Owens-Illinois Reports Increased Sales and Earnings for Third Quarter, First Nine Months of 1998

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TOLEDO, Ohio, Oct. 22 /PRNewswire/ -- Owens-Illinois, Inc., (NYSE: OI) today reported increased sales and earnings for the third quarter and first nine months of 1998.

For the third quarter of 1998, earnings before extraordinary items were $113.6 million, or $0.69 per share (diluted), compared with $91.8 million, or $0.65 per share (diluted) in the third quarter of 1997. After extraordinary items, net earnings were $113.6 million, or $0.69 per share (diluted) in the third quarter of 1998, compared with net earnings of $75.4 million, or $0.53 per share (diluted) in the third quarter of 1997. The net aftertax benefit of certain unusual items on 1998 third quarter earnings was $1.2 million, or $0.01 per share (diluted).

Third quarter net sales were $1.454 billion, up 17% from $1.240 billion in the third quarter of 1997.

Joseph H. Lemieux, Owens-Illinois chairman and chief executive officer, said, "We had good operating performances from a number of our businesses and made important progress in integrating our recent acquisitions in the third quarter. As the leading supplier in most of the markets we serve, we are well positioned to take advantage of long term growth in worldwide demand for quality packaging and the increasing number of global customers who are seeking packaging suppliers able to serve them on an international basis."

Mr. Lemieux further stated, "We expect solid performances in many markets in the fourth quarter, but continuing weakness in South America and softness in selected markets in the United Kingdom and Central Europe could limit earnings growth. While the pace of our growth may be slowed by weak economic conditions in these geographic areas, our operations are running well and our long term prospects remain good."

Excluding the effects of unusual items, Owens-Illinois has now achieved improved year-over-year results in 27 consecutive quarters.

The 1998 third quarter results include the operations of the glass and plastics packaging businesses that Owens-Illinois acquired from BTR plc on April 30, 1998. 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 $1.5 billion increase in borrowing capacity under its bank credit agreement. The additional earnings 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 $0.05 in earnings per share in the third 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 reported increased shipments in Europe, while soft market conditions had a negative impact on the results of several South American operations. The stronger U.S. dollar adversely affected the 1998 third quarter U.S. dollar results of certain international operations.

The plastics businesses acquired from BTR contributed to improved results for the plastics packaging operations. An increase in shipments of closures for beverage containers contributed to a strong quarter for the closure and specialty products businesses. 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 reduced 1998 reported sales compared with the third quarter of 1997.

Productivity improvements enabled the domestic glass container operations to achieve increased operating profit despite slightly lower sales and shipments. Increased shipments of beer, iced tea, and juice bottles partially offset a decline in shipments of certain food containers.

Nine-Month Results

For the first nine months of 1998, earnings before extraordinary items were $309.0 million, or $2.00 per share (diluted), compared with earnings before extraordinary items of $233.3 million, or $1.75 per share (diluted), for the first nine months of 1997. Net earnings after extraordinary items were $294.9 million, or $1.91 per share (diluted) in the first nine months of 1998, compared with $132.4 million, or $0.99 per share (diluted), in the first nine months of 1997. Excluding the effects of certain unusual items, earnings before extraordinary items for the first nine months of 1998 were $1.88 per share (diluted), compared with $1.69 per share (diluted) in the first nine months of 1997.

Net sales were $3.937 billion for the first nine months of 1998, up from $3.520 billion for the first nine months of 1997.

The effective tax rate for the first nine 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 company's 1997 sale of its 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 1998 results also include the following items, recorded in the third quarter of 1998: an aftertax benefit of $4.7 million from the reduction of reserves for guarantees of certain obligations of a business divested several years ago and an aftertax loss of $3.5 million on the sale of a discontinued operation by a company in which Owens-Illinois holds a minority interest.

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 prior year, the company recorded aftertax charges of $84.5 million in the second quarter of 1997 and $16.4 million in the third quarter of 1997 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 September 30, 1998	1997
Net sales	$1,453.6	$1,239.5
Earnings before interest expense, income taxes, minority share owners' interests and extraordinary items (a)	284.0	220.7
Interest expense	103.5	69.8
Earnings before items below	180.5	150.9
Provision for income taxes	63.3	51.5
Minority share owners' interests in earnings of subsidiaries	3.6	7.6
Earnings before extraordinary items	113.6	91.8
Extraordinary charges from early extinguishment of debt, net of applicable income taxes (b)	--	(16.4)
Net earnings	$ 113.6	$ 75.4
Basic earnings per share of common stock:		
Earnings before extraordinary items	$ 0.70	$ 0.65
Extraordinary charges (b)	--	(0.12)
Net earnings	$ 0.70	$ 0.53
Average shares outstanding (000s) (c)	155,346	140,333
Diluted earnings per share of		

common stock:		
Earnings before extraordinary items	$ 0.69	$ 0.65
Extraordinary charges (b)	--	(0.12)
Net earnings	$ 0.69	$ 0.53
Diluted average shares (000s) (c)	165,629	142,182

(a) -- Amount for 1998 includes: (1) a benefit of $7.6 million ($4.7 million aftertax) from the reduction of previously established reserves for guarantees of certain obligations of a business divested several years ago, and (2) a loss of $3.5 million ($3.5 million aftertax) on the sale of a discontinued operation by an equity investee. The net aftertax benefit of these items on 1998 third quarter basic and diluted earnings per share is $0.01.

(b) -- The write-off of unamortized deferred finance fees and redemption premiums related to indebtedness repaid or redeemed prior to its scheduled maturity totaled $26.6 million less applicable income taxes of $10.2 million.

(c) -- The increase in average shares from 1997 to 1998 resulted primarily from the issuance of approximately 14.5 million shares of common stock (affects average shares for both basic and diluted earnings per share calculations), and the issuance of convertible preferred stock, which is convertible into approximately 8.6 million shares of common stock (affects average shares for diluted earnings per share calculation only), 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)

	Nine Months ended September 30, 1998	1997
Net sales	$3,937.1	$3,520.3
Earnings before interest expense, income taxes, minority share owners' interests and extraordinary items (a)	749.9	621.0
Interest expense	267.8	237.1
Earnings before items below	482.1	383.9
Provision for income taxes (b)	154.1	125.7
Minority share owners' interests in earnings of subsidiaries	19.0	24.9
Earnings before extraordinary items	309.0	233.3
Extraordinary charges from early extinguishment of debt, net of applicable income taxes (c)	(14.1)	(100.9)
Net earnings	$ 294.9	$ 132.4
Basic earnings per share of common stock (d):		
Earnings before extraordinary items	$ 2.03	$ 1.77
Extraordinary charges (c)	(0.10)	(0.77)
Net earnings	$ 1.93	$ 1.00
Average shares outstanding (000s) (e)	148,135	131,277
Diluted earnings per share of		

common stock (d):		
Earnings before extraordinary items	$ 2.00	$ 1.75
Extraordinary charges (c)	(0.09)	(0.76)
Net earnings	$ 1.91	$ 0.99
Diluted average shares (000s) (e)	154,046	133,453

(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 1998 also includes: (1) a benefit of $7.6 million ($4.7 million aftertax) from the reduction of previously established reserves for guarantees of certain obligations of a business divested several years ago, and (2) a loss of $3.5 million ($3.5 million aftertax) on the sale of a discontinued operation by an equity investee. These items were recorded in the third quarter of 1998. The net aftertax benefit of these items on nine months ended September 30, 1998 basic and diluted earnings per share is $0.02.

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 benefit of these items on nine months ended September 30, 1997 basic and diluted earnings per share is $0.06.

(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. The benefit of this item on nine months ended September 30, 1998 basic and diluted earnings per share is $0.10.

(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 $163.5 million less applicable income taxes of $62.6 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, the second quarter of 1998 issuance of convertible preferred stock, which is convertible into approximately 8.6 million shares of common stock, and the resultant effect on average shares, per share amounts calculated on a year-to-date basis may 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 (affects average shares for both basic and diluted earnings per share calculations), and the issuance of convertible preferred stock, which is convertible into approximately 8.6 million shares of common stock (affects average shares for diluted earnings per share calculation only), 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 September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Net sales:				
Glass Containers	$1,026.2	$ 957.5	$2,815.3	$2,664.2
Plastics Packaging	427.0	281.6	1,120.7	855.0
Eliminations and other	.4	.4	1.1	1.1
Consolidated total	$1,453.6	$1,239.5	$3,937.1	$3,520.3
Operating profit (a):				
Glass Containers	$ 192.1	$ 162.8	$ 492.7	$ 428.9
Plastics Packaging	74.5	46.4	221.4	155.6
Eliminations and other retained costs (b)	8.4	3.0	3.1	4.1
Consolidated total	$ 275.0	$ 212.2	$ 717.2	$ 588.6
Equity earnings (c)	$ 1.4	$ 3.7	$ 10.6	$ 13.0
Amortization of deferred costs	$ 31.6	$ 15.4	$ 73.1	$ 45.2

Depreciation	$ 101.6	$ 71.5	$ 268.1	$ 206.3
Additions to property, plant, and equipment	$ 134.9	$ 120.7	$ 377.3	$ 278.4

	September 30, 1998	September 30, 1997
Total debt	$5,834.5	$3,362.9
Share owners' equity	$2,663.1	$1,289.0

(a) -- Segment operating profit for 1998 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 nine months ended September 30, 1998:

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

(b) -- Operating profit for the three and nine months ended September 30, 1998, includes a benefit of $7.6 million ($4.7 million aftertax) from the reduction of previously established reserves for guarantees of certain obligations of a business divested several years ago.

Operating profit in the nine months ended September 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.

(c) -- Amount for the three and nine months ended September 30, 1998, includes a loss of $3.5 million ($3.5 million aftertax) on the sale of a discontinued operation by an equity investee.

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