Owens-Illinois Reports First Quarter Results

April 23, 2002

TOLEDO, Ohio, April 23 /PRNewswire-FirstCall/ -- Owens-Illinois, Inc., (NYSE: OI) today reported first quarter 2002 operating earnings of $0.44 per share (diluted), excluding the effects of unusual and extraordinary items and a change in method of accounting for goodwill. This represents a 16% increase over first quarter 2001 pro forma earnings before unusual items of $0.38 per share (diluted), adjusted on a pro forma basis for the accounting change.

The first quarter results also include a charge of $475.0 million ($308.8 million after tax), or $2.11 per share, discussed below, to adjust the reserve for estimated future asbestos-related costs. Including this charge, the company reported a loss before extraordinary item and cumulative effect of accounting change of $238.6 million, or $1.67 per share. The first quarter 2002 results also include the following items: 1) an extraordinary charge of $6.7 million after tax, or $0.05 per share, for the write-off of unamortized deferred financing fees related to repayment of a term loan in January 2002; and 2) a non-cash charge of $460.0 million, or $3.14 per share, for the change in method of accounting for goodwill required by SFAS 142, as discussed below. Including the effects of these items, the company reported a first quarter net loss of $705.3 million, or $4.86 per share.

The year-over-year increase in first quarter operating results to $0.44 per share from $0.38 per share was due principally to lower energy costs, improved manufacturing efficiencies, the incremental benefit of recently acquired Canadian glass container operations, and lower interest expense. The first quarter also showed moderately lower spending for asbestos claims.

Joseph H. Lemieux, Owens-Illinois chairman and chief executive officer, said, "This is our third straight quarter of improved year-over-year operating results and we're on track to continue that trend. As a result of ongoing investments in technology and high-productivity equipment, our operations continue to lower their cost structures and improve manufacturing performance. At the same time, lower energy costs, lower interest rates, and reduced volatility in foreign currency translation rates are providing a favorable climate for continued improvement."

For the first quarter of 2001, the company reported net earnings of $48.9 million, or $0.30 per share (diluted). The 2001 first quarter results included a favorable $0.08 per share effect from asset sales. In addition, goodwill amortization in the first quarter of 2001 amounted to $0.16 per share. O-I discontinued the amortization of goodwill effective January 1, 2002, upon the adoption of SFAS 142.

The net effects of these items on diluted earnings per share are shown in the following table:

	Three months ended March 31,	
	2002	2001
Net earnings (loss) as reported	$(4.86)	$ 0.30
Add extraordinary item	0.05	--
Add charge for cumulative effect of accounting change	3.14	--
Net earnings (loss) before extraordinary item and cumulative effect of accounting change	(1.67)	0.30
Add goodwill amortization	--	0.16
Pro forma earnings before extraordinary item and cumulative effect of accounting change	(1.67)	0.46
Unusual items and other charges:		
Add charge for future asbestos-related costs	2.11	--
Deduct gains from asset sales	--	(0.08)
Pro forma earnings before extraordinary item, cumulative effect of accounting change and unusual items	$ 0.44	$ 0.38

First quarter 2002 net sales were $1.311 billion, compared with $1.306 billion in the prior year. Consolidated EBIT, excluding unusual items, was

$204.8 million compared with pro forma EBIT of $198.0 million (adjusted on a pro forma basis to exclude goodwill amortization) in the first quarter of 2001. (EBIT consists of consolidated earnings before interest income, interest expense, provision for income taxes, and minority share owners' interests in earnings of subsidiaries.) EBIT improvements resulting from energy and manufacturing cost savings and the recently acquired Canadian operations were partially offset by the absence of Harbor Capital Advisors, which was sold in June 2001.

Interest expense decreased to $100.9 million in the first quarter of 2002 from $113.5 million in the first quarter of 2001. The decrease was due to a reduction in the company's outstanding debt and a slightly lower overall average interest rate. The effect of lower short term variable interest rates was partially offset by the previously announced January 2002 issuance of $1 billion principal amount of 8-7/8% Senior Secured Notes due 2009. Proceeds from these notes were used to reduce a variable-rate term loan under the bank credit facility.

The effective tax rate in the first quarter of 2002 was 31.6%, excluding the effect of the unusual charge. This compares with an effective tax rate of 28.7% in the first quarter of 2001 and 30.3% for the full year 2001, adjusted on a pro forma basis to exclude the effects of goodwill amortization and unusual items.

Business Review

The Glass Containers segment reported first quarter net sales of $870.1 million versus $841.8 million in the first quarter of 2001, and EBIT, excluding unusual items, of $151.1 million versus pro forma EBIT of $132.1 million in the first quarter of 2001. The Canadian operations, acquired in the fourth quarter of 2001, contributed substantially to the increases in sales and EBIT. Worldwide energy costs were significantly lower on a year-over-year basis for the Glass Containers segment.

The North American glass container operations achieved increased unit shipments, sales, and EBIT results over the prior year period. Improved EBIT results were due principally to lower energy costs and improved pricing. The Canadian operations accounted for the year-over-year sales increase and contributed significantly to the improved EBIT.

The European glass container operations reported higher EBIT, due to improved pricing, lower energy costs, and improved overall productivity, principally in Italy, Poland, and Spain.

The Asia Pacific glass container operations reported lower unit shipments, sales and EBIT. The year-over-year reduction in unit shipments and sales was due in part to the absence of the glass container operation in India, which was divested in the fourth quarter of 2001. The EBIT decline was due principally to lower beer, soft drink, and spirits consumption in Australia resulting from unusually cool summer weather, and lower shipments in Indonesia resulting from flooding conditions in January and February.

The South American glass container operations reported higher EBIT as a result of lower energy and raw material costs. Unit shipments and sales were lower due primarily to soft economic conditions in certain locations.

The Plastics Packaging segment had net sales of $440.8 million and EBIT of $74.8 million. This compares to net sales of $459.8 million and pro forma EBIT of $78.9 million in the first quarter of 2001. Lower resin prices, which are typically passed through to customers, reduced first quarter 2002 sales by approximately $7 million, compared with the prior year period. Worldwide unit shipments increased slightly on a year-over-year basis. First quarter prescription container shipments declined from the prior year period due to higher-than-normal customer purchases late in 2001 in advance of a price increase. The decline in net sales by the Plastics Packaging segment also reflected lower unit pricing in some product lines. Effects of competitive pricing were partially offset by lower costs and improved manufacturing performance.

Asbestos-Related Costs

The asbestos-related charge of $475.0 million ($308.8 million after tax) represents an adjustment of the reserve for estimated future asbestos-related costs. This amount is based on a recently-completed review of the company's asbestos-related liabilities and costs, which concluded that an increase in the reserve is required to provide for estimated indemnity payments and legal fees arising from asbestos personal injury lawsuits and claims expected to be filed in the next several years. The adjustment increases the reserve for asbestos-related costs to $712.5 million as of March 31, 2002. Asbestos- related cash payments were $61.3 million for the first quarter of 2002, down from $68.8 million in the prior year period. The company expects that asbestos-related cash payments will be moderately lower in 2002 than in the prior year, when such payments totaled $245.9 million. The company anticipates that cash flows from operations and other resources will be sufficient to meet all asbestos-related obligations.

A former business unit of the company produced a minor amount of specialized high-temperature insulation material containing asbestos from 1948 until 1958, when the business was sold. In line with its limited involvement with an asbestos-containing product and its exit from that business 44 years ago, the company will continue to work aggressively to minimize the number of incoming cases and will continue to limit payments to only those impaired claimants who were exposed to the company's products and whose claims have merit under applicable state law. During the first quarter of 2002, the number of asbestos-related claims pending decreased by approximately 10% from the previously reported level of approximately 27,000 at December 31, 2001.

Required Accounting Change for SFAS 142

Owens-Illinois recorded a non-cash charge in the first quarter of 2002 of $460.0 million, or $3.14 per share, for the change in method of accounting for goodwill as required by Statement of Financial Accounting Standard 142 ("SFAS 142"). Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized but will be reviewed at least annually for impairment. The company's goodwill balance as of January 1, 2002, after giving effect to the write down, was $2.5 billion. Upon the adoption of SFAS 142, O-I discontinued the amortization of goodwill effective January 1, 2002. Goodwill amortization totaled $92.2 million, or $0.63 per share, for all of 2001, including $23.1 million, or $0.16 per share, in the first quarter of 2001.

Outlook

Lower energy costs, improved pricing in certain product lines, higher North American glass container unit volumes, and the contributions of the recently acquired Canadian glass container operations are continuing to have a favorable impact on the company's performance. These favorable factors are being offset partially by the absence of Harbor Capital Advisors, a less favorable pricing environment in some plastics packaging product lines, and lower pension income. The company expects earnings from operations, excluding unusual and extraordinary items and the cumulative effect of the accounting change, to exceed prior year results for the second quarter of 2002 and for the full year. For the second quarter of 2001, the

company reported earnings, excluding unusual items, of $0.54 per share (diluted), adjusted on a pro forma basis for SFAS 142.

Forward Looking Statements

This news release may contain "forward looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. 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 including, but not limited to the following: (1) foreign currency fluctuations relative to the U.S. dollar, (2) change in capital availability or cost, including interest rate fluctuations, (3) the general political, economic and competitive conditions in markets and countries where the company has operations, including competitive pricing pressures, inflation or deflation, and changes in tax rates, (4) consumer preferences for alternative forms of packaging, (5) fluctuations in raw material and labor costs, (6) availability of raw materials, (7) costs and availability of energy, (8) transportation costs, (9) consolidation among competitors and customers, (10) the ability of the company to integrate operations of acquired businesses, (11) the performance by customers of their obligations under purchase agreements, and (12) the timing and occurrence of events which are beyond the control of the company. It is not possible to foresee or identify all such factors. Any forward looking statements in this news release are based on certain assumptions and analyses made by the company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. 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 consumer products (blow molded containers, injection molded closures and dispensing systems) and prescription containers.

Conference Call

As announced previously, a conference call to discuss the company's latest results will be held Wednesday, April 24, 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 April 24. Ask for the Owens- Illinois conference call. A replay of the call will be available from approximately 11:30 a.m. (Eastern Time) on April 24 through May 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 3840847.

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 March 31,	
	2002	2001
Revenues:		
Net sales	$1,310.9	$1,306.1
Royalties and net technical assistance	6.8	5.4
Equity earnings	6.0	3.6
Interest	5.3	6.5
Other(a)	9.3	42.9
	1,338.3	1,364.5
Costs and expenses:		
Manufacturing, shipping, and delivery	1,019.8	1,027.7
Research and development	10.8	10.2
Engineering	7.8	6.8
Selling and administrative	80.8	78.4
Interest	100.9	113.5
Future asbestos-related costs(b)	475.0	--
Other	9.0	46.9
	1,704.1	1,283.5
Earnings (loss) before items below	(365.8)	81.0

Provision (credit) for income taxes	(131.7)	27.2
Minority share owners' interests in earnings of subsidiaries	4.5	4.9
Earnings (loss) before extraordinary item and cumulative effect of accounting change	(238.6)	48.9
Extraordinary charge from early extinguishment of debt, net of applicable income taxes (c)	(6.7)	--
Cumulative effect of accounting change (d)	(460.0)	--
Net earnings (loss)	$(705.3)	$ 48.9
Earnings (loss) before extraordinary item and cumulative effect of accounting change	$ (238.6)	$ 48.9
Less convertible preferred stock dividends	(5.4)	(5.4)
Available to common share owners	$ (244.0)	$ 43.5
Basic earnings (loss) per share of common stock:		
Earnings (loss) before extraordinary item and cumulative effect of accounting change	$ (1.67)	$ 0.30
Extraordinary charge	(0.05)	--
Cumulative effect of accounting change	(3.14)	--
Net earnings (loss)	$ (4.86)	$ 0.30
Weighted average shares outstanding (000s)	146,267	144,639
Diluted earnings (loss) per share of common stock:		
Earnings (loss) before extraordinary item and cumulative effect of accounting change	$ (1.67)	$ 0.30
Extraordinary charge	(0.05)	--
Cumulative effect of accounting change	(3.14)	--
Net earnings (loss)	$ (4.86)	$ 0.30
Diluted average shares(000s)(e)	146,267	144,662

Pro Forma Earnings and Earnings per Share Data (f):

Earnings (loss) before extraordinary item and cumulative effect of accounting change	$ (238.6)	$ 72.0
Per share - basic	(1.67)	0.46
Per share - diluted	(1.67)	0.46
Net earnings (loss)		
Per share - basic	(4.86)	0.46
Per share - diluted	(4.86)	0.46

(a) Amount for 2001 includes 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.

(b) Relates to a net aftertax charge of $308.8 million related to adjustment of the reserve for estimated future asbestos-related costs. The net aftertax effect of this charge is a reduction in earnings per share of $2.11.

(c) The 2002 write-off of unamortized deferred finance fees related to indebtedness repaid prior to its scheduled maturity totaled $10.9 million, less applicable income taxes of $4.2 million.

(d) On January 1, 2002, the Company adopted Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). As required by SFAS No. 142, the transitional goodwill impairment loss of $460.0 million is recognized as the cumulative effect of a change in method of accounting.

(e) Diluted earnings per share of common stock are equal to basic earnings per share of common stock for 2002 due to the net loss.

(f) All pro forma earnings and earnings per share data for 2001 have been adjusted on a pro forma basis to eliminate goodwill amortization of $23.1 million, or $0.16 per share, as required by SFAS No. 142.

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

	Three Months Ended March 31,	
	2002	2001
Net sales:		
Glass Containers	$ 870.1	$ 841.8
Plastics Packaging	440.8	459.8
Other	--	4.5
Segment and consolidated net sales	$1,310.9	$1,306.1
EBIT as reported(a)(b):		
Glass Containers(c)	$ 151.1	$ 142.4
Plastics Packaging	74.8	78.9
Other(d)	--	3.0
Segment EBIT	225.9	224.3

Eliminations and other retained items(e)	(496.1)	(13.2)
Consolidated EBIT before goodwill amortization	(270.2)	211.1
Amortization of goodwill(b)	--	(23.1)
Consolidated EBIT	$ (270.2)	$ 188.0

Selected Cash Flow Information

Amortization of deferred costs, which includes $23.1 million of goodwill amortization in 2001	$ 12.2	$ 32.8
Depreciation	$ 107.4	$ 100.7
Additions to property, plant, and equipment	$ 112.3	$ 93.1
Asbestos-related payments	$ 61.3	$ 68.8
Asbestos-related insurance proceeds	$ --	$ 111.8

	March 31, 2002	March 31, 2001
Total debt	$5,431.1	$5,643.8
Share owners' equity	$1,415.7	$1,813.2

(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) In accordance with SFAS No. 142, goodwill is no longer amortized beginning in 2002. In order to facilitate comparisons, goodwill amortization in 2001 has been reclassified out of the Glass Containers and Plastics Packaging segments and reported separately.

(c) Amount for 2001 includes a gain of $10.3 million from the sale of a minerals business in Australia.

(d) Amount for 2001 includes a gain of $2.8 million from the sale of the Company's labels business.

(e) Amount for 2002 includes a charge of $475.0 million related to adjustment of the reserve for estimated future asbestos-related costs.

(Millions of dollars)

	Three Months Ended March 31,	
	2002	2001
Net sales:		
Glass Containers	$ 870.1	$ 841.8
Plastics Packaging	440.8	459.8
Other	--	4.5
Segment and consolidated net sales	$1,310.9	$1,306.1
EBIT excluding unusual items(a)(b):		
Glass Containers(c)	$ 151.1	$ 132.1
Plastics Packaging	74.8	78.9
Other(d)	--	0.2
Segment EBIT	225.9	211.2
Eliminations and other retained items(e)	(21.1)	(13.2)
Consolidated EBIT before goodwill amortization	204.8	198.0
Amortization of goodwill(b)	--	(23.1)
Consolidated EBIT	$ 204.8	$ 174.9
Selected Cash Flow Information		
Amortization of deferred costs, which includes $23.1 million of goodwill amortization in 2001	$ 12.2	$ 32.8
Depreciation	$ 107.4	$ 100.7
Additions to property, plant, and equipment	$ 112.3	$ 93.1
Asbestos-related payments	$ 61.3	$ 68.8
Asbestos-related insurance proceeds	$ --	$ 111.8

	March 31, 2002	March 31, 2001
Total debt	$5,431.1	$5,634.8
Share owners' equity	$1,415.7	$1,813.2

(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) In accordance with SFAS No. 142, goodwill is no longer amortized beginning in 2002. In order to facilitate comparisons, goodwill amortization in 2001 has been reclassified out of the Glass Containers and Plastics Packaging segments and reported separately.

(c) Amount for 2001 excludes a gain of $10.3 million from the sale of a minerals business in Australia.

(d) Amount for 2001 excludes a gain of $2.8 million from the sale of the Company's labels business.

(e) Amount for 2002 excludes a charge of $475.0 million related to adjustment of the reserve for estimated future asbestos-related costs.

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SOURCE Owens-Illinois, Inc.
Web site: http: //www.O-I.com
CONTACT: Sara Theis of Owens-Illinois, +1-419-247-1297
Company News On-Call: http: //www.prnewswire.com/gh/cnoc/comp/117254.html