes of $52.4 million.

(b) -- The increase in average shares outstanding from 1997 to 1998 resulted primarily from the issuance of approximately 14.5 million shares of common stock in the second quarter of 1998 in connection with financing the acquisition of the worldwide glass and plastics packaging assets of BTR plc.

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

	Six Months ended June 30, 1998	1997
Net sales	$2,483.5	$2,280.8
Earnings before interest expense, income taxes, minority share owners' interests and extraordinary items (a)	$ 465.9	$ 400.3
Interest expense	164.3	167.3
Earnings before items below	301.6	233.0
Provision for income taxes (b)	90.8	74.2
Minority share owners' interests in earnings of subsidiaries	15.4	17.3
Earnings before extraordinary items	195.4	141.5
Extraordinary charges from early extinguishment of debt, net of applicable income taxes (c)	(14.1)	(84.5)
Net earnings	$ 181.3	$ 57.0
Basic earnings per share of common stock (d):		
Earnings before extraordinary items	$ 1.33	$ 1.11
Extraordinary charges (c)	(0.10)	(0.67)
Net earnings	$ 1.23	$ 0.44
Average shares outstanding (000s) (e)	144,470	126,674
Diluted earnings per share of common stock (d):		
Earnings before extraordinary items	$ 1.32	$ 1.10

Extraordinary charges (c)	(0.10)	(0.66)
Net earnings	$ 1.22	$ 0.44
Diluted average shares (000s) (e)	148,195	129,013

(a) -- Amount for 1998 includes: (1) a gain of $18.5 million ($11.4 million aftertax) related to the termination of a licensing agreement, including charges for related equipment write-offs and capacity adjustments, and (2) charges totaling $16.3 million ($10.1 million aftertax) for the settlement of certain environmental litigation and severance costs at certain international affiliates. These items were recorded in the first quarter of 1998.

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.

(b) -- Amount for 1998 includes a credit of $15.1 million to adjust net deferred income tax liabilities as a result of a reduction in Italy's statutory income tax. This item was recorded in the first quarter of 1998.

(c) -- The 1998 write-off of unamortized deferred finance fees related to indebtedness repaid prior to its maturity totaled $22.8 million less applicable income taxes of $8.7 million. The 1997 write-off of unamortized deferred finance fees and redemption premiums related to indebtedness repaid or redeemed prior to its scheduled maturity totaled $136.9 million less applicable income taxes of $52.4 million.

(d) -- Earnings per share are computed independently for each period presented. Due primarily to the issuance of 14.5 million shares and 16.9 million shares of common stock in the second quarters of 1998 and 1997, respectively, 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.

(e) -- The increase in average shares outstanding from 1997 to 1998 resulted primarily from the issuance of approximately 14.5 million shares of common stock in the second quarter of 1998 in connection with financing the acquisition of the worldwide glass and plastics packaging assets of BTR plc.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Net sales:				
Glass Containers	$ 976.7	$ 931.1	$1,789.1	$1,706.7
Plastics Packaging	408.0	293.0	693.7	573.4
Eliminations and other	.3	.4	.7	.7
Consolidated total	$1,385.0	$1,224.5	$2,483.5	$2,280.8
Operating profit (a):				
Glass Containers	$ 189.1	$ 165.0	$ 300.6	$ 266.1
Plastics Packaging	79.6	57.5	146.9	109.2
Eliminations and other retained costs (b)	1.8	.2	(5.3)	1.1
Consolidated total	$ 270.5	$ 222.7	$ 442.2	$ 376.4
Equity earnings	$ 4.5	$ .5	$ 9.2	$ 9.3
Amortization of deferred costs	$ 26.4	$ 15.5	$ 41.5	$ 29.8
Depreciation	$ 91.6	$ 67.1	$ 166.5	$ 134.8
Additions to property, plant, and equipment	$ 138.8	$ 81.1	$ 242.4	$ 157.7

	June 30, 1998	June 30, 1997
Total debt	$5,932.5	$3,295.7
Share owners' equity	$2,550.4	$1,229.8

(a) -- Segment operating profit for 1998 also includes the following items recorded in the first quarter of 1998: (1) a gain of $18.5 million ($11.4 million aftertax) related to the termination of a licensing agreement, including charges for related equipment write-offs and capacity adjustments, and (2) charges totaling $16.3 million ($10.1 million aftertax) for the settlement of certain environmental litigation and severance costs at certain international affiliates. Such items are included as follows in segment operating profit for the six months ended June 30, 1998:

Glass Containers	$ (7.8)
Plastics Packaging	18.5
Eliminations and other retained costs	(8.5)
Total	$ 2.2

(b) -- Operating profit in the six months ended June 30, 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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