Owens-Illinois Reports 1998 Results

February 10, 1999

TOLEDO, Ohio, Feb. 10 /PRNewswire/ -- Owens-Illinois, Inc., (NYSE: OI) today reported record net sales of $5.31 billion for 1998, a 14% increase over 1997 net sales of $4.66 billion. Full year diluted earnings per share, before extraordinary items and provisions for asbestos, restructuring, and other costs, were $2.15, up 10% from $1.95 in 1997.

Joseph H. Lemieux, Owens-Illinois chairman and chief executive officer, said, "1998 was a good year operationally, with the bottom line impacted by a number of fourth quarter accounting provisions. Most of our businesses are performing well, especially those in developed markets, which represent about 80% of our sales. However, weak conditions in emerging markets, which hurt our earnings in the second half of 1998, are likely to continue into the first quarter of 1999. We are taking aggressive steps to reduce costs in view of these weakened market conditions and we believe that our operating units in these areas will strengthen over the course of the year."

The fourth quarter accounting provisions fall into two broad categories. First, as part of its continual monitoring of asbestos-related matters, Owens-Illinois recently completed a comprehensive review that resulted in the recording of an aftertax charge of $154.4 million to adjust the company's reserve for pending and future asbestos claims. Second, the company recorded fourth quarter provisions totaling $80.3 million after tax and minority share owners' interests principally for restructurings and write-offs related to adverse conditions in emerging markets.

Including these provisions as well as unusual items recorded in the first nine months, 1998 full year earnings before extraordinary items were $122.1 million, or $0.71 per share (diluted), compared with earnings before extraordinary items of $272.4 million, or $2.01 per share (diluted), for 1997. For the fourth quarter of 1998, the company reported a net loss of $186.9 million, or $1.24 per share (diluted), compared with earnings before extraordinary items of $39.1 million, or $0.27 per share (diluted), for the fourth quarter of 1997. Net sales in the fourth quarter were $1.37 billion, up 20% from net sales of $1.14 billion in the fourth quarter of 1997.

The review of asbestos costs showed that while the number of asbestos lawsuits and claims pending and filed against the company has declined significantly in recent years, the number of cases filed and the costs to resolve the asbestos lawsuits and claims filed during 1998 exceeded historical trends. As a result, the company revised its estimate of the costs that will be incurred to resolve pending and future cases, resulting in the aftertax charge of $154.4 million. A former business unit of Owens-Illinois produced a high-temperature insulation material containing asbestos from 1948 to 1958. That unit was sold in April 1958.

Also in the fourth quarter of 1998, the company recorded charges and other provisions totaling $80.3 million after tax and minority share owners' interests. These items were related principally to a plant closing in the United Kingdom; restructuring costs at certain international affiliates; the write-off of receivables, inventory, and equipment relating primarily to previously creditworthy customers who have been especially hard hit by financial and economic turmoil in emerging markets; and the recognition of expenses related to the Rockware glass container business acquired from BTR plc, which, as announced previously, is being held pending divestiture pursuant to the approval of the acquisition by the Commission of the European Communities.

1998 Business Review

"Overall, 1998 was a year of significant accomplishment," Mr. Lemieux said. "With the acquisition of the glass and plastics packaging businesses of BTR plc, our glass container business is now well positioned to take advantage of the long-term growth of markets in the Pacific Rim and our plastics business has become a world leader in the rapidly growing market for high barrier food and beverage containers. We have made considerable progress toward integrating these businesses into our operations, which should result in cost savings and improved efficiency going forward."

Glass container affiliates in several South American countries, Central Europe, and Asia have undertaken restructurings that are expected to improve efficiency and reduce costs beginning in 1999. The glass container affiliate in the United Kingdom is also taking steps to significantly reduce costs and improve efficiency by closing its least efficient glass container manufacturing plant in the first quarter of 1999 and consolidating production in its two remaining facilities.

The 1998 results include the operations of the glass and plastics packaging businesses that Owens-Illinois acquired from BTR plc on April 30, 1998. Exclusive of the Rockware expenses recognized in the fourth quarter of 1998, the additional earnings of the businesses acquired from BTR plc, combined with the effects of the financings related to the acquisition, resulted in a dilution of $0.05 in earnings per share for the year ended December 31, 1998.

The Asia Pacific glass container businesses acquired from BTR plc contributed to increased sales and operating profit in 1998 for the company's international glass container operations. Increased shipments in Europe were offset by decreased shipments in most Latin American countries. The domestic glass container operations benefited from increased shipments of bottles for beer, juice, and iced teas, offset by lower shipments of certain food containers.

For the year, the plastics businesses acquired from BTR plc contributed to improved results for the plastics packaging operations. The plastics packaging operations also benefited from increased shipments of plastic containers, principally for health care and household products; closures for beverage and liquor containers; and prescription packaging. Shipments of polyethylene terephthalate (PET) containers in the United States by the newly acquired businesses were up sharply in the fourth quarter and the full year. PET shipments were weak in South America and Eastern Europe, reflecting adverse conditions similar to those affecting the company's glass container affiliates in those regions.

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.

Owens-Illinois 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)

	Year ended December 31, 1998	1997
Revenues:		
Net sales	$5,306.3	$4,658.5
Royalties and net technical assistance	26.6	21.6
Equity earnings(a)	16.0	17.9
Interest	29.2	23.6
Other(b)	121.2	106.8
Total	5,499.3	4,828.4
Costs and expenses:		
Manufacturing, shipping, and delivery	4,075.6	3,666.4
Research and development	36.4	28.9
Engineering	34.8	29.9
Selling and administrative	274.2	232.8
Interest(c)	380.0	302.7
Other(d)	489.3	115.4
Total	5,290.3	4,376.1
Earnings before items below	209.0	452.3
Provision for income taxes(e)	66.7	148.5
Minority share owners' interests in earnings of subsidiaries	20.2	31.4
Earnings before extraordinary items	122.1	272.4
Extraordinary charges from early extinguishment of debt, net of applicable income taxes(f)	(14.1)	(104.5)
Net earnings	$ 108.0	$ 167.9
Basic earnings per share of common stock(g):		
Earnings before extraordinary items(e)	$ 0.71	$ 2.03
Extraordinary charges(f)	(0.09)	(0.78)
Net earnings	$ 0.62	$ 1.25
Average shares outstanding (000s)(h)	149,970	133,597
Diluted earnings per share of common stock(g):		
Earnings before extraordinary		

items(e)	$ 0.71	$ 2.01
Extraordinary charges(f)	(0.09)	(0.77)
Net earnings	$ 0.62	$ 1.24
Diluted average shares (000s)(h)	150,944	135,676

(a) -- Amount for 1998 includes a third quarter loss of $5.7 million ($3.5 million aftertax) on the sale of a discontinued operation by an equity investee. The net aftertax effect of this item is a reduction in earnings per share of $0.02.

(b) -- Amount for 1998 includes a first quarter gain of $18.5 million ($11.4 million aftertax) related to the termination of a license agreement, including charges for related equipment write-offs and capacity adjustments, under which the company had produced plastic multipack carriers for beverage cans. The net aftertax benefit of this item on earnings per share is $0.08.

Amount for 1997 includes a first quarter gain of $16.3 million ($16.3 million aftertax) on the sale of the remaining 49% interest in Kimble Glass. The net aftertax benefit of this item on earnings per share is $0.12.

(c) -- Amount for 1998 includes $6.4 million ($4.4 million aftertax) associated with the Rockware glass container business. The net aftertax effect of this item is a reduction in earnings per share of $0.03.

(d) -- Amount for 1998 includes: (1) fourth quarter charges totaling $314.8 million ($197.0 million after tax and minority share owners' interests) related principally to adjustment of the reserve for estimated future asbestos-related costs ($250.0 million pretax, $154.4 million aftertax), a plant closing in the United Kingdom and restructuring costs at certain international affiliates ($64.8 million pretax, $42.6 million after tax and minority share owners' interests), (2) first quarter charges of $16.3 million ($10.1 million aftertax) for the settlement of certain environmental litigation and severance costs at certain international affiliates, and (3) a third quarter 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. The net aftertax effect of these items is a reduction in earnings per share of $1.35.

Amount for 1998 also includes $43.8 million ($33.3 million after tax and minority share owners' interests) principally for write-offs of certain assets associated with business conditions in emerging markets. The net aftertax effect of these items is a reduction in earnings per share of $0.22.

Amount for 1997 includes first quarter charges of $14.1 million ($8.7 million aftertax) principally for guarantees of certain lease obligations of a previously divested business. The net aftertax effect of these items is a reduction in earnings per share of $0.06.

(e) -- Amount for 1998 includes a first quarter credit of $15.1 million to adjust net deferred income tax liabilities as a result of a reduction in Italy's statutory income tax rate. The benefit of this item on earnings per share is $0.10.

The net aftertax effects of items (a) through (e) on year ended December 31 diluted earnings per share is as follows:

1998 1997
Earnings before extraordinary items $0.71 $2.01 Unusual charges (credits):

Decrease in Italy statutory income tax rate	(0.10)	--
Future asbestos related costs	1.02	--
Expenses related to Rockware Glass	0.04	--
Restructuring costs at certain international affiliates, emerging market asset write-offs, and other	0.48	--
Gain on sale of Kimble Glass	--	(0.12)
Charge for guarantee obligations and other	--	0.06

Earnings before extraordinary charges and

provisions for asbestos, restructuring,

and other costs $2.15 $1.95

(f) -- 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 $169.2 million less applicable income taxes of $64.7 million.

(g) -- 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 of all these changes 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.

(h) -- The increase in average shares 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.

Condensed Consolidated Results of Operations
(Millions of dollars, except per share amounts)

	Three Months ended December 31, 1998	1997
Revenues:		
Net sales	$1,369.2	$1,138.2
Royalties and net technical assistance	6.0	5.3
Equity earnings	5.4	4.9
Interest	7.1	4.2
Other	20.4	22.6
Total	1,408.1	1,175.2
Costs and expenses:		
Manufacturing, shipping, and delivery	1,077.2	930.4
Research and development	10.3	6.3
Engineering	9.7	7.1
Selling and administrative	74.7	64.6
Interest(a)	112.2	65.6
Other(b)	397.1	32.8
Total	1,681.2	1,106.8
Earnings (loss) before items below	(273.1)	68.4
Provision (credit) for income taxes	(87.4)	22.8
Minority share owners' interests in earnings of subsidiaries	1.2	6.5
Earnings (loss) before extraordinary items	(186.9)	39.1
Extraordinary charges from early extinguishment of debt, net of applicable income taxes(c)	--	(3.6)
Net earnings (loss)	$ (186.9)	$ 35.5
Basic earnings (loss) per share of common stock:		
Earnings (loss) before extraordinary items	$ (1.24)	$ 0.28
Extraordinary charges(c)	--	(0.03)
Net earnings (loss)	$ (1.24)	$ 0.25
Average shares outstanding (000s)(d)	155,416	140,479
Diluted earnings (loss) per share of common stock(e):		
Earnings (loss) before extraordinary items	$ (1.24)	$ 0.27
Extraordinary charges(c)	--	(0.02)
Net earnings (loss)	$ (1.24)	$ 0.25
Diluted average shares (000s)	155,416	142,270

(a) -- Amount for 1998 includes $6.4 million ($4.4 million aftertax) associated with the Rockware glass container business. The net aftertax effect of this item is a reduction in earnings per share of $0.03.

(b) -- Amount for 1998 includes: (1) charges totaling $314.8 million ($197.0 million after tax and minority share owners' interests) related principally to adjustment of the reserve for estimated future asbestos-related costs ($250.0 million pretax, $154.4 million aftertax) a plant closing in the United Kingdom and restructuring costs at certain international affiliates ($64.8 million pretax, $42.6 million after tax and minority share owners' interests). The net aftertax effect of these items is a reduction in earnings per share of $1.27.

Amount for 1998 also includes $43.8 million ($33.3 million after tax and minority share owners' interests) principally for write-offs of certain assets associated with business conditions in emerging markets. The net aftertax effect of these items is a reduction in earnings per share of $0.21.

The net aftertax effects of items (a) and (b) on three months ended December 31 diluted earnings per share is as follows:

1998 1997
Earnings (loss) before extraordinary items $(1.24) $0.27 Unusual charges:

Future asbestos related costs	0.99	--
Restructuring costs at certain international affiliates	0.28	--
Emerging market asset write-offs	0.20	--

Expenses related to Rockware Glass 0.04 -- Earnings before extraordinary charges and

provisions for asbestos, restructuring,

and other costs $0.27 $0.27

(c) -- The 1997 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.

(d) -- The increase in average shares 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.

(e) -- Diluted earnings per share of common stock are equal to basic earnings per share of common stock for 1998 due to the loss before extraordinary items.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1998	1997	1998	1997
Net sales:				
Glass Containers	$ 994.6	$ 864.2	$3,809.9	$3,528.4
Plastics Packaging	374.5	273.6	1,495.2	1,128.6
Eliminations and other	.1	.4	1.2	1.5
Consolidated total	$1,369.2	$1,138.2	$5,306.3	$4,658.5
Operating profit(a)(b):				
Glass Containers	$ 40.8	$ 96.3	$ 533.5	$ 525.2
Plastics Packaging	38.1	33.1	259.5	188.7
Eliminations and other retained costs(c)	(252.3)	(4.5)	(249.2)	(.4)
Consolidated total	$ (173.4)	$ 124.9	$ 543.8	$ 713.5
Amortization of deferred costs	$ 32.3	$ 14.8	$ 105.4	$ 60.0
Depreciation	$ 90.4	$ 77.2	$ 358.5	$ 283.5
Additions to property, plant, and equipment	$ 196.2	$ 192.9	$ 573.5	$ 471.3

	December 31, 1998	December 31, 1997
Total debt	$5,916.7	$3,323.6

Share owners' equity	$2,472.0	$1,341.9

(a) -- Segment operating profit for the three months ended December 31, 1998 includes charges totaling $314.8 million related principally to the adjustment of the reserve for estimated future asbestos-related costs ($250.0 million), a plant closing in the United Kingdom and restructuring costs at certain international affiliates ($64.8 million). Segment operating profit also includes $43.8 million of charges principally for write-offs of certain assets associated with business conditions in emerging markets. Such items are included as follows in segment operating profit for the three months ended December 31, 1998:

Glass Containers	$(100.7)
Plastics Packaging	(6.8)
Eliminations and other retained costs	(251.1)
Total	$(358.6)

(b) -- Segment operating profit for the twelve months ended December 31, 1998 includes the following items: (1) a first quarter gain of $18.5 million related to the termination of a license agreement, including charges for related equipment write-offs and capacity adjustments, under which the company had produced plastic multipack carriers for beverage cans, (2) first quarter charges of $16.3 million for the settlement of certain environmental litigation and severance costs at certain international affiliates, (3) a third quarter benefit of $7.6 million from the reduction of previously established reserves for guarantees of certain obligations of a business divested several years ago, and (4) fourth quarter charges totaling $314.8 million related principally to the adjustment of the reserve for estimated future asbestos-related costs ($250.0 million), a plant closing in the United Kingdom and restructuring costs at certain international affiliates ($64.8 million). Segment operating profit also includes $43.8 million of charges principally for write-offs of certain assets associated with business conditions in emerging markets. Such items are included as follows in segment operating profit for the twelve months ended December 31, 1998:

Glass Containers	$(108.5)
Plastics Packaging	11.7
Eliminations and other retained costs	(252.0)
Total	$(348.8)

(c) -- Operating profit in the twelve months ended December 31, 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.

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