Owens-Illinois Reports 50% Increase in Fourth Quarter Earnings Per Share

January 29, 2002

TOLEDO, Ohio, Jan. 29 /PRNewswire-FirstCall/ -- Owens-Illinois, Inc., (NYSE: OI) today reported earnings before unusual items of $32.1 million, or $0.18 per share (diluted), for the fourth quarter of 2001. This represents a 50% increase in earnings per share from the fourth quarter of 2000, when the company reported net earnings before unusual items of $23.0 million, or $0.12 per share (diluted).

Including unusual items, Owens-Illinois reported a net loss of $5.2 million, or $0.07 per share (diluted), for the fourth quarter of 2001. The company recorded aftertax charges of $37.3 million, or $0.25 per share, for the fourth quarter of 2001, principally for a loss on the sale of glass container operations in India. For the fourth quarter of 2000 the company reported net earnings of $32.3 million, or $0.18 per share (diluted). Reported results for the fourth quarter of 2000 included a benefit of $9.3 million, or $0.06 per share, to adjust net income tax liabilities in Italy as a result of legislative changes.

Fourth quarter 2001 net sales were $1.346 billion, compared with $1.327 billion in the prior year. The comparison of fourth quarter 2001 net sales with those of the prior year period was affected adversely by foreign currency effects and by the absence of revenues from the company's former labels business, which was sold in the first quarter of 2001. These adverse effects were more than offset by incremental revenues from the Canadian glass container operations, which were acquired in October 2001. In the fourth quarter of 2001, worldwide glass container shipments were slightly lower while worldwide shipments of plastics packaging products were higher than those of the prior year period.

Joseph H. Lemieux, Owens-Illinois chairman and chief executive officer, said, "Our operations have now achieved improved year-over-year results for the past two quarters and are well positioned to continue that trend as we begin 2002. We expect to benefit from lower cost structures, growth in unit volumes, and improved pricing in a number of product lines. We also expect year-over-year comparisons to benefit from moderating energy prices and lower volatility in foreign exchange rates."

Consolidated EBIT, excluding unusual items, was $154.5 million, compared with consolidated EBIT of $164.9 million, in the fourth quarter of 2000. (EBIT consists of consolidated earnings before interest income, interest expense, provision for income taxes, and minority share owners' interests in earnings of subsidiaries.) The year-over-year EBIT comparison was affected adversely by the absence of contributions from the company's former Harbor Capital Advisors, labels, and Australian minerals businesses, which were sold earlier in 2001.

Interest expense of $98.5 million was down by $27.4 million from the fourth quarter of 2000. The decrease was due to the effects of lower interest rates and a reduction in the company's outstanding debt. Total debt at December 31, 2001 was $5.401 billion, down from $5.850 billion at December 31, 2000. As announced previously, the company used proceeds of more than $460 million from the sale of its Harbor Capital Advisors business to reduce debt, including a $455 million reduction in the principal amount of its $1.5 billion senior secured term loan.

Business Review

The Glass Containers segment reported fourth quarter net sales of $932.2 million and EBIT, excluding unusual items, of $142.1 million. In the fourth quarter of 2000, the glass containers segment had net sales of $911.4 million and EBIT of $126.5 million. The increase in sales was more than accounted for by the addition of operations in Canada. Worldwide shipments of glass containers were slightly lower than those in the fourth quarter of 2000, as lower shipments in Europe were partially offset by increased volumes in South America. Shipments in the Asia Pacific region increased over the prior year. Worldwide energy costs were significantly lower on a year-over-year basis for the glass container segment.

The North American glass container operations achieved increased EBIT over the prior year. Contributing factors included the effects of improved pricing, favorable product mix, fixed-cost savings resulting from previously announced capacity realignment programs, and lower energy costs. Unit shipments increased on a year-over-year basis, due to the inclusion of shipments by the recently acquired Canadian operations. The Canadian operations are running full and anticipated synergy savings are being achieved. The company expects these recently acquired Canadian operations to be accretive to earnings in 2002. U.S. unit shipments, while down from the prior year, were constrained due to capacity reductions implemented in the first quarter of 2001.

The European glass container operations had lower net sales and EBIT, due to more downtime, reflecting a significantly greater amount of furnace repair activity in the fourth quarter of 2002 compared with the fourth quarter of 2001.

The Asia Pacific glass container businesses reported lower net sales, due in part to foreign exchange effects and lower shipments in China. EBIT and EBIT margins increased as a result of higher tonnage shipped and reduced manufacturing costs in Australia.

Although unit shipments of the South American glass container operations were up, a less favorable product mix contributed to a decrease in net sales. EBIT approximated that of the prior year.

The Plastics Packaging segment had net sales of $412.3 million and EBIT, excluding unusual items, of $38.7 million. This compares to net sales of $400.5 million and EBIT of $36.3 million in the 2000 fourth quarter. Worldwide unit shipments of the company's plastics packaging products increased on a year-over-year basis.

Increased shipments of closures and prescription products along with reduced manufacturing costs in closure operations contributed favorably to segment EBIT. These effects were partially offset by pricing pressure in certain markets served by the plastic containers businesses.

Despite improved year-over-year EBIT comparisons for both the Glass Containers and Plastics Packaging business segments, consolidated EBIT, excluding unusual items, for the company was below the prior year level. This was due principally to the following factors: (1) the absence of contributions from the company's former Harbor Capital Advisors, labels, and Australian minerals businesses, which reduced year-over-year EBIT by

approximately $15 million; and (2) the write-off of working capital associated with the restructuring of the company's medical devices business, which reduced year- over-year EBIT by approximately $5 million. The restructuring of the medical devices business will include the consolidation of production in 2002 into a single, more efficient manufacturing facility.

Full-Year Results

Excluding extraordinary, unusual, and other one-time items, full-year earnings from operations for 2001 were $199.0 million, or $1.22 per share (diluted). This compares with earnings, excluding unusual items, of $234.1 million, or $1.45 per share (diluted), for all of 2000.

Net earnings for all of 2001 were $356.6 million, or $2.30 per share (diluted). In addition to the fourth quarter unusual items noted above, the company recorded a number of unusual items in the first and second quarters, including gains on the sale of its Harbor Capital Advisors business and other operations and a number of unusual charges. The net aftertax effect of these items was an increase of $1.11 per share. In the second quarter of 2001, the company also recorded an extraordinary aftertax charge of $4.1 million, or $0.03 per share (diluted) for the write-off of deferred finance fees related to the repayment of debt prior to its scheduled maturity.

For all of 2000 the company reported a net loss of $269.7 million, or $2.00 per share (diluted). In addition to the favorable fourth quarter tax adjustment noted above, the full-year 2000 results included a number of previously announced unusual charges and asset write-downs. The net aftertax effect of these items was a reduction of $3.45 per share.

Net sales were $5.403 billion for all of 2001, compared with $5.552 billion for all of 2000. The year-over-year decrease in sales was more than accounted for by foreign currency effects and the absence of revenues from the company's former labels business, partially offset by revenues from the recently acquired Canadian glass container operations.

Cash Flow Information

Total asbestos-related cash payments were $245.9 million for all of 2001. Based on current trends, the company expects that such payments will be moderately lower in 2002. The company received asbestos-related insurance payments of $163.7 million in 2001. As of December 31, 2001, the company's insurance receivable for asbestos-related costs was $37.0 million. Consistent with prior disclosure, the company will continue to monitor developments in asbestos litigation in 2002, during which it believes it will have sufficient information to determine whether any further adjustment of the company's reserve for asbestos-related liabilities is appropriate and the extent of any such adjustment.

A year-over-year increase in capital expenditures for 2001 included a major expansion of glass container capacity to serve the wine industry in Australia, improvements to the recently acquired Canadian glass container operations, the addition of a new injection-molded plastics facility in the U.S., and the acceleration of glass container furnace repair work that had been scheduled for early 2002. The company expects capital expenditures in 2002 to be in a range of $480 million to $500 million.

Refinancing

On January 24, 2002, Owens-Brockway Glass Container Inc., a wholly-owned subsidiary of Owens-Illinois, closed the sale of $1 billion principal amount of its 8-7/8% Senior Secured Notes due February 15, 2009. The proceeds from these notes were used to reduce the Owens-Brockway term loan under the bank credit facility. The notes have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirement.

Outlook

Lower energy costs, improved pricing in a number of product lines, higher U.S. unit volumes, and the full-year impact of the recently acquired Canadian glass container operations are expected to have a favorable impact on the company's performance in 2002. These favorable factors are expected to be offset partially by the absence of EBIT contributions from divested businesses, higher interest expense from the recently issued senior secured notes, a less favorable pricing environment in some plastics packaging product lines, and lower pension income. The company expects earnings from operations to exceed prior year results for the first quarter of 2002 and for the full year. For the first quarter of 2001, the company reported net earnings of $0.22 per share (diluted), excluding a favorable $0.08 per share effect related to the sale of certain assets.

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 September 30, 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 and New Zealand, and one of the largest in Europe. O-I also is a worldwide manufacturer of plastics packaging with operations in North America, South America, Europe, Australia and New Zealand. 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, January 30, at 8:30 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 8:20 a.m. (Eastern Time) on January 30. Ask for the Owens- Illinois conference call. A replay of the call will be available from approximately 11:30 a.m. (Eastern Time) on January 30 through February 8. 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 2904696.

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 December 31,	
	2001	2000
Revenues:		
Net sales	$1,346.4	$1,327.0
Royalties and net technical assistance	5.6	5.8
Equity earnings	5.7	5.2
Interest	5.7	9.1
Other	8.3	46.2
	1,371.7	1,393.3
Costs and expenses:		
Manufacturing, shipping, and delivery	1,070.5	1,079.2
Research and development	9.7	10.0
Engineering	9.9	6.4
Selling and administrative	92.2	70.6
Interest	98.5	125.9
Other (a)	70.3	53.1
	1,351.1	1,345.2
Earnings before items below	20.6	48.1
Provision for income taxes (b)	18.5	2.7
Minority share owners' interests in earnings of subsidiaries	7.3	13.1
Net earnings (loss)	(5.2)	32.3
Preferred stock dividends:		
Convertible	(5.4)	(5.4)
Exchangeable	--	(.1)
Net earnings (loss) available to common share owners	$ (10.6)	$ 26.8
Basic net earnings (loss) per share of common stock	$ (0.07)	$ 0.19
Weighted average shares outstanding (000s)	146,143	145,203
Diluted earnings (loss) per share of common stock (c)	$ (0.07)	$ 0.18
Diluted average shares (000s)	146,143	146,211

(a) Amount for 2001 includes charges totaling $41.1 million ($37.3 million

after tax) for the following: (1) $31.0 million (pretax and after tax) related to the loss on the sale of the Company's facilities in India; (2) $7.9 million ($4.9 million after tax) related to restructuring manufacturing capacity in the medical devices business; and (3) $2.2 million ($1.4 million after tax) related to restructuring initiatives at certain of the Company's Plastic Packaging facilities. The net aftertax effect of these items is a reduction in earnings per share of $0.25.

(b) Amount for 2000 includes a fourth quarter benefit of $9.3 million to adjust net income tax liabilities in Italy as a result of recent legislation. The benefit of this item on earnings per share is $0.06.

(c) Diluted earnings per share of common stock are equal to basic earnings per share of common stock for 2001 due to the net loss.

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

	Year ended December 31,	
	2001	2000
Revenues:		
Net sales	$5,402.5	$5,552.1
Royalties and net technical assistance	24.6	25.3
Equity earnings	19.4	19.8
Interest	26.9	32.5
Other (a)	539.9	185.1
	6,013.3	5,814.8
Costs and expenses:		
Manufacturing, shipping, and delivery	4,218.4	4,359.1
Research and development	41.2	46.7
Engineering	31.4	31.3
Selling and administrative (b)	341.3	285.1
Interest (c)	434.0	486.7
Other (d)	279.8	997.5
	5,346.1	6,206.4
Earnings (loss) before items below	667.2	(391.6)
Provision (credit) for income taxes (e)	286.4	(143.9)
Minority share owners' interests in earnings of subsidiaries	20.1	22.0
Earnings (loss) before extraordinary item	360.7	(269.7)
Extraordinary charge from early extinguishment of debt, net of applicable income taxes(f)	(4.1)	--
Net earnings (loss)	$ 356.6	$ (269.7)

Earnings (loss) before extraordinary item	$ 360.7	$ (269.7)
Preferred stock dividends:		
Convertible	(21.5)	(21.5)
Exchangeable	--	(.2)
Earnings (loss) before extraordinary item available to common share owners	$ 339.2	$ (291.4)
Basic earnings (loss) per share of common stock:		
Earnings (loss) before extraordinary item	$ 2.33	$ (2.00)
Extraordinary charge (f)	(.03)	--
Net earnings (loss)	$ 2.30	$ (2.00)
Weighted average shares outstanding (000s)	145,456	145,983
Diluted earnings (loss) per share of common stock (g):		
Earnings (loss) before extraordinary item	$ 2.33	$ (2.00)
Extraordinary charge (f)	(.03)	--
Net earnings (loss)	$ 2.30	$ (2.00)
Diluted average shares (000s)	145,661	145,983

(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 also 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 $1.95 (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 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 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 certain contingencies. The net aftertax effect of these items is a reduction in earnings per share of $0.48 (diluted).

Amount for 2001 also includes fourth quarter charges totaling $41.1 million ($37.3 million after tax) for the following: (1) $31.0 million (pretax and after tax) related to the loss on the sale of the Company's facilities in India; (2) $7.9 million ($4.9 million after tax) related to restructuring manufacturing capacity in the medical devices business; and (3) $2.2 million ($1.4 million after tax) related to restructuring initiatives at certain of the Company's Plastic Packaging facilities. The net aftertax effect of these items is a reduction in earnings per share of $0.25 (diluted).

Amount for 2000 includes third quarter charges totaling $798.3 million ($513.1 million after tax and minority share owners' interests) for the following: (1) $550.0 million ($342.1 million after tax) related to adjustment of the reserve for estimated future asbestos-related costs; (2) $122.4 million ($77.3 million after tax and minority share owners' interests) related to the consolidation of manufacturing capacity; (3) a net charge of $52.4 million ($32.6 million after tax) related to early retirement incentives and special termination benefits for 350 United States salaried employees; (4) $40.0 million (pretax and after tax) related to the impairment of property, plant and equipment at the Company's facilities in India; and (5) $33.5 million ($21.1 million after tax and minority share owners' interests) related principally to the write-off of software and related development costs. The net aftertax effect of these items is a reduction in earnings per share of $3.51.

(e) Amount for 2001 includes a second quarter charge of $6.0 million 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).

Amount for 2000 includes a fourth quarter benefit of $9.3 million to adjust net income tax liabilities in Italy as a result of recent legislation. The benefit of this item on earnings per share is $0.06.

The net aftertax effects of these charges on diluted earnings per share are as follows:

	Year ended December 31,	
	2001	2000
Earnings (loss) before extraordinary item	$ 2.33	$(2.00)
Unusual items and other charges:		
Sale of Harbor Capital business	(1.95)	
Sale of the Company's labels business and the sale of a minerals business in Australia	(0.08)	
Restructuring and impairment	0.48	
Sale of the Company's operations in India	0.21	
Special employee benefit programs	0.13	
Certain 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	
Future asbestos-related costs		2.34
Consolidation of manufacturing capacity		0.53
Early retirement incentives and special termination benefits		0.22
India property, plant, and equipment impairment		0.27
Other asset write-offs, principally software		0.15
Italian tax adjustment		(0.06)
Net earnings before extraordinary and unusual items	$ 1.22	$ 1.45

(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) Diluted earnings per share of common stock are equal to basic earnings per share of common stock for 2000 due to the net loss.

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

	Three months ended December 31,		Year ended December 31,	
	2001	2000	2001	2000
Net sales:				
Glass Containers	$ 932.2	$ 911.4	$3,571.2	$3,695.6
Plastics Packaging	412.3	400.5	1,817.5	1,787.6
Other	1.9	15.1	13.8	68.9
Segment and consolidated net sales	$1,346.4	$1,327.0	$5,402.5	$5,552.1
EBIT as reported (a)(b):				
Glass Containers	$ 111.1	$ 126.5	$ 489.9	$ 401.2
Plastics Packaging	36.5	36.3	218.1	238.0
Other	(13.5)	(1.9)	(13.3)	1.1
Segment EBIT	134.1	160.9	694.7	640.3
Eliminations and other retained items	(20.7)	4.0	379.6	(577.7)
Consolidated EBIT	$ 113.4	$ 164.9	$1,074.3	$ 62.6
Selected Cash Flow Information				
Amortization of deferred costs	$ 39.3	$ 30.1	$ 140.5	$ 136.9
Depreciation	$ 104.1	$ 100.5	$ 403.2	$ 412.6

Additions to property, plant, and equipment	$ 187.8	$ 139.4	$ 531.9	$ 481.4
Asbestos-related payments	$ 59.1	$ 61.9	$ 245.9	$ 181.5
Asbestos-related insurance proceeds	$ 5.5	$ 2.6	$ 163.7	$ 4.6

	December 31, 2001	December 31, 2000
Total debt	$5,400.9	$5,849.8
Share owners' equity	$2,151.8	$1,883.0

(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) EBIT for the three months and year ended December 31, 2001 includes charges totaling $41.1 million for the following: (1) $31.0 million related to the loss on the sale of the Company's facilities in India; (2) $7.9 million related to restructuring manufacturing capacity in the medical devices business; and (3) $2.2 million related to restructuring initiatives at certain of the Company's Plastic Packaging facilities.

EBIT for the year ended December 31, 2001 also includes a net gain of $351.1 million related to the following: (1) $10.3 million gain from the sale of a minerals business in Australia, (2) $2.8 million gain from the sale of the Company's labels business; (3) a gain of $457.3 million related to the sale of the Company's Harbor Capital business; (4) charges of $79.9 million related to restructuring and impairment at certain of the Company's international glass operations, principally Venezuela and Puerto Rico, as well as certain other domestic and international operations; (5) charges of $30.9 million related to special employee benefit programs; and (6) a charge of $8.5 million for contingencies related to a previous acquisition.

Such charges (gains) are included as follows in consolidated EBIT for the three months and year ended December 31, 2001:

	Three months ended December 31, 2001	Year ended December 31, 2001
Glass Containers	$ 31.0	$ 92.6
Plastics Packaging	2.2	29.8
Other	7.9	5.1
Total Product Segments	41.1	127.5
Eliminations and other retained items	--	(437.5)
Consolidated Totals	$ 41.1	$(310.0)

Amount for 2000 includes pretax charges totaling $798.3 million for the following: (1) $550.0 million related to adjustment of the reserve for estimated future asbestos-related costs; (2) $122.4 million related to the consolidation of manufacturing capacity; (3) a net charge of $52.4 million related to early retirement incentives and special termination benefits for 350 United States salaried employees; (4) $40.0 million related to the impairment of property, plant and equipment at the Company's facilities in India; and (5) $33.5 million related principally to the write-off of software and related development costs. Such items are included as follows in consolidated EBIT for the year ended December 31, 2000:

	Year ended December 31, 2000
Glass Containers	$186.0
Plastics Packaging	11.2
Total Product Segments	197.2
Eliminations and other retained items	601.1
Consolidated Totals	$798.3

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

	Three months ended December 31,		Year ended December 31,	
	2001	2000	2001	2000
Net sales:				
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Plastics Packaging	412.3	400.5	1,817.5	1,787.6
Other	1.9	15.1	13.8	68.9
Segment and consolidated net sales	$1,346.4	$1,327.0	$5,402.5	$5,552.1
EBIT excluding unusual items (a)(b):				
Glass Containers	$ 142.1	$ 126.5	$ 582.5	$ 587.2
Plastics Packaging	38.7	36.3	247.9	249.2
Other	(5.6)	(1.9)	(8.2)	1.1
Segment EBIT	175.2	160.9	822.2	837.5
Eliminations and other retained items	(20.7)	4.0	(57.9)	23.4
Consolidated EBIT	$ 154.5	$ 164.9	$ 764.3	$ 860.9
Selected Cash Flow Information				
Amortization of deferred costs	$ 39.3	$ 30.1	$ 140.5	$ 136.9

Depreciation	$ 104.1	$ 100.5	$ 403.2	$ 412.6
Additions to property, plant, and equipment	$ 187.8	$ 139.4	$ 531.9	$ 481.4
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Web site: http: //www.O-I.com
CONTACT: Sara Theis of Owens-Illinois, +1-419-247-1297
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