Owens-Illinois Reports Second Quarter Results

July 24, 2001

TOLEDO, Ohio, July 24 /PRNewswire/ -- Owens-Illinois, Inc., (NYSE: OI) today reported net earnings of $243.5 million, or $1.58 per share (diluted) for the second quarter of 2001. Excluding extraordinary, unusual, and other largely one-time items, second quarter 2001 earnings from operations were $60.6 million, or $0.38 per share (diluted). For the second quarter of 2000, the company reported net earnings of $88.5 million, or $0.57 per share (diluted). Second quarter 2001 net sales were $1.390 billion, compared with $1.449 billion in the prior year.

Unusual and other items recorded in the second quarter of 2001 include a gain on the sale of the Harbor Capital Advisors business and charges for restructuring and impairment write-offs, contingencies for a previous acquisition, special benefit programs, and interest adjustments related to a prior divestiture. The extraordinary item represents an aftertax charge for the write-off of deferred finance fees related to the repayment of debt prior to its scheduled maturity.

Joseph H. Lemieux, Owens-Illinois chairman and chief executive officer, said, "Higher energy costs and unfavorable foreign exchange rates continued to adversely affect our performance in the second quarter of 2001. However, our operations are in excellent condition. With domestic energy costs starting to moderate, we are well positioned to achieve better year-over-year earnings comparisons."

Foreign currency weakness in the second quarter of 2001 reduced reported net sales by $51.7 million and reported EBIT by $7.0 million compared with the prior-year period. (EBIT consists of consolidated earnings before interest income, interest expense, provision for income taxes, and minority share owners' interests in earnings of subsidiaries.)

The combined effect of unrecovered energy cost increases and foreign currency weakness adversely affected year-over-year EBIT comparisons by approximately $30 million for the second quarter of 2001. The net effect of these unfavorable energy and currency rate items was a reduction in second quarter 2001 earnings per share of approximately $0.16 compared with the prior-year period. The company has been able to recover a portion of its increased energy costs through price adjustments. During the second quarter, however, these price adjustments still lagged behind increases in the cost of natural gas.

Business Review

The glass containers segment reported second quarter net sales of $899.4 million and EBIT, excluding unusual items, of $153.9 million. In the second quarter of 2000 the glass containers segment had net sales of $952.1 million and EBIT of $180.6 million. Worldwide shipments of glass containers declined from the prior-year quarter, as decreases in North America and the Asia Pacific region were partially offset by increased volumes in Europe and South America.

Net sales of the North American glass container operations were below prior-year levels, due in part to conversions from glass to plastic containers. EBIT declined from the prior year, due principally to higher energy costs, which have not been fully recovered through price adjustments.

The European glass container operations achieved improved sales and EBIT despite the effects of unfavorable exchange-rate comparisons. The value of the euro averaged US$0.87 during the quarter, compared with US$0.94 in the second quarter of 2000, a decrease of 7%. The Italian operations achieved significant increases in net sales and EBIT, as they continued to benefit from incremental business, improved pricing, and favorable product mix. All of the company's glass container affiliates in Europe reported increased unit shipments.

The Asia Pacific glass container businesses reported decreases in unit shipments, sales, and EBIT compared with good results in the second quarter of 2000. Soft economic conditions and inventory-reduction programs by certain customers contributed to the year-over-year decline in unit shipments. The unfavorable EBIT comparison was due in part to higher energy costs in Indonesia. Reported results also were adversely affected by a 13% year-over-year decline in the value of the Australian dollar compared with the U.S. dollar. The value of the Australian dollar averaged US$0.51 in the quarter, compared with US$0.59 in the second quarter of 2000.

The South American glass container operations reported year-over-year increases in unit shipments, net sales, and EBIT for the fifth consecutive quarter. A double-digit percentage increase in unit shipments was led by affiliates in Brazil and Venezuela.

The plastics packaging segment had net sales of $487.7 million and EBIT, excluding unusual items, of $68.3 million, compared with net sales of $478.4 million and EBIT of $75.5 million in the 2000 second quarter. Worldwide unit shipments of the company's blow-molded and injection-molded plastics packaging products both increased on a year-over-year basis. The increase was due in part to successful efforts to help customers manage conversions from glass to plastic containers.

The prescription products operations continued to show favorable year- over-year performance, reflecting increased shipments, favorable product mix, and improved productivity. This partially offset lower EBIT for the closure operations, due principally to the effects of weaker-than-expected shipments of items for industrial applications and one-time costs associated with the relocation of a U.S. manufacturing operation to a new and larger facility to accommodate a growing business base. EBIT also was adversely affected by costs associated with a strike during the month of May at a U.S. plastic container manufacturing plant.

Six-Month Results

For the first six months of 2001, net earnings were $292.4 million, or $1.90 per share (diluted). Excluding extraordinary, unusual, and other largely one-time items, earnings from operations for the first half of 2001 were $97.5 million, or $0.60 per share (diluted). In the first half of 2000, net earnings were $147.2 million, or $0.93 per share (diluted). Net sales were $2.696 billion for the first half of 2001, compared with $2.795 billion for the first half of 2000.

Cash Flow Information

In the second quarter of 2001, the company continued to proactively resolve some asbestos-related claims and lawsuits that it otherwise would not have received until later periods. This proactive effort, which began in the fourth quarter of 2000, contributed to year-over-year increases in the number of claims and cases resolved in the second quarter and first half of 2001. Total asbestos-related cash payments were $56.6 million in the second quarter of 2001. This was down from each of the prior two quarters -- $68.8 million in the first quarter of 2001 and $61.9 million in the fourth quarter of 2000.

Based on its experience through the first six months of 2001, the company expects that its total asbestos-related cash payments for the year may be modestly higher than its previous estimate of approximately $200 million. However, the company expects that such payments will continue to decline modestly in the second half of 2001. After insurance proceeds resulting from previously announced settlement agreements that the company reached with several insurers during the first quarter of 2001, its net asbestos-related cash payments for the year are expected to be somewhat above the $35 million estimate previously announced. Pursuant to the settlement agreements, the company received asbestos-related insurance payments of $37.4 million in the second quarter of 2001 and $149.2 million for the first half of 2001.

Outlook

Energy costs and foreign currency weakness are continuing to have a negative impact on the company's performance. However, energy prices have moderated in recent weeks, and the company now expects year-over-year energy and foreign exchange comparisons to become less adverse in the second half of 2001. Accordingly, the company expects that operating earnings for the third quarter of 2001 will be similar to those of the prior-year period and that operating earnings for the fourth quarter will be higher than those of the fourth quarter of 2000. The company reported net earnings, excluding unusual items, of $0.40 per share (diluted) for the third quarter of 2000 and net earnings of $0.18 per share (diluted) for the fourth quarter of 2000.

Forward-Looking Statements

This news release may contain "forward looking" statements as defined in the Private Securities Litigation Reform Act of 1995. Forward looking statements reflect the Company's best assessment at the time, and thus involve uncertainty and risk. It is possible the Company's future financial performance may differ from expectations due to a variety of factors such as those described in the Company's March 31, 2001 Form 10-Q filed with the Securities and Exchange Commission. Forward looking statements are not a guarantee of future performance, and actual results or developments may differ materially from expectations. While the Company continually reviews trends and uncertainties affecting the Company's results of operations and financial condition, the Company does not intend to update any particular forward looking statements contained in this news release.

Company Profile

Owens-Illinois is the largest manufacturer of glass containers in North America, South America, Australia, New Zealand, and China, and one of the 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, and prescription containers.

Conference Call

As announced previously, a conference call to discuss the company's latest results will be held Wednesday, July 25, at 11 a.m., Eastern Time. A live webcast and a replay of the conference call will be available on the Internet at the Owens-Illinois web site (www.o-i.com). The conference call also may be accessed by dialing 888-733-1701 (U.S. and Canada) or 706-634-4943 (International) by 10:50 a.m. (Eastern Time) on July 25. Ask for the Owens- Illinois conference call. A replay of the call will be available from approximately 2 p.m. (Eastern Time) on July 25 through August 3. In addition to the Owens-Illinois web site, the replay also may be accessed by dialing 800-642-1687 (U.S. and Canada) or 706-645-9291 (International). The conference ID number to access the replay is 60701.

Copies of Owens-Illinois news releases are available at the Owens-Illinois web site at www.o-i.com , or at www.prnewswire.com .

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

	Three Months ended June 30,	
	2001	2000
Revenues:		
Net sales	$1,389.8	$1,449.2
Royalties and net technical assistance	7.5	6.3
Equity earnings	5.3	5.0
Interest	8.4	8.2
Other(a)	482.3	50.4
	1,893.3	1,519.1
Costs and expenses:		
Manufacturing, shipping, and delivery	1,083.3	1,107.6
Research and development	10.2	13.1

Engineering	7.9	7.7
Selling and administrative(b)	101.5	65.6
Interest(c)	116.9	121.4
Other(d)	131.5	50.6
	1,451.3	1,366.0
Earnings before items below	442.0	153.1
Provision for income taxes(e)	193.1	60.3
Minority share owners' interests in earnings of subsidiaries	1.3	4.3
Earnings before extraordinary item	247.6	88.5
Extraordinary charge from early extinguishment of debt, net of applicable income taxes(f)	(4.1)	--
Net earnings	$ 243.5	$ 88.5
Earnings before extraordinary item	$ 247.6	$ 88.5
Preferred stock dividends:		
Convertible	(5.4)	(5.4)
Exchangeable	--	(.1)
Earnings before extraordinary item available to common share owners	242.2	83.0
Effect of dilutive securities -		
Exchangeable preferred stock dividends	--	.1
Convertible preferred stock dividends	5.4	--
Earnings before extraordinary item used in diluted earnings per share calculation	$ 247.6	$ 83.1
Basic earnings per share of common stock:		
Earnings before extraordinary item	$ 1.67	$ 0.57
Extraordinary charge(f)	(.03)	--
Net earnings	$ 1.64	$ 0.57
Weighted average shares outstanding (000s)(g)	144,872	146,441
Diluted earnings per share of common stock:		
Earnings before extraordinary item	$ 1.61	$ 0.57

Extraordinary charge(f)	(.03)	--
Net earnings	$ 1.58	$ 0.57
Diluted average shares(000s)	153,697	146,917

(a) Amount for 2001 includes a gain of $457.3 million ($284.4 million after tax) related to the sale of the Company's Harbor Capital Advisors business. The net aftertax effect is an increase in earnings per share of $1.96 (diluted).

(b) Amount for 2001 includes charges of $30.9 million ($19.4 million after tax) related to special employee benefit programs. The net aftertax effect of these items is a reduction in earnings per share of $0.13 (diluted).

(c) Amount for 2001 includes $4.0 million ($2.8 million after tax) related to interest on the resolution of the transfer of pension assets and liabilities for a previous acquisition and divestiture. The net aftertax effect is a reduction in earnings per share of $0.02 (diluted).

(d) Amount for 2001 includes charges totaling $88.4 million ($69.2 million after tax and minority share owners' interests) for: (1) $79.9 million ($63.9 million after tax and minority share owners' interests) related to restructuring and impairment charges at certain of the Company's international glass operations, principally Venezuela and Puerto Rico, as well as certain other domestic and international operations, and (2) $8.5 million ($5.3 million after tax) for contingencies related to a previous acquisition. The net aftertax effect of these items is a reduction in earnings per share of $0.48 (diluted).

(e) Amount for 2001 includes a $6.0 million charge to adjust tax liabilities in Italy as a result of recent legislation. This item is a reduction in earnings per share of $0.04 (diluted).

The net aftertax effects of all gains and charges on diluted earnings per share for the three months ended June 30, 2001 are as follows:

Net earnings before extraordinary item:	$1.61
Dilutive effect of convertible preferred shares	0.06
Unusual items and other charges:	
Sale of Harbor Capital business	(1.96)
Restructuring and impairment	0.44
Special employee benefit programs	0.13
Contingencies related to a previous acquisition	0.04
Italian tax adjustment	0.04
Interest related to resolution of the transfer of pension assets and liabilities	0.02
Net earnings before extraordinary and unusual items	$0.38

(f) The 2001 write-off of unamortized deferred finance fees related to indebtedness repaid prior to its scheduled maturity totaled $6.6 million, less applicable income taxes of $2.5 million.

(g) The Company's Board of Directors has authorized the management of the

Company to repurchase up to 20 million shares of the Company's common stock. Since July 1999, the Company has repurchased 12,929,397 shares for $248.0 million. During the second quarter of 2001, the Company did not repurchase any shares. The Company intends to purchase its common stock from time to time on the open market depending on market conditions and other factors. As of June 30, 2001, Owens-Illinois had 146,485,848 shares of common stock outstanding.

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

	Six Months ended June 30,	
	2001	2000
Revenues:		
Net sales	$2,695.9	$2,794.8
Royalties and net technical assistance	12.9	13.5
Equity earnings	8.9	8.3
Interest	14.9	15.0
Other(a)	525.2	97.6
	3,257.8	2,929.2
Costs and expenses:		
Manufacturing, shipping, and delivery	2,111.0	2,153.5
Research and development	20.4	23.6
Engineering	14.7	19.5
Selling and administrative(b)	179.9	140.9
Interest(c)	230.4	236.6
Other(d)	178.4	100.7
	2,734.8	2,674.8
Earnings before items below	523.0	254.4
Provision for income taxes(e)	220.3	100.8
Minority share owners' interests in earnings of subsidiaries	6.2	6.4
Earnings before extraordinary item	296.5	147.2
Extraordinary charge from early extinguishment of debt, net of applicable income taxes(f)	(4.1)	--
Net earnings	$ 292.4	$ 147.2
Earnings before extraordinary item	$ 296.5	$ 147.2
Preferred stock dividends:		
Convertible	(10.7)	(10.7)
Exchangeable	--	(.1)
Earnings before extraordinary		

item available to common share owners	285.8	136.4
Effect of dilutive securities -		
Exchangeable preferred stock dividends	--	.1
Convertible preferred stock dividends	10.7	--
Earnings before extraordinary item used in diluted earnings per share calculation	$ 296.5	$ 136.5
Basic earnings per share of common stock:		
Earnings before extraordinary item	$ 1.98	$ 0.93
Extraordinary charge(f)	(.03)	--
Net earnings	$ 1.95	$ 0.93
Weighted average shares outstanding (000s)(g)	144,756	146,513
Diluted earnings per share of common stock:		
Earnings before extraordinary item	$ 1.93	$ 0.93
Extraordinary charge(f)	(.03)	--
Net earnings	$ 1.90	$ 0.93
Diluted average shares(000s)	153,638	147,050

(a) Amount for 2001 includes first quarter gains totaling $13.1 million ($12.0 million after tax) related to the sale of the Company's label business and the sale of a minerals business in Australia. The net aftertax effect of these items is an increase in earnings per share of $0.08 (diluted).

Amount for 2001 includes a second quarter gain of $457.3 million ($284.4 million after tax) related to the sale of the Company's Harbor Capital Advisors business. The net aftertax effect is an increase in earnings per share of $1.96 (diluted).

(b) Amount for 2001 includes second quarter charges of $30.9 million ($19.4 million after tax) related to special employee benefit programs. The net aftertax effect of these items is a reduction in earnings per share of $0.13 (diluted).

(c) Amount for the second quarter of 2001 includes $4.0 million ($2.8 million aftertax) related to interest on the resolution of the transfer of pension assets and liabilities for a previous acquisition and divestiture. The net aftertax effect is a reduction in earnings per share of $0.02 (diluted).

(d) Amount for 2001 includes second quarter charges totaling $88.4 million ($69.2 million after tax and minority share owners' interests) for: (1) $79.9 million ($63.9 million after tax and minority share owners'

interests) related to restructuring and impairment charges at certain of the Company's international glass operations, principally Venezuela and Puerto Rico, as well as certain other domestic and international operations, and (2) $8.5 million ($5.3 million after tax) for contingencies related to a previous acquisition. The net aftertax effect of these items is a reduction in earnings per share of $0.48 (diluted).

(e) Amount for 2001 includes a $6.0 million charge to adjust tax liabilities in Italy as a result of recent legislation. This item is a reduction in earnings per share of $0.04 (diluted).

The net aftertax effects of all gains and charges on diluted earnings per share for the six months ended June 30, 2001 are as follows:

Net earnings before extraordinary item:	$1.93
Dilutive effect of convertible preferred shares	0.04
Unusual items and other charges:	
Sale of Harbor Capital business	(1.96)
Sale of the Company's labels business and the sale of a minerals business in Australia	(0.08)
Restructuring and impairment	0.44
Special employee benefit programs	0.13
Contingencies related to a previous acquisition	0.04
Italian tax adjustment	0.04
Interest related to resolution of the transfer of pension assets and liabilities	0.02
Net earnings before extraordinary and unusual items	$0.60

(f) The 2001 write-off of unamortized deferred finance fees related to indebtedness repaid prior to its scheduled maturity totaled $6.6 million, less applicable income taxes of $2.5 million.

(g) The Company's Board of Directors has authorized the management of the Company to repurchase up to 20 million shares of the Company's common stock. During the first six months of 2001, the Company redeemed the remaining outstanding shares of exchangeable preferred stock that were issued in 1993. The redeemed exchangeable preferred shares were equivalent to 910,697 shares of the Company's common stock. The Company repurchased these shares pursuant to its share repurchase plan for $5.2 million. Since July 1999, the Company has repurchased 12,929,397 shares for $248.0 million. The Company intends to purchase its common stock from time to time on the open market depending on market conditions and other factors. As of June 30, 2001, Owens-Illinois had 146,485,848 shares of common stock outstanding.

OWENS-ILLINOIS, INC.
Consolidated Supplemental Financial Data
With EBIT as reported
(Preliminary - subject to change)
(Millions of dollars)

	Three Months ended June 30,		Six Months ended June 30,	
	2001	2000	2001	2000
Net sales:				
Glass Containers	$ 899.4	$ 952.1	$1,740.9	$1,836.0
Plastics Packaging	487.7	478.4	945.3	921.6

Other	2.7	18.7	9.7	37.2
Segment and consolidated net sales	$1,389.8	$1,449.2	$2,695.9	$2,794.8
EBIT as reported(a)(b):				
Glass Containers	$ 82.0	$ 180.6	$ 213.1	$ 315.6
Plastics Packaging	40.7	75.5	108.8	146.0
Other	(.9)	1.2	1.1	2.1
Segment EBIT	121.8	257.3	323.0	463.7
Eliminations and other retained costs	428.7	9.0	415.5	12.3
Consolidated EBIT	$ 550.5	$ 266.3	$ 738.5	$ 476.0
Selected Cash Flow Information				
Amortization of deferred costs	$ 33.8	$ 35.5	$ 66.6	$ 71.8
Depreciation	$ 99.5	$ 104.7	$ 200.2	$ 209.0
Additions to property, plant, and equipment	$ 126.8	$ 114.8	$ 219.9	$ 249.6
Asbestos-related payments	$ 56.6	$ 46.3	$ 125.4	$ 73.2
Asbestos-related Insurance proceeds	$ 37.4	$ .3	$ 149.2	$ .3

	June 30, 2001	June 30, 2000
Total debt	$5,340.3	$5,953.9
Share owners' equity	$2,053.8	$2,359.5

(a) EBIT consists of consolidated earnings before interest income, interest expense, provision for income taxes, and minority share owners' interests in earnings of subsidiaries.

(b) Amount for the three and six months ended June 30, 2001 includes a net gain of $338.0 million related to the following: (1) A gain of $457.3 million related to the sale of the Company's Harbor Capital business; (2) Charges of $79.9 million related to restructuring and impairment charges at certain of the Company's international glass operations, principally Venezuela and Puerto Rico, as well as certain other domestic and international operations; (3) Charges of $30.9 million related to special employee benefit programs; (4) A charge of $8.5 million for contingencies related to a previous acquisition.

Amount for the six months ended June 30, 2001 includes a net gain of $13.1 million related to: (1) $10.3 million gain from the sale of a minerals business in Australia, and (2) $2.8 million gain from the sale of the Company's labels business.

Such charges (gains) are included as follows in consolidated EBIT for the three and six months ended June 30, 2001:

	Three months ended June 30, 2001	Six months ended June 30, 2001
Glass Containers	$ 71.9	$ 61.6
Plastics Packaging	27.6	27.6
Other		(2.8)
Total Product Segments	99.5	86.4
Eliminations and other retained costs	(437.5)	(437.5)
Consolidated Totals	$(338.0)	$(351.1)

OWENS-ILLINOIS, INC.
Consolidated Supplemental Financial Data
With EBIT excluding unusual items
(Preliminary - subject to change)
(Millions of dollars)

	Three Months ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net sales:				
Glass Containers	$ 899.4	$ 952.1	$1,740.9	$1,836.0
Plastics Packaging	487.7	478.4	945.3	921.6
Other	2.7	18.7	9.7	37.2
Segment and consolidated net sales	$1,389.8	$1,449.2	$2,695.9	$2,794.8
EBIT excluding unusual items(a)(b):				
Glass Containers	$ 153.9	$ 180.6	$ 274.7	$ 315.6
Plastics Packaging	68.3	75.5	136.4	146.0
Other	(.9)	1.2	(1.7)	2.1
Segment EBIT	221.3	257.3	409.4	463.7
Eliminations and other retained costs	(8.8)	9.0	(22.0)	12.3
Consolidated EBIT	$ 212.5	$ 266.3	$ 387.4	$ 476.0
Selected Cash Flow Information				
Amortization of deferred costs	$ 33.8	$ 35.5	$ 66.6	$ 71.8
Depreciation	$ 99.5	$ 104.7	$ 200.2	$ 209.0

Additions to property, plant, and equipment	$ 126.8	$ 114.8	$ 219.9	$ 249.6
Asbestos-related payments	$ 56.6	$ 46.3	$ 125.4	$ 73.2
Asbestos-related Insurance proceeds	$ 37.4	$ .3	$ 149.2	$ .3

	June 30, 2001	June 30, 2000
Total debt	$5,340.3	$5,953.9
Share owners' equity	$2,053.8	$2,359.5

(a) EBIT consists of consolidated earnings before interest income, interest expense, provision for income taxes, and minority share owners' interests in earnings of subsidiaries.

(b) Amount for the three and six months ended June 30, 2001 excludes a net gain of $338.0 million related to the following: (1) A gain of $457.3 million related to the sale of the Company's Harbor Capital business; (2) Charges of $79.9 million related to restructuring and impairment charges at certain of the Company's international glass operations, principally Venezuela and Puerto Rico, as well as certain other domestic and international operations; (3) Charges of $30.9 million related to special employee benefit programs; (4) A charge of $8.5 million for contingencies related to a previous acquisition.

Amount for the six months ended June 30, 2001 excludes a net gain of $13.1 million related to: (1) $10.3 million gain from the sale of a minerals business in Australia, and (2) $2.8 million gain from the sale of the Company's labels business.

Such charges (gains) are excluded as follows in consolidated EBIT for the three and six months ended June 30, 2001:

	Three months ended June 30, 2001	Six months ended June 30, 2001
Glass Containers	$ 71.9	$ 61.6
Plastics Packaging	27.6	27.6
Other		(2.8)
Total Product Segments	99.5	86.4
Eliminations and other retained costs	(437.5)	(437.5)
Consolidated Totals	$(338.0)	$(351.1)

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