UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(Mark one)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For Quarter Ended September 30, 2005

or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Owens-Illinois, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**1-9576**	**22-2781933**
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

One SeaGate, Toledo, Ohio	**43666**
(Address of principal executive offices)	(Zip Code)

419-247-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ☒ No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Owens-Illinois, Inc. $.01 par value common stock – 152,851,558 shares at October 31, 2005.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The Condensed Consolidated Financial Statements presented herein are unaudited but, in the opinion of management, reflect all adjustments necessary to present fairly such information for the periods and at the dates indicated. Because the following unaudited condensed consolidated financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.

During the fourth quarter of 2004, the Company determined that certain commodity futures contracts did not meet all of the documentation requirements to qualify for special hedge accounting treatment and began to recognize all changes in fair value of these contracts in current earnings as required by FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Results of Operations for the three and nine month periods ended September 30, 2004 have been restated from the amounts originally reported to include the mark to market gains on these commodity futures contracts which were previously deferred through September 30, 2004.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
(Dollars in millions, except per share amounts)

	Three months ended Sept. 30, 2005	Three months ended Sept. 30, 2004 (restated)
Revenues:		
Net sales	$ 1,807.5	$ 1,717.8
Royalties and net technical assistance	4.5	4.3
Equity earnings	6.6	7.5
Interest	5.2	3.5
Other	1.7	4.9
	1,825.5	1,738.0
Costs and expenses:		
Manufacturing, shipping, and delivery	1,473.5	1,378.7
Research and development	6.6	5.2
Engineering	9.2	8.9
Selling and administrative	122.0	97.0
Interest	113.3	120.8
Other	12.0	11.9
	1,736.6	1,622.5
Earnings from continuing operations before items below	88.9	115.5
Provision for income taxes	22.7	33.7
Minority share owners’ interests in earnings of subsidiaries	9.6	8.7
Earnings from continuing operations	56.6	73.1
Net earnings of discontinued operations	63.0	3.3
Net earnings	$ 119.6	$ 76.4
Basic net earnings per share of common stock:		
Earnings from continuing operations	$ 0.34	$ 0.46
Net earnings of discontinued operations	0.41	0.02
Net earnings	$ 0.75	$ 0.48
Weighted average shares outstanding (thousands)	151,280	148,053
Diluted net earnings per share of common stock:		
Earnings from continuing operations	$ 0.34	$ 0.45
Net earnings of discontinued operations	0.41	0.02
Net earnings	$ 0.75	$ 0.47
Weighted diluted average shares (thousands)	153,357	149,923

	Nine months ended Sept. 30, 2005	Nine months ended Sept. 30, 2004 (restated)
Revenues:		
Net sales	$ 5,323.5	$ 4,402.7
Royalties and net technical assistance	12.8	15.0
Equity earnings	17.9	22.2
Interest	12.9	10.2
Other	39.6	34.8
	5,406.7	4,484.9
Costs and expenses:		
Manufacturing, shipping, and delivery	4,236.9	3,522.2
Research and development	19.0	18.2
Engineering	28.9	25.9
Selling and administrative	358.2	260.4
Interest	348.4	324.4
Other	25.4	17.4
	5,016.8	4,168.5
Earnings from continuing operations before items below	389.9	316.4
Provision for income taxes	104.6	90.0
Minority share owners’ interests in earnings of subsidiaries	25.0	22.2
Earnings from continuing operations	260.3	204.2
Net earnings of discontinued operations	63.0	9.6
Net earnings	$ 323.3	$ 213.8
Basic net earnings per share of common stock:		
Earnings from continuing operations	$ 1.62	$ 1.27
Net earnings of discontinued operations	0.41	0.06
Net earnings	$ 2.03	$ 1.33
Weighted average shares outstanding (thousands)	150,727	147,561

Diluted net earnings per share of common stock:		
Earnings from continuing operations	$ 1.60	$ 1.26
Net earnings of discontinued operations	0.41	0.06
Net earnings	$ 2.01	$ 1.32
Weighted diluted average shares (thousands)	152,979	149,098

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except per share amounts)

	Sept. 30, 2005	Dec. 31, 2004	Sept. 30, 2004 (restated)
Assets			
Current assets:			
Cash, including time deposits	$ 190.3	$ 277.9	$ 262.1
Short-term investments, at cost which approximates market	31.7	27.6	61.9
Receivables, less allowances for losses and discounts ($48.2 at Sept. 30, 2005, $50.3 at December 31, 2004, and $46.6 at Sept. 30, 2004)	993.0	821.3	887.0
Inventories	1,020.6	1,117.7	1,024.1
Prepaid expenses	121.7	156.3	167.9
Assets of discontinued operations			280.8
Total current assets	2,357.3	2,400.8	2,683.8
Investments and other assets:			
Equity investments	109.7	117.1	159.5
Repair parts inventories	171.7	192.2	179.6
Prepaid pension	981.9	962.5	980.9
Deposits, receivables, and other assets	586.4	557.3	419.0
Goodwill	2,897.1	3,009.1	2,872.1
Assets of discontinued operations			921.2
Total other assets	4,746.8	4,838.2	5,532.3
Property, plant, and equipment, at cost	6,163.9	6,256.3	5,817.9
Less accumulated depreciation	2,971.2	2,758.6	2,637.0
Net property, plant, and equipment	3,192.7	3,497.7	3,180.9
Total assets	$ 10,296.8	$ 10,736.7	$ 11,397.0

	Sept. 30, 2005	Dec. 31, 2004	Sept. 30, 2004 (restated)
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	$ 74.2	$ 192.5	$ 438.6
Current portion of asbestos-related liabilities	158.0	170.0	165.0
Accounts payable and other liabilities	1,383.1	1,544.0	1,420.6
Liabilities of discontinued operations			122.4
Total current liabilities	1,615.3	1,906.5	2,146.6
Liabilities of discontinued operations			44.8
Long-term debt	5,127.7	5,167.9	6,148.3
Deferred taxes	196.1	183.3	151.5
Nonpension postretirement benefits	277.1	285.6	282.3
Other liabilities	745.3	883.3	771.0
Asbestos-related liabilities	473.0	596.2	488.4
Commitments and contingencies			
Minority share owners' interests	173.5	169.6	161.9
Share owners' equity:			
Convertible preferred stock, par value $.01 per share, liquidation preference $50 per	452.5	452.5	452.5

share, 9,050,000 shares authorized, issued and outstanding			
Common stock, par value $.01 per share 250,000,000 shares authorized, 165,201,658 shares issued and outstanding, less 12,385,719 treasury shares at Sept. 30, 2005 (163,502,417 issued and outstanding, less 12,586,053 treasury shares at December 31, 2004 and 162,252,451 issued and outstanding, less 12,666,528 treasury shares at Sept. 30, 2004)	1.6	1.6	1.6
Capital in excess of par value	2,294.6	2,261.1	2,244.4
Treasury stock, at cost	(237.5)	(241.3)	(242.8)
Retained earnings (deficit)	(668.1)	(975.3)	(991.7)
Accumulated other comprehensive (loss) income	(154.3)	45.7	(261.8)
Total share owners' equity	1,688.8	1,544.3	1,202.2
Total liabilities and share owners' equity	$ 10,296.8	$ 10,736.7	$ 11,397.0

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED CASH FLOWS
(Dollars in millions)

	Nine months ended Sept. 30, 2005	Nine months ended Sept. 30, 2004 (restated)
Cash flows from operating activities:		
Earnings from continuing operations	$ 260.3	$ 204.2
Non-cash charges (credits):		
Depreciation	359.5	319.2
Amortization of intangibles and other deferred items	19.9	17.6
Amortization of finance fees	12.2	10.2
Deferred tax provision	16.2	6.1
Gain on sale of certain real property	(28.1)	(20.6)
Mark to market effect of natural gas hedge contracts	(13.2)	(21.1)
Other	(26.5)	(44.1)
Change in non-current operating assets	1.8	(17.9)
Asbestos-related payments	(135.2)	(150.3)
Change in non-current liabilities	(64.7)	(12.2)
Change in components of working capital	(152.1)	91.0
Cash provided by continuing operating activities	250.1	382.1
Cash provided by discontinued operating activities		95.4
Cash provided by total operating activities	250.1	477.5
Cash flows from investing activities:		
Continuing operations - additions to property, plant, and equipment	(296.6)	(268.5)
Discontinued operations - additions to property, plant, and equipment		(25.1)
Acquisitions, net of cash acquired		(630.3)
Net cash proceeds from divestitures and asset sales	159.7	100.9
Cash utilized in investing activities	(136.9)	(823.0)
Cash flows from financing activities:		
Additions to long-term debt	510.6	1,364.0
Repayments of long-term debt	(646.5)	(850.3)
Increase (decrease) in short-term loans	43.5	(11.3)
Net payments for debt-related hedging activity	(100.0)	(28.5)
Payment of finance fees	(1.0)	(20.1)
Convertible preferred stock dividends	(16.1)	(16.1)
Issuance of common stock and other	20.3	14.2
Cash provided by (utilized in) financing activities	(189.2)	451.9
Effect of exchange rate fluctuations on cash	(11.6)	(7.7)
Increase (decrease) in cash	(87.6)	98.7
Cash at beginning of period	277.9	163.4
Cash at end of period	$ 190.3	$ 262.1

See accompanying notes.

OWENS-ILLINOIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Tabular data dollars in millions,
except share and per share amounts

1. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended Sept. 30, 2005	2004
Numerator:		
Earnings from continuing operations	$ 56.6	$ 73.1
Convertible preferred stock dividends	(5.4)	(5.4)
Numerator for basic earnings per share - income available to common share owners	$ 51.2	$ 67.7
Denominator:		
Denominator for basic earnings per share - weighted average shares outstanding	151,279,708	148,052,677
Effect of dilutive securities:		
Stock options and other	2,076,859	1,869,987
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	153,356,567	149,922,664
Basic earnings per share:		
Earnings from continuing operations	$ 0.34	$ 0.46
Net earnings of discontinued operations	0.41	0.02
Net earnings	$ 0.75	$ 0.48
Diluted earnings per share:		
Earnings from continuing operations	$ 0.34	$ 0.45
Net earnings of discontinued operations	0.41	0.02
Net earnings	$ 0.75	$ 0.47

The convertible preferred stock was not included in the computation of diluted earnings per share for the three months ended September 30, 2005 and 2004 since the result would have been antidilutive. Options to purchase 3,911,037 and 4,601,275 weighted average shares of common stock that were outstanding during the three months ended September 30, 2005 and 2004, respectively, were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

The following table sets forth the computation of basic and diluted earnings per share:

	Nine months ended Sept. 30, 2005	2004
Numerator:		
Earnings from continuing operations	$ 260.3	$ 204.2
Convertible preferred stock dividends	(16.1)	(16.1)
Numerator for basic earnings per share - income available to common share owners	$ 244.2	$ 188.1
Denominator:		
Denominator for basic earnings per share - weighted average shares outstanding	150,727,317	147,560,506
Effect of dilutive securities:		
Stock options and other	2,251,801	1,537,018
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	152,979,118	149,097,524
Basic earnings per share:		
Earnings from continuing operations	$ 1.62	$ 1.27
Net earnings of discontinued operations	0.41	0.06
Net earnings	$ 2.03	$ 1.33
Diluted earnings per share:		
Earnings from continuing operations	$ 1.60	$ 1.26
Net earnings of discontinued operations	0.41	0.06
Net earnings	$ 2.01	$ 1.32

The convertible preferred stock was not included in the computation of diluted earnings per share for the nine months ended September 30, 2005 and 2004 since the result would have been antidilutive. Options to purchase 3,244,755 and 5,452,934 weighted average shares of common stock that were outstanding during the nine months ended September 30, 2005 and 2004, respectively, were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

2. Stock Options

The Company has three nonqualified stock option plans. The Company has adopted the disclosure-only provisions (intrinsic value method) of FAS No. 123, "Accounting for Stock-Based Compensation." All options have been granted at prices equal to the market price of the Company's common stock on the date granted. Accordingly, the Company recognizes no compensation expense related to the stock option plans.

If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as allowed by FAS No. 123, pro forma net earnings and earnings per share would have been as follows:

	Three months ended Sept. 30, 2005	Three months ended Sept. 30, 2004
Net earnings:		
As reported	$ 119.6	$ 76.4
Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(1.8)	(1.2)
Pro forma	$ 117.8	$ 75.2
Basic earnings per share:		
As reported	$ 0.75	$ 0.48
Pro forma	0.74	0.48
Diluted earnings per share:		
As reported	0.75	0.47
Pro forma	0.73	0.47

	Nine months ended Sept. 30, 2005	Nine months ended Sept. 30, 2004
Net earnings:		
As reported	$ 323.3	$ 213.8
Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(4.8)	(4.1)
Pro forma	$ 318.5	$ 209.7
Basic earnings per share:		
As reported	$ 2.03	$ 1.33
Pro forma	2.01	1.31
Diluted earnings per share:		
As reported	2.01	1.32
Pro forma	1.98	1.30

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2005	2004
Expected life of options	5 years	5 years
Expected stock price volatility	72.0%	74.0%
Risk-free interest rate	4.2%	2.7%
Expected dividend yield	0.0%	0.0%

3. Long-Term Debt

The following table summarizes the long-term debt of the Company:

	Sept. 30, 2005	Dec. 31, 2004	Sept. 30, 2004
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$ 75.9	$ 30.1	$ 3.9
Term Loans:			
A1 Term Loan	223.9	315.0	380.0
B1 Term Loan	220.8	226.8	840.0
C Term Loan			395.0
C1 Term Loan	185.6	190.6	230.0
C2 Term Loan (€46.3 million at Sept. 30, 2005)	55.6	64.7	64.1
D Term Loan			240.0
Senior Secured Notes:			
8.875%, due 2009	1,000.0	1,000.0	1,000.0
7.75%, due 2011	450.0	450.0	450.0
8.75%, due 2012	625.0	625.0	625.0
Senior Notes:			
7.15%, due 2005		112.4	350.0
8.10%, due 2007	294.8	298.2	299.9
7.35%, due 2008	244.5	248.4	249.6
8.25%, due 2013	436.7	440.0	440.5
6.75%, due 2014	400.0	400.0	
6.75%, due 2014 (€225 million at Sept. 30, 2005)	270.7	306.4	
Senior Debentures:			
7.50%, due 2010	245.5	249.6	250.9
7.80%, due 2018	250.0	250.0	250.0
Senior Subordinated Notes:			

10.25%, due 2009		17.4	181.6
9.25%, due 2009 (€0.4 million at Sept. 30, 2005)	0.5	0.6	206.6
Other	163.2	117.0	105.1
Total long-term debt	5,142.7	5,342.2	6,562.2
Less amounts due within one year	15.0	174.3	413.9
Long-term debt	$ 5,127.7	$ 5,167.9	$ 6,148.3

On October 7, 2004, in connection with the sale of the Company's blow-molded plastic container operations, the Company's subsidiary borrowers entered into the Third Amended and Restated Secured Credit Agreement (the "Agreement"). The proceeds from the sale were used to repay C and D term loans and a portion of the B1 term loan outstanding under the previous agreement. On January 19, 2005, the Company completed the required divestiture of two European glass container factories and received proceeds of approximately $180 million. The proceeds were largely used to repay debt during the quarter. At September 30, 2005, the Third Amended and Restated Secured Credit Agreement includes a $600.0 million revolving credit facility and a $223.9 million A1 term loan, each of which has a final maturity date of April 1,

2007. It also includes a $220.8 million B1 term loan, a $185.6 million C1 term loan, and a €46.3 million C2 term loan, each of which has a final maturity date of April 1, 2008.

At September 30, 2005, the Company's subsidiary borrowers had unused credit of $414.7 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at September 30, 2005 was 5.41%. Including the effects of cross-currency swap agreements related to borrowings under the Agreement by the Company's Australian and European subsidiaries, as discussed in Note 11, the weighted average interest rate was 6.17%.

4. Supplemental Cash Flow Information

	Nine months ended Sept. 30,	
	2005	2004
Interest paid in cash	$ 299.2	$ 347.0
Income taxes paid in cash	92.3	67.2

5. Comprehensive Income

The components of comprehensive income are: (a) net earnings; (b) change in fair value of certain derivative instruments; (c) adjustment of minimum pension liabilities; and (d) foreign currency translation adjustments. Total comprehensive income is as follows:

	Three months ended September 30,	
	2005	2004
Net earnings	$ 119.6	$ 76.4
Foreign currency translation adjustments	16.9	93.6
Change in minimum pension liability, net of tax	—	—
Change in fair value of derivative instruments, net of tax	31.4	(6.9)
Total comprehensive income	$ 167.9	$ 163.1

	Nine months ended September 30,	
	2005	2004
Net earnings	$ 323.3	$ 213.8
Foreign currency translation adjustments	(237.2)	(17.8)
Change in minimum pension liability, net of tax	—	—
Change in fair value of derivative instruments, net of tax	37.2	(0.9)
Total comprehensive income	$ 123.3	$ 195.1

6. Inventories

Major classes of inventory are as follows:

	Sept. 30, 2005	Dec. 31, 2004	Sept. 30, 2004
Finished goods	$ 849.9	$ 929.9	$ 866.6
Work in process	5.4	6.4	6.3
Raw materials	95.8	100.1	71.9
Operating supplies	69.5	81.3	79.3
	$ 1,020.6	$ 1,117.7	$ 1,024.1

7. New Accounting Standards

In December 2004, the Financial Accounting Standards Board issued FAS No. 123R, "Share-Based Payment," which requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the required service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. The provisions of FAS No. 123R are effective as of the beginning of the annual reporting period that begins after June 15, 2005, therefore, the Company will adopt FAS No. 123R effective as of January 1, 2006. The Company has not yet determined the impact of adopting FAS No. 123R, however, based on initial calculations, the Company expects amounts will not differ materially from those disclosed in Note 2 above.

In May 2005, the Financial Accounting Standards Board issued FAS No. 154, “Accounting Changes and Error Corrections,” which changes the requirements for accounting for and reporting a change in accounting principle. The statement requires changes in accounting principle to be applied retrospectively to prior periods’ financial statements. The statement also redefines “restatement” as being the correction of an error. FAS No. 154 is effective for fiscal years beginning after December 15, 2005. The Company will apply FAS No. 154 as required.

8. Contingencies

The Company is one of a number of defendants in a substantial number of lawsuits filed in numerous state and federal courts by persons alleging bodily injury (including death) as a result of exposure to dust from asbestos fibers. From 1948 to 1958, one of the Company’s former business units commercially produced and sold approximately $40 million of a high-temperature, calcium-silicate based pipe and block insulation material containing asbestos. The Company exited the pipe and block insulation business in April 1958. The traditional asbestos personal injury lawsuits and claims relating to such production and sale of asbestos material typically allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and in some cases, punitive damages in various amounts (herein referred to as “asbestos claims”).

As of September 30, 2005, the Company has determined that it is a named defendant in asbestos lawsuits and claims involving approximately 33,000 plaintiffs and claimants. Based on an analysis of the claims and lawsuits pending as of December 31, 2004, approximately 94% of plaintiffs and claimants either do not specify the monetary damages sought, or in the case of court filings, claim an amount sufficient to invoke the jurisdictional minimum of the trial court. Approximately 5% of plaintiffs specifically plead damages of $15 million or less, and 1% of plaintiffs specifically plead damages greater than $15 million but less than $100 million. Fewer than 1% of plaintiffs specifically plead damages $100 million or greater but less than $123 million.

As indicated by the foregoing summary, current pleading practice permits considerable variation in the assertion of monetary damages. This variability, together with the actual experience discussed further below of litigating or resolving through settlement hundreds of thousands of asbestos claims and lawsuits over an extended period, demonstrates that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value. Rather, the amount potentially recoverable for a specific claimant is determined by other factors such as the claimant’s severity of disease, product identification evidence against specific defendants, the defenses available to those defendants, the specific jurisdiction in which the claim is made, the claimant’s history of smoking or exposure to other possible disease-causative factors, and the various other matters discussed further below.

In addition to the pending claims set forth above, the Company has claims-handling agreements in place with many plaintiffs’ counsel throughout the country. These agreements require evaluation and negotiation regarding whether particular claimants qualify under the criteria established by such agreements. The criteria for such claims include verification of a compensable illness and a reasonable probability of exposure to a product manufactured by the Company’s former business unit during its manufacturing period ending in 1958. Some plaintiffs’ counsel have historically withheld claims under these agreements for later presentation while focusing their attention on active litigation in the tort system. The Company believes that as of September 30, 2005 there are approximately 20,000 claims against other defendants and which are likely to be asserted some time in the future against the Company. These claims are not included in the totals set forth above. The Company further believes that the bankruptcies of additional co-defendants, as discussed below, resulted in an acceleration of the presentation and disposition of a number of these previously withheld preexisting claims under such agreements, which claims would otherwise have been presented and disposed of over the next several years. This acceleration resulted in a significant increase in the dispositions and cash payments during the period 2001-2002; however, the resolution of the accumulated yet previously unpresented cases continues to affect the annual dispositions and cash payments.

The Company is also a defendant in other asbestos-related lawsuits or claims involving maritime workers, medical monitoring claimants, co-defendants and property damage claimants. Based upon its past experience, the Company believes that these categories of lawsuits and claims will not involve any material liability and they are not included in the above description of pending matters or in the following description of disposed matters.

Since receiving its first asbestos claim, the Company as of September 30, 2005, has disposed of the asbestos claims of approximately 325,000 plaintiffs and claimants at an average indemnity payment per claim of approximately $6,400. Certain of these dispositions have included deferred amounts payable over a number of years. Deferred amounts payable totaled approximately $90 million at September 30, 2005 ($91 million at December 31, 2004) and are

included in the foregoing average indemnity payment per claim. The Company’s indemnity payments for these claims have varied on a per claim basis, and are expected to continue to vary considerably over time. As discussed above, a part of the Company’s objective is to achieve, where possible, resolution of asbestos claims pursuant to claims-handling agreements. Under such agreements, qualification by meeting certain illness and exposure criteria has tended to reduce the number of claims presented to the Company that would ultimately be dismissed or rejected due to the absence of impairment or product exposure evidence. The Company expects that as a result, although aggregate spending may be lower, there may be an increase in the per claim average indemnity payment involved in such resolution.

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot be estimated with certainty. Beginning with the initial liability of $975 million established in 1993, the Company has accrued a total of approximately $2.85 billion through 2004, before insurance recoveries, for its asbestos-related liability. The Company’s ability to reasonably estimate its liability has been significantly affected by the volatility of asbestos-related litigation in the United States, the expanding list of non-traditional defendants that have been sued in this litigation and found liable for substantial damage awards, the continued use of litigation screenings to generate new lawsuits, the large number of claims asserted or filed by parties who claim prior exposure to asbestos materials but have no present physical impairment as a result of such exposure, and the growing number of co-defendants that have filed for bankruptcy.

The Company has continued to monitor trends which may affect its ultimate liability and has continued to analyze the developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company. The Company expects that the total asbestos-related cash payments will be moderately lower in 2005 compared to 2004 and will continue to decline thereafter as the preexisting but presently unasserted claims withheld under the claims handling agreements are presented to the Company and as the number of potential future claimants continues to decrease. The material components of the Company's accrued liability are based on amounts estimated by the Company in connection with its annual comprehensive review and consist of the following: (i) the reasonably probable contingent liability for asbestos claims already asserted against the Company, (ii) the contingent liability for preexisting but unasserted asbestos claims for prior periods arising under its administrative claims-handling agreements with various plaintiffs' counsel, (iii) the contingent liability for asbestos claims not yet asserted against the Company, but which the Company believes it is reasonably probable will be asserted in the next several years, to the degree that an estimation as to future claims is possible, and (iv) the legal defense costs likely to be incurred in connection with the foregoing types of claims.

The significant assumptions underlying the material components of the Company's accrual are:

a) the extent to which settlements are limited to claimants who were exposed to the Company's asbestos-containing insulation prior to its exit from that business in 1958;

b) the extent to which claims are resolved under the Company's administrative claims agreements or on terms comparable to those set forth in those agreements;

c) the extent of decrease or increase in the inventory of pending serious disease cases;

d) the extent to which the Company is able to successfully defend itself at trial;

e) the extent of actions by courts to eliminate, reduce or permit the diversion of financial resources for unimpaired claimants and so-called forum shopping;

f) the extent to which additional defendants with substantial resources and assets are required to participate significantly in the resolution of future asbestos lawsuits and claims;

g) the number and timing of co-defendant bankruptcies; and

h) the extent to which the resolution of co-defendant bankruptcies divert resources to unimpaired claimants.

The Company conducts a comprehensive review of its asbestos-related liabilities and costs annually in connection with finalizing and reporting its annual results of operations, unless significant changes in trends or new developments warrant an earlier review. If the results of an annual comprehensive review indicate that the existing amount of the accrued liability is insufficient to cover its estimated future asbestos-related costs, then the Company will record an appropriate charge to increase the accrued liability. The Company believes that an estimation of the reasonably probable amount of the contingent liability for claims not yet asserted against the Company is not possible beyond a period of several years. Therefore, while the results of future annual comprehensive reviews cannot be determined, the Company expects the addition of one year to the estimation period will result in an annual charge.

On November 15, 2004, a lawsuit was filed against the Company in the Delaware Court of Chancery by a shareholder, Joseph Sitorsky, pursuant to Section 220 of the Delaware General Corporation Law, captioned Sitorsky v. Owens-Illinois, Inc. Mr. Sitorsky seeks an order compelling the Company to produce several categories of documents concerning advisory fees paid to KKR Associates, L.P., the acquisition of BSN Glasspack, N.A., the sale of the Company's blow-molded plastic container operations, due diligence in connection with the Company's contract with software vendor, Model N, an alleged affiliate of KKR Associates, L.P., and executive compensation. The Company reached a settlement with Mr. Sitorsky involving production of a limited selection of documents subject to a confidentiality agreement and court orders and the matter has been dismissed.

Other litigation is pending against the Company, in many cases involving ordinary and routine claims incidental to the business of the Company and in others presenting allegations that are nonroutine and involve compensatory, punitive or treble damage claims as well as other types of relief. In accordance with FAS No. 5, "Accounting for Contingencies," the Company records a liability for such matters when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. Recorded amounts are reviewed and adjusted to reflect changes in the factors upon which the estimates are based including additional information, negotiations, settlements, and other events.

The ultimate legal and financial liability of the Company with respect to the lawsuits and proceedings referred to above, in addition to other pending litigation, cannot be estimated with certainty. The Company's reported results of operations for 2004 were materially affected by the $152.6 million fourth quarter charge and asbestos-related payments continue to be substantial. Any future additional charge would likewise materially affect the Company's results of operations for the period in which it is recorded. Also, the continued use of significant amounts of cash for asbestos-related costs has affected and will continue to affect the Company's cost of borrowing and its ability to pursue global or domestic acquisitions. However, the Company believes that its operating cash flows and other sources of liquidity will be sufficient to pay its obligations for asbestos-related costs and to fund its working capital and capital expenditure requirements on a short-term and long-term basis.

9. Segment Information

The Company operates in the rigid packaging industry. The Company has two reportable product segments within the rigid packaging industry: (1) Glass Containers and (2) Plastics Packaging. The Glass Containers segment includes operations in Europe, the Americas, and the Asia Pacific region. Following the sale of a substantial portion of the Company's blow-molded plastic container operations which was completed on October 7, 2004, the Plastics Packaging segment consists of healthcare packaging, closures and specialty products.

The Company's measure of profit for its reportable segments is Segment Operating Profit, which consists of consolidated earnings from continuing operations before interest income, interest expense, provision for income taxes and minority share owners' interests in earnings of subsidiaries and excludes amounts related to certain items that management considers not representative of ongoing operations. The Company's management uses Segment Operating Profit, in combination with selected cash flow information, to evaluate performance and to allocate resources.

Segment Operating Profit for product segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. For the Company's U.S. pension plans, net periodic pension cost (credit) has been allocated to product segments. The information below is presented on a continuing operations basis. See Note 17 for more information.

Financial information for continuing operations for the three month periods ended September 30, 2005 and 2004 regarding the Company's product segments is as follows:

	Glass Containers	Plastics Packaging	Total Product Segments	Eliminations and Other Retained Items	Consolidated Totals
Net sales:					
2005	$ 1,604.3	$ 203.2	$ 1,807.5		$ 1,807.5
2004	1,544.0	173.8	1,717.8		1,717.8
Segment Operating Profit:					
2005	$ 198.3	$ 33.1	$ 231.4	$ (26.2)	$ 205.2
2004	210.8	29.5	240.3	(18.8)	221.5
Items excluded from Segment Operating Profit:					
September 30, 2005:					
Mark to market loss on natural gas hedge contracts	$ (8.2)		$ (8.2)		$ (8.2)
September 30, 2004:					
Mark to market gain on natural gas hedge contracts	11.3		11.3		11.3

The reconciliation of Segment Operating Profit to earnings from continuing operations before income taxes and minority share owners' interests in earnings of subsidiaries for the three month periods ended September 30, 2005 and 2004 is as follows:

	2005	2004
Segment Operating Profit for reportable segments	$ 231.4	$ 240.3
Items excluded from Segment Operating Profit	(8.2)	11.3
Eliminations and other retained items	(26.2)	(18.8)
Interest expense	(113.3)	(120.8)
Interest income	5.2	3.5
Total	$ 88.9	$ 115.5

Financial information for continuing operations for the nine month periods ended September 30, 2005 and 2004 regarding the Company's product segments is as follows:

	Glass Containers	Plastics Packaging	Total Product Segments	Eliminations and Other Retained Items	Consolidated Totals
Net sales:					
2005	$ 4,708.6	$ 614.9	$ 5,323.5		$ 5,323.5
2004	3,826.1	576.6	4,402.7		4,402.7
Segment Operating Profit:					
2005	$ 646.2	$ 97.8	$ 744.0	$ (59.9)	$ 684.1
2004	564.8	95.3	660.1	(71.2)	588.9
Items excluded from Segment Operating Profit:					
September 30, 2005:					
Gain on sale of the Corsico, Italy glass container facility	$ 28.1		$ 28.1		$ 28.1
Mark to market gain on natural gas hedge contracts	13.2		13.2		13.2
September 30, 2004:					
Gain on the sale of certain real property	20.6		20.6		20.6
Mark to market gain on natural gas hedge contracts	21.1		21.1		21.1

The reconciliation of Segment Operating Profit to earnings from continuing operations before income taxes and minority share owners' interests in earnings of subsidiaries for the nine month periods ended September 30, 2005 and 2004 is as follows:

	2005	2004
Segment Operating Profit for reportable segments	$ 744.0	$ 660.1

Items excluded from Segment Operating Profit	41.3	41.7
Eliminations and other retained items	(59.9)	(71.2)
Interest expense	(348.4)	(324.4)
Interest income	12.9	10.2
Total	$ 389.9	$ 316.4

	Glass Containers	Plastics Packaging	Total Product Segments	Discontinued Operations	Eliminations and Other Retained	Consolidated Totals
Total assets:						
Sept. 30, 2005	$ 8,144.8	$ 756.4	$ 8,901.2		$ 1,395.6	$ 10,296.8
December 31, 2004	8,579.4	789.3	9,368.7		1,368.0	10,736.7
Sept. 30, 2004	8,241.1	778.8	9,019.9	$ 1,202.0	1,175.1	11,397.0

10. Other Revenue and Costs and Expenses

During the first quarter of 2005, the Company completed the sale of its Corsico, Italy glass container facility. The resulting gain of $28.1 million (pre-tax and after tax) was included in other revenue in the results of operations for the first quarter of 2005. See Note 15 for more information.

Manufacturing costs for the first quarter of 2005 included a favorable adjustment of approximately $10.0 million to the Company’s accruals for self insured risks.

Manufacturing costs for the second quarter of 2005 included a favorable adjustment for depreciation and amortization in connection with finalizing the fair values of the BSN Glasspack assets acquired in June 2004. The difference between the estimated amounts recorded in 2004 and the final amounts related to 2004 accounted for a benefit of approximately $6.5 million.

Other revenue for the second quarter of 2004 includes a gain of $20.6 million ($14.5 million after tax) for the sale of certain real property.

11. Derivative Instruments

At September 30, 2005, the Company has the following derivative instruments related to its various hedging programs:

Fair Value Hedges of Debt

The terms of the Third Amended and Restated Secured Credit Agreement require that borrowings under the Agreement be denominated in U.S. dollars except for the C2 term loan which allows for €46.3 million borrowings. In order to manage the exposure to fluctuating foreign exchange rates created by U.S. dollar borrowings by the Company’s international subsidiaries, certain subsidiaries have entered into currency swaps for the principal amount of their borrowings under the Agreement and for their interest payments due under the Agreement.

At the end of the third quarter of 2005, the Company’s subsidiary in Australia had an agreement that swaps a total of U.S. $175.0 million of borrowings into 251.8 million Australian dollars. This derivative instrument swaps the principal from U.S. dollars to Australian dollars and also swaps the interest rate from a U.S.-based rate to an Australian-based rate. This agreement has a maturity date of March 2006.

The Company’s subsidiaries in Australia, Canada, the United Kingdom and several European countries have also entered into short term forward exchange contracts which effectively swap additional intercompany and external borrowings by each subsidiary into its local currency. These contracts swap the principal amount of borrowings and in some cases they swap the related interest.

The Company recognizes the above derivatives on the balance sheet at fair value, and the Company accounts for them as fair value hedges. Accordingly, the changes in the value of the swaps are recognized in current earnings and are expected to substantially offset any exchange rate gains or losses on the related U.S. dollar borrowings. For the three and nine months ended September 30, 2005, the amount not offset was immaterial. The fair values are included with other long term liabilities on the balance sheet.

Foreign Currency Exchange Contracts Designated as Cash Flow Hedges

In connection with debt refinancing in late December 2004, the Company’s subsidiary in France borrowed approximately €91 million from Owens-Brockway Glass Container (“OBGC”), a U.S. subsidiary of the Company, at a fixed interest rate through 2009. In order to hedge the changes in the cash flows of the foreign currency interest and principal repayments, OBGC entered into a swap that converts the Euro coupon interest payments into a predetermined U.S. dollar coupon interest payment and also converts the final principal payment in December 2009 from €91.0 million to approximately $120.7 million U.S. dollars.

The Company accounts for the above foreign currency exchange contract on the balance sheet at fair value. The effective portion of changes in the fair value of a derivative that is designated as, and meets the required criteria for, a cash flow hedge is recorded in accumulated other comprehensive income (“OCI”) and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. Any material portion of the change in the fair value of a derivative designated as a cash flow hedge that is deemed to be ineffective is recognized in current earnings. The fair value is included with other long term liabilities on the balance sheet.

The above foreign currency exchange contract is accounted for as a cash flow hedge at September 30, 2005. Hedge accounting is only applied when the derivative is deemed to be highly effective at offsetting anticipated cash flows of the hedged transactions. For hedged forecasted transactions, hedge accounting will be discontinued if the forecasted transaction is no longer probable to occur, and any previously deferred gains or losses will be recorded to earnings immediately.

At September 30, 2005, the amount included in OCI related to this foreign currency exchange contract was $3.5 million. The ineffectiveness related to this hedge for the three and nine months ended September 30, 2005 was not material.

The Company has also entered into a foreign currency exchange contract in Europe to swap €37.5 million into $47.3 million U.S. dollars related to anticipated fuel oil purchases for 2006. A portion of European fuel oil purchases fluctuates based on U.S. dollars. The swap will help mitigate the changes in the cash flows for fuel oil purchases that may result from fluctuations in exchange rates. The Company accounts for this transaction in the same manner as the intercompany loan hedge described above. At September 30, 2005, the amount included in OCI related to this foreign currency exchange was $1.4 million. There was no ineffectiveness related to this hedge for the three and nine months ended September 30, 2005.

Interest Rate Swaps Designated as Fair Value Hedges

In the fourth quarter of 2003 and the first quarter of 2004, the Company entered into a series of interest rate swap agreements with a total notional amount of $1.25 billion that mature from 2007 through 2013. The swaps were executed in order to: (i) convert a portion of the senior notes and senior debentures fixed-rate debt into floating-rate debt; (ii) maintain a capital structure containing appropriate amounts of fixed and floating-rate debt; and (iii) reduce net interest payments and expense in the near-term.

The Company's fixed-to-variable interest rate swaps are accounted for as fair value hedges. Because the relevant terms of the swap agreements match the corresponding terms of the notes, there is no hedge ineffectiveness. Accordingly, the Company recorded the net of the fair market values of the swaps as a long-term liability along with a corresponding net decrease in the carrying value of the hedged debt. The fair values are included with other long term liabilities on the balance sheet.

Under the swaps, the Company receives fixed rate interest amounts (equal to interest on the corresponding hedged note) and pays interest at a six-month U.S. LIBOR rate (set in arrears) plus a margin spread (see table below). The interest rate differential on each swap is recognized as an adjustment of interest expense during each six-month period over the term of the agreement.

The following selected information relates to fair value swaps at September 30, 2005 (based on a projected U.S. LIBOR rate of 4.552%):

	Amount Hedged	Receive Rate	Average Spread	Asset (Liability) Recorded
Senior Notes due 2007	$ 300.0	8.10%	4.5%	$ (5.2)
Senior Notes due 2008	250.0	7.35%	3.5%	(5.5)
Senior Debentures due 2010	250.0	7.50%	3.2%	(4.5)
Senior Notes due 2013	450.0	8.25%	3.7%	(13.2)
Total	$ 1,250.0			$ (28.4)

Natural Gas Hedges

The Company uses commodity futures contracts related to forecasted natural gas requirements. The objective of these futures contracts is to limit the fluctuations in prices paid for natural gas and the potential volatility in cash flows from future market price movements. The Company continually evaluates the natural gas market with respect to its future usage requirements. The Company generally evaluates the natural gas market for the next twelve to eighteen months and periodically enters into commodity futures contracts in order to hedge a portion of its usage requirements through the next twelve to eighteen months. At September 30, 2005, the Company had entered into commodity futures contracts for approximately 79% (approximately 4,550,000 MM BTUs) of its expected North American natural gas usage for the fourth quarter of 2005, approximately 37% (approximately 8,640,000 MM BTUs) for the full year of 2006, and approximately 3% (approximately 720,000 MM BTUs) for the full year of 2007.

The Company accounts for the above futures contracts on the balance sheet at fair value. The effective portion of changes in the fair value of a derivative that is designated as, and meets the required criteria for, a cash flow hedge is recorded in OCI and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. Any material portion of the change in the fair value of a derivative designated as a cash flow hedge that is deemed to be ineffective is recognized in current earnings.

The above futures contracts are accounted for as cash flow hedges at September 30, 2005. Hedge accounting is only applied when the derivative is deemed to be highly effective at offsetting anticipated cash flows of the hedged transactions. For hedged forecasted transactions, hedge accounting will be discontinued if the forecasted transaction is no longer probable to occur, and any previously deferred gains or losses will be recorded to earnings immediately.

At September 30, 2005, an unrecognized gain of $61.1 million ($39.7 million after tax), related to these commodity futures contracts, was included in OCI. The ineffectiveness related to these natural gas hedges for the three months ended September 30, 2005 was not material.

During the fourth quarter of 2004, the Company determined that the natural gas hedge contracts described above did not meet all of the documentation requirements to qualify for special hedge accounting treatment and began to recognize all changes in fair value of these contracts in current earnings. The total unrealized pretax gain (loss) recorded for the three and nine months ended September 30, 2005 was $(8.2) million ($4.9 million after tax) and $13.2 million ($8.1 million after tax), respectively. The total unrealized pretax gain recorded for the three and nine months ended September 30, 2004 was $11.3 million ($7.4 million after tax) and $21.1 million ($13.8 million after tax), respectively. This change had no effect upon the Company's cash flows. During the first quarter of 2005, the Company completed the documentation and re-designation of its natural gas hedge contracts. As of April 1, 2005, all futures contracts meet the qualifications for special hedge accounting and will be accounted for as described in the preceding paragraphs.

Other Hedges

The Company's subsidiaries may enter into short-term forward exchange agreements to purchase foreign currencies at set rates in the future. These foreign currency forward exchange agreements are used to limit exposure to fluctuations in foreign currency exchange rates for all significant planned purchases of fixed assets or commodities that are denominated in currencies other than the subsidiaries' functional currency.   Subsidiaries may also use forward exchange agreements to offset the foreign currency risk for receivables and payables not denominated in, or indexed to, their functional currencies. The Company records these short-term forward exchange agreements on the balance sheet at fair value and changes in the fair value are recognized in current earnings.

12. Restructuring Accruals

During December of 2004 and June of 2005, restructuring accruals of €96 million were recorded in connection with the acquisition of BSN as part of the previously announced European integration strategy to optimally align the manufacturing capacities with the market and improve operational efficiencies. See Note 15 for a description of this accrual and the related activity.

In August 2003, the Company announced the permanent closing of its Hayward, California glass container factory. Production at the factory was suspended in June of 2003 following a major leak in its only glass furnace. As a result, the Company recorded a capacity curtailment charge of $28.5 million ($17.8 million after tax) in the third quarter of 2003.

The closing of this factory resulted in the elimination of approximately 170 jobs and a corresponding reduction in the Company's workforce. The Company reduced fixed manufacturing costs by approximately $12 million per year by closing this factory and moving the production to other locations. The Company anticipates that it will pay out approximately $15 million in cash related to severance, benefits, lease commitments, plant clean-up, and other plant closing costs. The Company expects that a substantial portion of these costs will be paid out by the end of 2005.

In November 2003, the Company announced the permanent closing of its Milton, Ontario glass container factory. This closing was part of an effort to bring capacity and inventory levels in line with anticipated demand. As a result, the Company recorded a capacity curtailment charge of $20.1 million ($19.5 million after tax) in the fourth quarter of 2003.

The closing of this factory in November 2003 resulted in the elimination of approximately 150 jobs and a corresponding reduction in the Company's workforce. The Company reduced manufacturing costs by approximately $8.5 million per year by closing this factory and moving the production to other locations. The Company anticipates that it will pay out approximately $8.0 million in cash related to severance, benefits, plant clean-up, and other plant closing costs. The Company expects that the majority of these costs will be paid out by the end of 2005.

Selected information related to the above glass container factory closings is as follows:

	Hayward	Milton	Total
Restructuring accrual balance as of December 31, 2004	$ 12.0	$ 4.8	$ 16.8
Net cash paid	(0.6)	(0.7)	(1.3)
Other, principally translation	(0.2)	(0.1)	(0.3)
Remaining restructuring accruals related to plant closing charges as of March 31, 2005	11.2	4.0	15.2
Net cash paid	(0.5)	(0.1)	(0.6)
Remaining restructuring accruals related to plant closing charges as of June 30, 2005	10.7	3.9	14.6
Net cash paid	4.7		4.7
Other	(3.9)	0.1	(3.8)
Remaining restructuring accruals related to plant closing charges as of September 30, 2005	$ 11.5	$ 4.0	$ 15.5

13. Pensions

The components of the net pension expense for the three months ended September 30, 2005 and 2004 were as follows:

	2005	2004
Service cost	$ 13.0	$ 15.2
Interest cost	49.8	52.0
Expected asset return	(73.9)	(74.6)
Amortization:		
Prior service cost (credit)		1.6
Loss	11.9	11.8
Net amortization	11.9	13.4
Net expense	$ 0.8	$ 6.0
Total for continuing operations		$ 5.2
Total for discontinued operations		0.8
		$ 6.0

The components of the net pension expense for the nine months ended September 30, 2005 and 2004 were as follows:

	2005	2004
Service cost	$ 39.3	$ 42.4
Interest cost	150.7	144.7
Expected asset return	(222.9)	(214.8)
Amortization:		
Prior service cost (credit)	(0.2)	4.7
Loss	35.9	29.4
Net amortization	35.7	34.1
Net expense	$ 2.8	$ 6.4
Total for continuing operations		$ 4.0
Total for discontinued operations		2.4
		$ 6.4

The Company previously disclosed in its financial statements for the year ended December 31, 2004, that it expected to contribute $37.3 million to its pension plans in 2005. As of September 30, 2005, $35.0 million of contributions have been made. The Company presently does not expect its contributions for the full year of 2005 to be significantly different from the $37.3 million previously projected.

14. Postretirement Benefits Other Than Pensions

The components of the net postretirement benefit cost for the three months ended September 30, 2005 and 2004 were as follows:

	2005	2004
Service cost	$ 1.1	$ 1.2
Interest cost	4.7	4.3
Amortization:		
Prior service credit	(1.1)	(3.3)
Loss	1.4	1.1
Net amortization	0.3	(2.2)
Net postretirement benefit cost	$ 6.1	$ 3.3
Total for continuing operations		$ 2.9
Total for discontinued operations		0.4
		$ 3.3

The components of the net postretirement benefit cost for the nine months ended September 30, 2005 and 2004 were as follows:

	2005	2004
Service cost	$ 3.4	$ 3.3
Interest cost	13.9	15.7
Amortization:		
Prior service credit	(3.2)	(5.6)
Loss	4.2	3.5
Net amortization	1.0	(2.1)
Net postretirement benefit cost	$ 18.3	$ 16.9
Total for continuing operations		$ 15.0
Total for discontinued operations		1.9
		$ 16.9

15. Acquisition of BSN Glasspack, S.A.

On June 21, 2004, the Company completed the acquisition of BSN Glasspack, S.A. (“BSN”) from Glasspack Participations (the “Acquisition”). Total consideration for the Acquisition was approximately $1.3 billion, including the assumption of approximately $650 million of debt, a portion of which was refinanced in connection with the Acquisition. BSN was the second largest glass container manufacturer in Europe with manufacturing facilities in France, Spain, Germany and the Netherlands. The Acquisition was financed with borrowings under the Company’s Second Amended and Restated Secured Credit Agreement. In order to secure the European

Commission’s approval, the Company committed to divest the Barcelona, Spain, and Corsico, Italy glass plants. The Company completed the sale of these plants in January 2005 and received cash proceeds of approximately €138.2 million.

The Acquisition was part of the Company's overall strategy to improve its presence in the European market in order to better serve the needs of its customers throughout the European region and to take advantage of synergies including purchasing leverage and cost reductions. This integration strategy should lead to significant improvement in earnings from the European operations by the end of 2006.

During the second quarter of 2005, the Company concluded its evaluation of acquired capacity and announced the permanent closing of its Düsseldorf, Germany glass container factory, and the shutdown of a furnace at its Reims, France glass container facility, both in 2005. These actions were part of the previously announced European integration strategy to optimally align the manufacturing capacities with the market and improve operational efficiencies. As a result, the Company recorded an accrual of €47.1 million through an adjustment to goodwill.

These second quarter actions will result in the elimination of approximately 400 jobs and a corresponding reduction in the Company's workforce. The Company expects to reduce fixed cash costs by approximately €35 million per year by closing the Düsseldorf factory, shutting down the furnace at Reims and moving most of the production to other locations. The Company anticipates that it will pay out approximately €110.9 million in cash related to severance, benefits, plant clean-up, and other plant closing costs related to restructuring accruals. In addition, the Company expects to pay approximately €65 million for other European reorganization and integration activities, approximately 60% of which will be expensed. The Company expects that approximately 50% of these payments will be made by the end of 2005 and most of the balance in 2006.

The restructuring accrual recorded in the second quarter of 2005 was in addition to the initial estimated accrual of €63.8 recorded in 2004. Selected information related to the restructuring accrual is as follows, with third quarter activity translated from Euros into dollars at the September 30, 2005 exchange rate:

Total restructuring accrual (€110.9 million)	$	134.1
Net cash paid, principally severance and related benefits		(16.8)
Other, principally translation		(1.3)
Remaining European restructuring accrual as of June 30, 2005		116.0
Net cash paid, principally severance and related benefits		(18.9)
Other, principally translation		0.6
Remaining European restructuring accrual as of September 30, 2005	$	97.7

The total purchase cost of approximately $1.3 billion was allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values. The

following table summarizes the fair values of the assets acquired and liabilities assumed on June 21, 2004, translated from Euros into dollars at the exchange rate on that date:

		June 21, 2004
Inventories	$	294.3
Accounts receivable		197.7
Other current assets (excluding cash acquired)		31.8
Total current assets		523.8
Goodwill		721.9
Other long-term assets		82.8
Net property, plant and equipment		763.9
Assets acquired	$	2,092.4
Accounts payable and other current liabilities		(422.3)
Other long-term liabilities		(387.3)
Aggregate purchase costs	$	1,282.8

The assets above include $48.1 million of intangible assets related to customer relationships, which will be amortized over the next 13 years. The liabilities above include $133.6 million (€110.9 million) for the restructuring actions discussed above, the majority of which relates to employee termination costs and related fringe benefits.

16. Pro Forma Information – Acquisition of BSN Glasspack S.A.

Had the Acquisition described in Note 15 and the related financing occurred at the beginning of 2004, unaudited pro forma consolidated net sales, net earnings, and net earnings per share of common stock would have been as follows:

	Nine months ended September 30, 2004			
	As Reported	BSN Adjustments	Financing Adjustments	Pro Forma As Adjusted
Net sales	$ 4,402.7	$ 752.5		$ 5,155.2
Net earnings from continuing operations	$ 204.2	$ 21.6	$ (6.4)	$ 219.4
Diluted earnings from continuing operations per share of common stock	$ 1.26			$ 1.36

17. Discontinued operations

On October 7, 2004, the Company announced that it had completed the sale of its blow-molded plastic container operations in North America, South America and Europe, to Graham Packaging Company.

Cash proceeds of approximately $1.2 billion were used to repay term loans under the Company's bank credit facility, which was amended to permit the sale. The sale agreement included a post-closing purchase price adjustment based on changes in certain working capital

components and certain other assets and liabilities of the business. This adjustment was finalized in April 2005, and Graham was paid approximately $39 million. The adjustment did not impact results of operations.

Included in the sale were 24 plastics manufacturing plants in the U.S., two in Mexico, three in Europe and two in South America, serving consumer products companies in the food, beverage, household, chemical and personal care industries. The blow-molded plastic container operations were part of the consumer products business unit of the plastics packaging segment.

As required by FAS No. 144, the Company has presented the results of operations for the blow-molded plastic container business in the Consolidated Results of Operations for the three and nine months ended September 30, 2004 as a discontinued operation. Interest expense was allocated to discontinued operations based on debt that was required to be repaid from the proceeds.

The following summarizes the revenues and expenses of the discontinued operations as reported in the condensed consolidated results of operations for the period indicated:

	Three months ended Sept. 30, 2004	Nine months ended Sept. 30, 2004
Revenues:		
Net sales	$ 281.8	$ 858.6
Other revenue	2.1	7.6
	283.9	866.2
Costs and expenses:		
Manufacturing, shipping and delivery	235.9	736.6
Research, development and engineering	5.6	15.7
Selling and administrative	8.4	21.8
Interest	17.1	44.1
Other	2.2	22.7
	269.2	840.9
Earnings before items below	14.7	25.3
Provision for income taxes	11.4	15.7
Net earnings from discontinued operations	$ 3.3	$ 9.6

The condensed consolidated balance sheet at September 30, 2004 included the following assets and liabilities related to the discontinued operations:

	Balance at Sept. 30, 2004
Assets:	
Inventories	$ 139.4
Accounts receivable	131.9
Other current assets	9.5
Total current assets	280.8
Goodwill	149.0
Other long-term assets	72.4
Net property, plant and equipment	699.8
Total assets	$ 1,202.0
Liabilities:	
Accounts payable and other current liabilities	$ 122.4
Other long-term liabilities	44.8
Total liabilities	$ 167.2

Discontinued operations of $63.0 million for the three and nine months ended September 30, 2005 includes $61.8 million for a third quarter benefit from the reversal of an accrual for potential tax liabilities related to a previous divestiture. The accrual is no longer required based on the Company's reassessment of the potential liabilities due to several factors, including statute expiration in September 2005. The balance of $1.2 million relates to an adjustment of the 2004 gain on the sale of the blow-molded plastic container operations principally from finalizing certain tax allocations.

18. Accounts Receivable Securitization Program

As part of the acquisition of BSN, the Company acquired a trade accounts receivable securitization program through a BSN subsidiary, BSN Glasspack Services. The program was entered into by BSN in order to provide lower interest costs on a portion of its financing. In November 2000, BSN created a securitization program for its trade receivables through a sub-fund (the "fund") created in accordance with French Law. This securitization program, co-arranged by Credit Commercial de France (HSBC-CCF), and Gestion et Titrisation Internationales ("GTI") and managed by GTI, provides for an aggregate securitization volume of up to €210 million.

Under the program, BSN Glasspack Services is permitted to sell receivables to the fund until November 5, 2006. According to the program, subject to eligibility criteria, certain, but not all, receivables held by the BSN Glasspack Services are sold to the fund on a weekly basis. The purchase price for the receivables is determined as a function of the book value and the term of each receivable and a Euribor three-month rate increased by a 1.51% margin. A portion of the purchase price for the receivables is deferred and paid by the fund to BSN Glasspack Services only when receivables are collected or at the end of the program. This deferred portion varies based on the status and updated collection history of BSN Glasspack Services' receivable portfolio.

The transfer of the receivables to the fund is deemed to be a sale for U.S. GAAP purposes. The fund assumes all collection risk on the receivables and the transferred receivables have been isolated from BSN Glasspack Services and are no longer controlled by BSN Glasspack Services. The total securitization program cannot exceed €210 million ($252.6 million at September 30, 2005). At September 30, 2005, the Company had $226.3 million of receivables

that were sold in this program. For the three and nine months ended September 30, 2005, the Company received $326.7 million and $1,048.6 million from the sale of receivables to the fund and paid interest of approximately $2.0 million and $5.7 million, respectively, which is recorded as other expense in the income statement.

BSN Glasspack Services continues to service, administer and collect the receivables on behalf of the fund. This service rendered to the fund is invoiced to the fund at a normal market rate.

19. Financial Information for Subsidiary Guarantors and Non-Guarantors

The following presents condensed consolidating financial information for the Company, segregating: (1) Owens-Illinois, Inc., the issuer of four series of senior notes and debentures (the "Parent"); (2) the two subsidiaries which have guaranteed the senior notes and debentures on a subordinated basis (the "Guarantor Subsidiaries"); and (3) all other subsidiaries (the "Non-Guarantor Subsidiaries"). The Guarantor Subsidiaries are 100% owned direct and indirect subsidiaries of the Company and their guarantees are full, unconditional and joint and several. They have no operations and function only as intermediate holding companies.

100% owned subsidiaries are presented on the equity basis of accounting. Certain reclassifications have been made to conform all of the financial information to the financial presentation on a consolidated basis. The principal eliminations relate to investments in subsidiaries and inter-company balances and transactions.

	September 30, 2005				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$ —	$ —	$ 993.0	$ —	$ 993.0
Inventories			1,020.6		1,020.6
Other current assets	55.3		288.4		343.7
Total current assets	55.3	—	2,302.0	—	2,357.3
Investments in and advances to subsidiaries	3,147.6	2,097.6		(5,245.2)	—
Goodwill			2,897.1		2,897.1
Other non-current assets	155.5		1,694.2		1,849.7
Total other assets	3,303.1	2,097.6	4,591.3	(5,245.2)	4,746.8
Property, plant and equipment, net			3,192.7		3,192.7
Total assets	$ 3,358.4	$ 2,097.6	$ 10,086.0	$ (5,245.2)	$ 10,296.8
Current liabilities :					
Accounts payable and accrued liabilities	$ —	$ —	$ 1,383.1	$ —	$ 1,383.1
Current portion of asbestos liability	158.0				158.0
Short-term loans and long-term debt due within one year			74.2		74.2
Total current liabilities	158.0	—	1,457.3	—	1,615.3
Long-term debt	1,048.3		5,129.4	(1,050.0)	5,127.7
Asbestos-related liabilities	473.0				473.0
Other non-current liabilities and minority interests	(9.7)		1,401.7		1,392.0
Capital structure	1,688.8	2,097.6	2,097.6	(4,195.2)	1,688.8
Total liabilities and share owners' equity	$ 3,358.4	$ 2,097.6	$ 10,086.0	$ (5,245.2)	$ 10,296.8

	December 31, 2004				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$ —	$ —	$ 821.3	$ —	$ 821.3
Inventories			1,117.7		1,117.7
Other current assets	59.5		402.3		461.8
Total current assets	59.5	—	2,341.3	—	2,400.8
Investments in and advances to subsidiaries	3,202.5	2,044.2		(5,246.7)	—
Goodwill			3,009.1		3,009.1
Other non-current assets	206.8		1,702.0	(79.7)	1,829.1
Total other assets	3,409.3	2,044.2	4,711.1	(5,326.4)	4,838.2
Property, plant and equipment, net			3,497.7		3,497.7
Total assets	$ 3,468.8	$ 2,044.2	$ 10,550.1	$ (5,326.4)	$ 10,736.7
Current liabilities :					
Accounts payable and accrued liabilities	$ —	$ —	$ 1,544.0	$ —	$ 1,544.0
Current portion of asbestos liability	170.0				170.0
Short-term loans and long-term debt due within one year	112.4		192.5	(112.4)	192.5
Total current liabilities	282.4	—	1,736.5	(112.4)	1,906.5
Long-term debt	1,045.9		5,172.0	(1,050.0)	5,167.9
Asbestos-related liabilities	596.2				596.2
Other non-current liabilities and minority interests			1,601.5	(79.7)	1,521.8
Capital structure	1,544.3	2,044.2	2,040.1	(4,084.3)	1,544.3
Total liabilities and share owners' equity	$ 3,468.8	$ 2,044.2	$ 10,550.1	$ (5,326.4)	$ 10,736.7

	September 30, 2004				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$ —	$ —	$ 887.0	$ —	$ 887.0
Inventories			1,024.1		1,024.1
Other current assets	57.8		434.1		491.9
Assets of discontinued operations			280.8		280.8
Total current assets	57.8	—	2,626.0	—	2,683.8
Investments in and advances to subsidiaries	3,023.5	1,623.5		(4,647.0)	—
Goodwill			2,872.1		2,872.1
Other non-current assets	5.2		1,733.8		1,739.0
Assets of discontinued operations			921.2		921.2
Total other assets	3,028.7	1,623.5	5,527.1	(4,647.0)	5,532.3
Property, plant and equipment, net			3,180.9		3,180.9
Total assets	$ 3,086.5	$ 1,623.5	$ 11,334.0	$ (4,647.0)	$ 11,397.0
Current liabilities :					
Accounts payable and accrued liabilities	$ —	$ —	$ 1,420.6	$ —	$ 1,420.6
Current portion of asbestos liability	165.0				165.0
Short-term loans and long-term debt due within one year	350.0		438.6	(350.0)	438.6
Liabilities of discontinued operations			122.4		122.4
Total current liabilities	515.0	—	1,981.6	(350.0)	2,146.6
Liabilities of discontinued operations			44.8		44.8
Long-term debt	1,050.0		6,148.3	(1,050.0)	6,148.3
Asbestos-related liabilities	488.4				488.4
Other non-current liabilities and minority interests	(169.1)		1,535.8		1,366.7
Capital structure	1,202.2	1,623.5	1,623.5	(3,247.0)	1,202.2
Total liabilities and share owners' equity	$ 3,086.5	$ 1,623.5	$ 11,334.0	$ (4,647.0)	$ 11,397.0

	Three months ended September 30, 2005		
		Guarantor	Non-Guarantor

	Parent	Subsidiaries	Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$ —	$ —	$ 1,807.5	$ —	$ 1,807.5
External interest income			5.2		5.2
Intercompany interest income	20.6	20.6		(41.2)	—
Equity earnings from subsidiaries	56.6	56.6		(113.2)	—
Other equity earnings			6.6		6.6
Other revenue			6.2		6.2
Total revenue	77.2	77.2	1,825.5	(154.4)	1,825.5
Manufacturing, shipping, and delivery			1,473.5		1,473.5
Research, engineering, selling, administrative, and other			149.8		149.8
External interest expense	20.6		92.7		113.3
Intercompany interest expense		20.6	20.6	(41.2)	—
Total costs and expense	20.6	20.6	1,736.6	(41.2)	1,736.6
Earnings from continuing operations before items below	56.6	56.6	88.9	(113.2)	88.9
Provision for income taxes			22.7		22.7
Minority share owners' interests in earnings of subsidiaries			9.6		9.6
Earnings from continuing operations	56.6	56.6	56.6	(113.2)	56.6
Net earnings of discontinued operations	63.0	63.0	63.0	(126.0)	63.0
Net earnings	$ 119.6	$ 119.6	$ 119.6	$ (239.2)	$ 119.6

	Three months ended September 30, 2004				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$ —	$ —	$ 1,717.8	$ —	$ 1,717.8
External interest income			3.5		3.5
Intercompany interest income	27.0	27.0		(54.0)	—
Equity earnings from subsidiaries	73.1	73.1		(146.2)	—
Other equity earnings			7.5		7.5
Other revenue			9.2		9.2
Total revenue	100.1	100.1	1,738.0	(200.2)	1,738.0
Manufacturing, shipping, and delivery			1,378.7		1,378.7
Research, engineering, selling, administrative, and other			123.0		123.0
External interest expense	27.0		93.8		120.8
Intercompany interest expense		27.0	27.0	(54.0)	—
Total costs and expense	27.0	27.0	1,622.5	(54.0)	1,622.5
Earnings from continuing operations before items below	73.1	73.1	115.5	(146.2)	115.5
Provision for income taxes			33.7		33.7
Minority share owners' interests in earnings of subsidiaries			8.7		8.7
Earnings from continuing operations	73.1	73.1	73.1	(146.2)	73.1
Net earnings from discontinued operations	3.3	3.3	3.3	(6.6)	3.3
Net earnings	$ 76.4	$ 76.4	$ 76.4	$ (152.8)	$ 76.4

	Nine months ended September 30, 2005				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$ —	$ —	$ 5,323.5	$ —	$ 5,323.5
External interest income			12.9		12.9
Intercompany interest income	64.4	64.4		(128.8)	—

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Equity earnings from subsidiaries	260.3	260.3		(520.6)	—
Other equity earnings			17.9		17.9
Other revenue			52.4		52.4
Total revenue	324.7	324.7	5,406.7	(649.4)	5,406.7
Manufacturing, shipping, and delivery			4,236.9		4,236.9
Research, engineering, selling, administrative, and other			431.5		431.5
External interest expense	64.4		284.0		348.4
Intercompany interest expense		64.4	64.4	(128.8)	—
Total costs and expense	64.4	64.4	5,016.8	(128.8)	5,016.8
Earnings from continuing operations before items below	260.3	260.3	389.9	(520.6)	389.9
Provision for income taxes			104.6		104.6
Minority share owners' interests in earnings of subsidiaries			25.0		25.0
Earnings from continuing operations	260.3	260.3	260.3	(520.6)	260.3
Net earnings of discontinued operations	63.0	63.0	63.0	(126.0)	63.0
Net earnings	$ 323.3	$ 323.3	$ 323.3	$ (646.6)	$ 323.3

	Nine months ended September 30, 2004				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$ —	$ —	$ 4,402.7	$ —	$ 4,402.7
External interest income			10.2		10.2
Intercompany interest income	82.2	82.2		(164.4)	—
Equity earnings from subsidiaries	204.2	204.2		(408.4)	—
Other equity earnings			22.2		22.2
Other revenue			49.8		49.8
Total revenue	286.4	286.4	4,484.9	(572.8)	4,484.9
Manufacturing, shipping, and delivery			3,522.2		3,522.2
Research, engineering, selling, administrative, and other			321.9		321.9
External interest expense	82.2		242.2		324.4
Intercompany interest expense		82.2	82.2	(164.4)	—
Total costs and expense	82.2	82.2	4,168.5	(164.4)	4,168.5
Earnings from continuing operations before items below	204.2	204.2	316.4	(408.4)	316.4
Provision for income taxes			90.0		90.0
Minority share owners' interests in earnings of subsidiaries			22.2		22.2
Earnings from continuing operations	204.2	204.2	204.2	(408.4)	204.2
Net earnings of discontinued operations	9.6	9.6	9.6	(19.2)	9.6
Net earnings	$ 213.8	$ 213.8	$ 213.8	$ (427.6)	$ 213.8

	Nine months ended September 30, 2005				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows					
Cash provided by (used in) operating activities	$ (133.9)	$ —	$ 384.0	$ —	$ 250.1
Cash used in investing activities			(136.9)		(136.9)
Cash provided by (used in) financing activities	133.9		(323.1)		(189.2)

Effect of exchange rate change on cash			(11.6)		(11.6)
Net change in cash	—	—	(87.6)	—	(87.6)
Cash at beginning of period			277.9		277.9
Cash at end of period	$ —	$ —	$ 190.3	$ —	$ 190.3

	Nine months ended September 30, 2004				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows					
Cash provided by (used in) operating activities	$ (149.9)	$ —	$ 627.4	$ —	$ 477.5
Cash used in investing activities			(823.0)		(823.0)
Cash provided by financing activities	149.9		302.0		451.9
Effect of exchange rate change on cash			(7.7)		(7.7)
Net change in cash	—	—	98.7	—	98.7
Cash at beginning of period			163.4		163.4
Cash at end of period	$ —	$ —	$ 262.1	$ —	$ 262.1

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

Quarter ended September 30, 2005 and 2004

Net sales of the Glass Containers segment were $60.3 million higher than the prior year principally resulting from increased shipments of beer and beverage containers and stronger currencies in South America and Asia Pacific.

Net sales of the Plastics Packaging segment were $29.4 million higher than the prior year. The higher sales reflected improved sales volume and the pass-through effect of higher resin costs.

Segment Operating Profit of the Glass Containers segment was $12.5 million lower than the prior year. The benefits of increased production and sales volume and European operational synergies were more than offset by higher energy costs and other inflationary cost increases.

Segment Operating Profit of the Plastics Products segment was $3.6 million higher than the prior year. The increase resulted from the higher unit sales volumes and improved manufacturing performance and cost control.

Interest expense was $7.5 million lower than the prior year. Lower average debt balances and lower interest on fixed rate debt was partially offset by higher interest rates on the Company’s variable rate debt.

Earnings from continuing operations in 2005 were $56.6 million, or $0.34 per share (diluted), down from $73.1 million, or $0.45 per share (diluted), from continuing operations in 2004. Earnings in both periods included items that management considers not representative of continuing operations. These items increased net earnings in 2005 by $0.4 million with no impact on earning per share, and increased net earnings in 2004 by $7.4 million, or $0.05 per share.

Cash payments for asbestos-related costs were $48.9 million, down 10.1% from the prior year.

Nine months ended September 30, 2005 and 2004

Net sales of the Glass Containers segment were $882.5 million higher than the prior year principally resulting from the BSN Acquisition and stronger currencies.

Net sales of the Plastics Packaging segment were $38.3 million higher than the prior year. Higher sales from improved pricing, increased sales volume and pass-through of higher resin costs were partially offset by the absence of sales from plastic container assets in the Asia Pacific region that were divested in the second quarter of 2004.

Segment Operating Profit of the Glass Containers segment was $81.4 million higher than the prior year. The BSN Acquisition accounted for most of the increase. The benefits of stronger foreign currencies and higher selling prices were partially offset by inflationary cost increases.

Segment Operating Profit of the Plastics Products segment was $2.5 million higher than the prior year. Increases from improved pricing, sales volume and product mix more than offset increased costs.

Interest expense was $24.0 million higher than the prior year. The increase resulted from higher variable interest rates and higher debt from the BSN Acquisition, partially offset by lower debt levels in the third quarter of 2005.

Earnings from continuing operations in 2005 were $260.3 million, or $1.60 per share (diluted), up from $204.2 million, or $1.26 per share (diluted), from continuing operations in 2004. Earnings in both periods included items that management considers not representative of continuing operations. These items increased net earnings in 2005 by $41.5 million, or $0.26 per share, and increased net earnings in 2004 by $28.3 million, or $0.19 per share.

Cash payments for asbestos-related costs were $135.2 million, down 10.0% from the prior year.

Results of Operations – Third Quarter 2005 compared with Third Quarter 2004

Net Sales

The Company's net sales by segment (dollars in millions) for the third quarter of 2005 and 2004 are presented in the following table. The Plastics Packaging amounts for 2004 reflect only the continuing operations. For further information, see Segment Information included in Note 9 to the Condensed Consolidated Financial Statements.

	2005	2004
Glass Containers	$ 1,604.3	$ 1,544.0
Plastics Packaging	203.2	173.8
Segment and consolidated net sales	$ 1,807.5	$ 1,717.8

Consolidated net sales for the third quarter of 2005 increased $89.7 million, or 5.2%, to $1,807.5 million from $1,717.8 million in the third quarter of 2004.

Net sales of the Glass Containers segment increased $60.3 million, or 3.9%, over the third quarter of 2004. Contributing to the increase were increased shipments of beer and beverage containers throughout the Americas which more than offset reduced shipments of food containers in North America and an overall unfavorable change in product mix. Also contributing to the increase were generally higher selling prices. Favorable currency exchange rates accounted for about one-half of the increase. Partially offsetting these increases was the absence of sales from the Castellar factory, sold in January 2005.

The change in net sales for the Glass Containers segment can be summarized as follows (dollars in millions):

Net sales - 2004		$ 1,544.0
Net effect of volume, price and mix	$ 45.0	
Effects of changing foreign currency rates	29.6	
Divestiture of Castellar factory	(14.3)	
Total net effect on sales		60.3
Net sales - 2005		$ 1,604.3

Net sales of the Plastics Packaging segment increased $29.4 million, or 16.9%, from the third quarter of 2004. The higher sales reflected improved sales volume and the pass-through effect of higher resin costs.

The change in net sales for the Plastics Packaging segment can be summarized as follows:

Net sales - 2004		$ 173.8
Net effect of volume, price and mix	$ 20.5	
Effect of increased resin cost pass-throughs	7.4	
Effects of changing foreign currency rates	1.5	
Total net effect on sales		29.4
Net sales - 2005		$ 203.2

Segment Operating Profit

The Company's measure of profit for its reportable segments is Segment Operating Profit, which consists of consolidated earnings from continuing operations before interest income, interest expense, provision for income taxes and minority share owners' interests in earnings of subsidiaries and excludes amounts related to certain items that management considers not representative of ongoing operations. The Company's management uses Segment Operating Profit, in combination with selected cash flow information, to evaluate performance and to allocate resources.

Operating Profit for product segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. For the Company's U.S. pension plans, net periodic pension cost (credit) has been allocated to product segments. The Plastics Packaging amounts for 2004 reflect only the continuing operations. For further information, see Segment Information included in Note 9 to the Condensed Consolidated Financial Statements.

	2005	2004

Glass Containers	$	198.3	$	210.8
Plastics Packaging		33.1		29.5
Eliminations and other retained items		(26.2)		(18.8)

Segment Operating Profit of the Glass Containers segment for the third quarter of 2005 decreased $12.5 million, or 6.0%, to $198.3 million, compared with Segment Operating Profit of $210.8 million in the third quarter of 2004. Factors which increased operating profit were: (1) increased unit shipments of beer and beverage containers principally in the Americas; (2) improved productivity and cost reduction initiatives; (3) improved pricing; (4) European operational synergies; and (5) the non-recurrence of the acquisition step-up of BSN finished goods inventory. Substantially offsetting those increases were: (1) inflationary cost increases

including energy, raw material costs, and transportation; (2) operational inefficiencies; (3) unfavorable change in product mix; (4) costs of the European integration and new European Headquarters; (5) the absence of equity earnings from Consol Limited (divested in the fourth quarter of 2004); (6) the absence of operating profit from the Corsico and Castellar factories; and (7) reduced food container shipments in North America.

The change in Segment Operating Profit for the Glass Containers segment can be summarized as follows:

Segment Operating Profit - 2004			$	210.8
Net effect of volume, price, mix, and productivity	$	11.6		
Effects of changing foreign currency rates		2.9		
Non-recurrence of BSN inventory step-up		26.4		
Higher energy costs		(14.8)		
Other inflationary cost increases		(12.0)		
Effects of European integration and new European headquarter costs		(10.5)		
Divestiture of Corsico and Castellar factories and Consol investment		(6.8)		
Increased delivery and warehousing costs		(4.7)		
Other		(4.6)		
Total net effect on Segment Operating Profit				(12.5)
Segment Operating Profit -2005			$	198.3

Segment Operating Profit of the Plastics Packaging segment for the third quarter of 2005 was $33.1 million compared with Segment Operating Profit of $29.5 million in the third quarter of 2004. The increase resulted from the higher unit sales volumes and improved manufacturing performance and cost control.

The change in Segment Operating Profit for the Plastics Packaging segment can be summarized as follows:

Segment Operating Profit - 2004			$	29.5
Net effect of volume, price and mix	$	6.0		
Higher energy costs and other inflationary cost increases		(1.4)		
Other		(1.0)		
Total net effect on Segment Operating Profit				3.6
Segment Operating Profit -2005			$	33.1

Eliminations and other retained items were $26.2 million for the third quarter of 2005 and $18.8 million for the third quarter of 2004. The increase is due to mainly to higher retained costs for the divested blow molded plastic container business, the non-recurrence of an accrual adjustment made in 2004, and adjustments made to certain accruals in 2005.

Interest Expense

Interest expense decreased to $113.3 million in the third quarter of 2005 from $120.8 million in the third quarter of 2004. The lower interest in the 2005 quarter is a result of lower average debt balances and lower interest on fixed rate debt partially offset by higher interest rates on the Company's variable rate debt.

Minority Share Owners' Interest in Earnings of Subsidiaries

Minority share owners' interest in earnings of subsidiaries for the third quarter of 2005 was $9.6 million compared to $8.7 million for the third quarter of 2004. The increase is primarily attributed to higher earnings from the Company's operations in Brazil.

Results of Operations – First nine months of 2005 compared with first nine months of 2004

Net Sales

The Company's net sales by segment (dollars in millions) for the first nine months of 2005 and 2004 are presented in the following table. The Plastics Packaging amounts for 2004 reflect only the continuing operations. For further information, see Segment Information included in Note 9 to the Condensed Consolidated Financial Statements.

		2005		2004
Glass Containers	$	4,708.6	$	3,826.1
Plastics Packaging		614.9		576.6

Segment and consolidated net sales	$	5,323.5	$	4,402.7

Consolidated net sales for the first nine months of 2005 increased $920.8 million, or 20.9%, to $5,323.5 million from $4,402.7 million in the first nine months of 2004.

Net sales of the Glass Containers segment increased $882.5 million, or 23.1%, over the first nine months of 2004. Contributing to the increase were the additional sales from the BSN Acquisition. Increased shipments of containers for beer in South America and increased shipments of beverage containers throughout the Americas more than offset reduced shipments of food and beer containers in North America. Improved pricing also had a favorable effect on net sales, more than offsetting an unfavorable change in product mix. Favorable currency exchange rates accounted for about 12% of the increase. Partially offsetting these increases was the absence of sales from the Castellar factory.

The change in net sales for the Glass Containers segment can be summarized as follows (dollars in millions):

Net sales - 2004			$	3,826.1
Net effect of the BSN Acquisition, volume, price, and mix	$	790.8		
Effects of changing foreign currency rates		106.0		
Divestiture of Castellar factory		(14.3)		
Total net effect on sales				882.5
Net sales - 2005			$	4,708.6

Net sales of the Plastics Packaging segment increased $38.3 million, or 6.6%, from the first nine months of 2004. The higher sales reflected improved pricing and sales volume in several product lines, the pass-through effect of higher resin costs, and favorable currency translation

rates. Partially offsetting these increases was the absence of sales from plastic container assets in the Asia Pacific region that were divested in the second quarter of 2004.

The change in net sales for the Plastics Packaging segment can be summarized as follows:

Net sales - 2004			$	576.6
Effect of increased resin cost pass-throughs	$	35.4		
Net effect of volume, price and mix		32.3		
Effects of changing foreign currency rates		3.5		
Divestiture		(32.9)		
Total net effect on sales				38.3
Net sales - 2005			$	614.9

Segment Operating Profit

Operating Profit for product segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. For the Company's U.S. pension plans, net periodic pension cost (credit) has been allocated to product segments. The Plastics Packaging amounts for 2004 reflect only the continuing operations. For further information, see Segment Information included in Note 9 to the Condensed Consolidated Financial Statements.

		2005		2004
Glass Containers	$	646.2	$	564.8
Plastics Packaging		97.8		95.3
Eliminations and other retained items		(59.9)		(71.2)

Segment Operating Profit of the Glass Containers segment for the first nine months of 2005 increased $81.4 million, or 14.4%, to $646.2 million, compared with Segment Operating Profit of $564.8 million in the first nine months of 2004. Factors contributing to the increase were: (1) the additional operating profit from the BSN Acquisition; (2) increased unit shipments of beer containers principally in South America; (3) increased unit shipments of beverage containers principally in the Americas; (4) favorable exchange rates; (5) generally improved selling prices; (6) improved productivity; and (7) the non-recurrence of the acquisition step-up of BSN finished goods inventory. Factors that partially offset the increase were: (1) inflationary cost increases including energy, raw material costs, and transportation; (2) operational inefficiencies; (3) costs of the European integration and new European Headquarters; (4) the absence of equity earnings from Consol Limited (divested in the fourth quarter of 2004); (5) the absence of operating profit from the Corsico and Castellar factories; and (6) reduced food and beer container shipments in North America.

The change in Segment Operating Profit for the Glass Containers segment can be summarized as follows:

Segment Operating Profit - 2004			$	564.8
Net effect of BSN acquisition and volume, price, mix, and productivity	$	145.8		
Non-recurrence of BSN inventory step-up		26.4		
Effects of changing foreign currency rates		16.4		
Higher energy costs		(44.4)		
Other inflationary cost increases		(33.4)		
Effects of European integration and new European headquarter costs		(10.5)		

Divestiture of Corsico and Castellar factories and Consol investment	(11.0)	
Increased delivery and warehousing costs	(4.7)	
Other	(3.2)	
Total net effect on Segment Operating Profit		81.4
Segment Operating Profit -2005		$ 646.2

Segment Operating Profit of the Plastics Packaging segment for the first nine months of 2005 increased $2.5 million, or 2.6%, to $97.8 million compared with Segment Operating Profit of $95.3 million in the first nine months of 2004. The effects of improved pricing, product mix, and sales volume more than offset the effect of increases in manufacturing, shipping and delivery costs, and the absence of profits from the plastic container assets in the Asia Pacific region that were divested in the second quarter of 2004.

The change in Segment Operating Profit for the Plastics Packaging segment can be summarized as follows:

Segment Operating Profit - 2004		$ 95.3
Net effect of volume, price and mix	$ 12.3	
Divestiture	(4.1)	
Increased delivery, warehousing and other inflationary cost increases	(3.6)	
Higher energy costs	(1.1)	
Other	(1.0)	
Total net effect on Segment Operating Profit		2.5
Segment Operating Profit - 2005		$ 97.8

Eliminations and other retained items for the first nine months of 2005 were favorable by $11.3 million compared to the first nine months of 2004. The first nine months of 2005 reflect a favorable adjustment of approximately $10.0 million to the Company's accruals for self-insured risks, partially offset by higher retained costs for the divested blow molded plastic container business and adjustments made to certain accruals. The first nine months of 2004 included self-insured property and casualty losses that did not recur in 2005.

Interest Expense

Interest expense increased to $348.4 million in the first nine months of 2005 from $324.4 million in the first nine months of 2004. The increase is a result of higher interest rates on the Company's variable rate debt and additional interest as a result of higher debt related to the BSN Acquisition. Partially offsetting this increase is reduced interest expense resulting from

lower average debt balances in the third quarter of 2005 and lower interest rates on fixed rate debt.

Provision for Income Taxes

Excluding the effects of separately taxed items in both periods, the Company's effective tax rate for the first nine months of 2005 was 30.0% compared with 27.9% in the first nine months of 2004 and 26.9% for the full year 2004. The higher 2005 effective rate is principally due to a change in the mix of earnings toward higher tax international jurisdictions, the recent tax legislation in Ohio and recognition of other discrete changes in deferred taxes during the first nine months of 2005. The Company expects its full year 2005 effective tax rate, exclusive of separately taxed items and discrete adjustments, to be approximately 30%.

Minority Share Owners' Interest in Earnings of Subsidiaries

Minority share owners' interest in earnings of subsidiaries for the first nine months of 2005 was $25.0 million compared to $22.2 million for the first nine months of 2004. The increase is primarily attributed to higher earnings from the Company's operations in Brazil.

Acquisition of BSN Glasspack, S.A.

On June 21, 2004, the Company completed the acquisition of BSN Glasspack, S.A. ("BSN") from Glasspack Participations (the "Acquisition"). Total consideration for the Acquisition was approximately $1.3 billion, including the assumption of approximately $650 million of debt, a portion of which was refinanced in connection with the Acquisition. BSN was the second largest glass container manufacturer in Europe with manufacturing facilities in France, Spain, Germany and the Netherlands. The Acquisition was financed with borrowings under the Company's Second Amended and Restated Secured Credit Agreement. In order to secure the European Commission's approval, the Company committed to divest the Barcelona, Spain, and Corsico, Italy glass plants. The Company completed the sale of these plants in January 2005 and received cash proceeds of approximately €138.2 million.

The Acquisition was part of the Company's overall strategy to improve its presence in the European market in order to better serve the needs of its customers throughout the European region and to take advantage of synergies including purchasing leverage and cost reductions. This integration strategy should lead to significant improvement in earnings from the European operations by the end of 2006.

During the second quarter of 2005, the Company concluded its evaluation of acquired capacity and announced the permanent closing of its Düsseldorf, Germany glass container factory, and the shutdown of a furnace at its Reims, France glass container facility, both in 2005. These actions were part of the previously announced European integration strategy to optimally align the manufacturing capacities with the market and improve operational efficiencies. As a result, the Company recorded an accrual of €47.1 million through an adjustment to goodwill.

These second quarter actions will result in the elimination of approximately 400 jobs and a corresponding reduction in the Company's workforce. The Company expects to reduce fixed cash costs by approximately €35 million per year by closing the Düsseldorf factory, shutting down the furnace at Reims and moving most of the production to other locations. The Company anticipates that it will pay out approximately €110.9 million in cash related to severance, benefits, plant clean-up, and other plant closing costs related to restructuring accruals. In addition, the Company expects to pay approximately €65 million for other European reorganization and integration activities, approximately 60% of which will be expensed. The Company expects that approximately 50% of these payments will be made by the end of 2005 and most of the balance in 2006.

The restructuring accrual recorded in the second quarter of 2005 was in addition to the initial estimated accrual of €63.8 recorded in 2004. Selected information related to the restructuring accrual is as follows, with third quarter activity translated from Euros into dollars at the September 30, 2005 exchange rate:

Total restructuring accrual (€110.9 million)	$	134.1
Net cash paid, principally severance and related benefits		(16.8)
Other, principally translation		(1.3)
Remaining European restructuring accrual as of June 30, 2005		116.0
Net cash paid, principally severance and related benefits		(18.9)
Other, principally translation		0.6
Remaining European restructuring accrual as of September 30, 2005	$	97.7

The total purchase cost of approximately $1.3 billion was allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values. The following table summarizes the fair values of the assets acquired and liabilities assumed on June 21, 2004, translated from Euros into dollars at the exchange rate on that date:

		June 21, 2004
Inventories	$	294.3
Accounts receivable		197.7
Other current assets (excluding cash acquired)		31.8
Total current assets		523.8
Goodwill		721.9
Other long-term assets		82.8
Net property, plant and equipment		763.9
Assets acquired	$	2,092.4
Accounts payable and other current liabilities		(422.3)
Other long-term liabilities		(387.3)
Aggregate purchase costs	$	1,282.8

The assets above include $48.1 million of intangible assets related to customer relationships, which will be amortized over the next 13 years. The liabilities above include $133.6 million (€110.9 million) for the restructuring actions discussed above, the majority of which relates to employee termination costs and related fringe benefits.

Discontinued Operations

On October 7, 2004, the Company announced that it had completed the sale of its blow-molded plastic container operations in North America, South America and Europe, to Graham Packaging Company.

Cash proceeds of approximately $1.2 billion were used to repay term loans under the Company's bank credit facility, which was amended to permit the sale. The sale agreement included a post-closing purchase price adjustment based on changes in certain working capital components and certain other assets and liabilities of the business. This adjustment was finalized in April 2005, and Graham was paid approximately $39 million. The adjustment did not impact results of operations.

Included in the sale were 24 plastics manufacturing plants in the U.S., two in Mexico, three in Europe and two in South America, serving consumer products companies in the food, beverage, household, chemical and personal care industries. The blow-molded plastic container operations were part of the consumer products business unit of the plastics packaging segment.

As required by FAS No. 144, the Company has presented the results of operations for the blow-molded plastic container business in the Consolidated Results of Operations for the three and nine months ended September 30, 2004 as a discontinued operation. Interest expense was allocated to discontinued operations based on debt that was required to be repaid from the proceeds.

The following summarizes the revenues and expenses of the discontinued operations as reported in the condensed consolidated results of operations for the period indicated:

		Three months ended Sept. 30, 2004		Nine months ended Sept. 30, 2004
Revenues:				
Net sales	$	281.8	$	858.6
Other revenue		2.1		7.6
		283.9		866.2
Costs and expenses:				
Manufacturing, shipping and delivery		235.9		736.6
Research, development and engineering		5.6		15.7
Selling and administrative		8.4		21.8

Interest	17.1	44.1
Other	2.2	22.7
	269.2	840.9
Earnings before items below	14.7	25.3
Provision for income taxes	11.4	15.7
Net earnings from discontinued operations	$ 3.3	$ 9.6

The condensed consolidated balance sheet at September 30, 2004 included the following assets and liabilities related to the discontinued operations:

	Balance at Sept. 30, 2004
Assets:	
Inventories	$ 139.4
Accounts receivable	131.9
Other current assets	9.5
Total current assets	280.8
Goodwill	149.0
Other long-term assets	72.4
Net property, plant and equipment	699.8
Total assets	$ 1,202.0
Liabilities:	
Accounts payable and other current liabilities	$ 122.4
Other long-term liabilities	44.8
Total liabilities	$ 167.2

Discontinued operations of $63.0 million for the three and nine months ended September 30, 2005 includes $61.8 million for a third quarter benefit from the reversal of an accrual for potential tax liabilities related to a previous divestiture. The accrual is no longer required based on the Company's reassessment of the potential liabilities due to several factors, including statute expiration in September 2005. The balance of $1.2 million relates to an adjustment of the 2004 gain on the sale of the blow-molded plastic container operations principally from finalizing certain tax allocations.

Capital Resources and Liquidity

The Company's total debt at September 30, 2005 was $5.20 billion, compared to $5.36 billion at December 31, 2004 and $6.59 billion at September 30, 2004.

On October 7, 2004, in connection with the sale of the Company's blow-molded plastic container operations, the Company's subsidiary borrowers entered into the Third Amended and Restated Secured Credit Agreement (the "Agreement"). The proceeds from the sale were used to repay C and D term loans and a portion of the B1 term loan outstanding under the previous agreement. On January 19, 2005, the Company completed the required divestiture of two European glass container factories and received proceeds of approximately $180 million. The proceeds were largely used to repay debt during the quarter. At September 30, 2005, the Third Amended and Restated Secured Credit Agreement includes a $600.0 million revolving credit facility and a $223.9 million A1 term loan, each of which has a final maturity date of April 1, 2007. It also includes a $220.8 million B1 term loan, and $185.6 million C1 term loan, and a €46.3 million C2 term loan, each of which has a final maturity date of April 1, 2008. The Third Amended and Restated Secured Credit Agreement also permits the Company, at its option, to refinance certain of its outstanding notes and debentures prior to their scheduled maturity.

At September 30, 2005, the Company's subsidiary borrowers had unused credit of $414.7 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at September 30, 2005 was 5.41%. Including the effects of cross-currency swap agreements related to borrowings under the Agreement by the Company's Australian and European subsidiaries, as discussed in Note 11, the weighted average interest rate was 6.17%.

Cash provided by continuing operating activities in the first nine months of 2005 was $250.1 million compared to $382.1 million in the prior year. Working capital increases required significantly more cash in 2005 as a result of the additional BSN operations. Higher payments of accrued liabilities and accounts payable, including approximately $35.7 million for European restructuring activities, also required more cash in 2005 than in 2004. In addition, cash flows in the first nine months of 2004 benefited from the initial effects of the Company's program to improve working capital management.

Cash flows from financing activities included payments by foreign operations to settle swaps of borrowings denominated in currencies other than the local functional currency. In particular, during the second quarter of 2005 certain swaps that hedged U.S. dollar borrowings in Australia required payments at maturity of approximately $65 million. These payments offset the Australian dollar gains recorded over the 2-year duration of the swaps during which the Australian dollar strengthened significantly against the U.S. dollar.

Capital spending for property, plant and equipment from continuing operating activities was $296.6 million compared to $268.5 million in the prior year. The 2005 amount included spending in the acquired BSN operations for the full nine months compared to the 2004 amount which included only the period from June 21 through September 30, 2004. Capital spending for the new Windsor, Colo., glass container plant was approximately $12 million higher in 2005 compared to 2004.

During December 2004, a subsidiary of the Company issued Senior Notes totaling $400.0 million and Senior Notes totaling €225.0 million. These notes, along with other Senior Secured and Senior Notes that were issued during the past three years, were part of the Company's plan to improve financial flexibility by issuing long-term fixed rate debt, as well as refinance existing fixed rate debt that was nearing maturity. While this strategy extended the maturity of the Company's debt, long-term fixed rate debt increases the cost of borrowing compared to shorter term, variable rate debt. The Company does not intend to continue to refinance variable rate debt with new fixed rate issuances. The Company intends to utilize a combination of long-term fixed rate debt and shorter-term variable rate borrowings in order to repay existing fixed rate debt that is nearing maturity.

The Company anticipates that cash flow from its operations and from utilization of credit available under the Third Amended and Restated Credit Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service and other obligations on a short-term and long-term basis. The Company expects that its total asbestos-related payments for the full year 2005 will be moderately lower than 2004. Based on the Company's expectations regarding future payments for lawsuits and claims and also based on the Company's expected operating cash flow, the Company believes that the payment of any deferred amounts of previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company's liquidity on a short-term or long-term basis.

Off-Balance Sheet Arrangements

As part of the acquisition of BSN, the Company acquired a trade accounts receivable securitization program through a BSN subsidiary, BSN Glasspack Services. The program was entered into by BSN in order to provide lower interest costs on a portion of its financing. In November 2000, BSN created a securitization program for its trade receivables through a sub-fund (the "fund") created in accordance with French Law. This securitization program, co-arranged by Credit Commercial de France (HSBC-CCF), and Gestion et Titrisation Internationales ("GTI") and managed by GTI, provides for an aggregate securitization volume of up to €210 million.

Under the program, BSN Glasspack Services is permitted to sell receivables to the fund until November 5, 2006. According to the program, subject to eligibility criteria, certain, but not all, receivables held by the BSN Glasspack Services are sold to the fund on a weekly basis. The purchase price for the receivables is determined as a function of the book value and the term of each receivable and a Euribor three-month rate increased by a 1.51% margin. A portion of the purchase price for the receivables is deferred and paid by the fund to BSN Glasspack Services only when receivables are collected or at the end of the program. This deferred portion varies based on the status and updated collection history of BSN Glasspack Services' receivable portfolio.

The transfer of the receivables to the fund is deemed to be a sale for U.S. GAAP purposes. The fund assumes all collection risk on the receivables and the transferred receivables have been isolated from BSN Glasspack Services and are no longer controlled by BSN Glasspack Services. The total securitization program cannot exceed €210 million ($252.6 million at September 30, 2005). At September 30, 2005, the Company had $226.3 million of receivables that were sold in this program. For the three and nine months ended September 30, 2005, the Company received $326.7 million and $1,048.6 million from the sale of receivables to the fund and paid interest of approximately $2.0 million and $5.7 million, respectively, which is recorded as other expense in the income statement.

BSN Glasspack Services continues to service, administer and collect the receivables on behalf of the fund. This service rendered to the fund is invoiced to the fund at a normal market rate.

Critical Accounting Estimates

The Company's analysis and discussion of its financial condition and results of operations are based upon its consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The Company evaluates these estimates and assumptions on an ongoing basis, including but not limited to those related to pension benefit plans, contingencies and litigation, goodwill, and deferred tax assets. Estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates. The impact and any associated risks related to estimates and assumptions are discussed within Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as in the Notes to the Consolidated Financial Statements, if applicable, where estimates and assumptions affect the Company's reported and expected financial results.

The Company believes that accounting for pension benefit plans, contingencies and litigation, goodwill, and deferred tax assets involves the more significant judgments and estimates used in the preparation of its consolidated financial statements.

Pension Benefit Plans

The determination of pension obligations and the related pension expense or credits to operations involves significant estimates. The most significant estimates are the discount rate used to calculate the actuarial present value of benefit obligations and the expected long-term rate of return on assets used in calculating the pension charges or credits for the year. The Company uses discount rates based on yields of highly rated fixed income debt securities at the end of the year. At December 31, 2004, the weighted average discount rate for all plans was 5.5%. The Company uses an expected long-term rate of return on assets that is based on both past performance of the various plans' assets and estimated future performance of the assets. Due to the nature of the plans' assets and the volatility of debt and equity markets, results may vary significantly from year to year. For example, actual returns were negative for each of the years 2000-2002 while the return was over 20% for 2003 and exceeded 18% in 2004. The Company refers to average historical returns over longer periods (up to 10 years) in determining its expected rates of return because short-term fluctuations in market values do not reflect the rates of return the Company expects to achieve based upon its long-term investing strategy. For 2005, the Company's estimated weighted average expected long-term rate of return on pension assets is 8.4% compared to 8.7% for the year ended December 31, 2004. The Company recorded pension expense from continuing operations totaling approximately $2.8 million and $4.0 million for the first nine months of 2005 and 2004, respectively, from its principal defined benefit pension plans. The reduction in net pension expense resulted from changes in the U.S. salary plan, partially offset by lower discount rates, lower return rates and higher amortization. Depending on international exchange rates, the Company expects to record approximately $3.2 million of pension expense for the full year of 2005, compared with expense of $6.3 million for continuing operations ($8.7 million total, including discontinued operations) in 2004.

Future effects on reported results of operations depend on economic conditions and investment performance. For example, a one-half percentage point change in the actuarial assumption regarding the expected return on assets would result in a change of approximately $18 million in pretax pension expense for the full year 2005. In addition, changes in external factors, including the fair values of plan assets and the discount rates used to calculate plan liabilities, could result in possible future balance sheet recognition of additional minimum pension liabilities.

If the Accumulated Benefit Obligation ("ABO") of any of the Company's principal pension plans in the U.S. and Australia exceeds the fair value of its assets at the next measurement date of December 31, 2005, the Company will be required to write off the related prepaid pension asset and record a liability equal to the excess of the ABO over the fair value of the asset of such plan at the next measurement date of December 31, 2005. The non-cash charge would result in a decrease in the Accumulated Other Comprehensive Income component of share owners' equity that would significantly reduce net worth. Amounts related to the Company's U.S. and Australian plans as of December 31, 2004 were as follows (millions of dollars):

	U.S. Salary	U.S. Hourly	Australian Plans	Total
Fair value of assets	$ 839.5	$ 1,662.1	$ 101.7	$ 2,603.3
Accumulated benefit obligations	776.1	1,407.8	88.3	2,272.2
Excess	$ 63.4	$ 254.3	$ 13.4	$ 331.1
Prepaid pension asset	$ 327.6	$ 616.4	$ 21.9	$ 965.9

The Company is unable to predict discount rates or asset values at the next measurement date of December 31, 2005. However, if asset values and discount rates remain at current levels, the ABO of the U.S. salary plan may exceed the plan's assets at the measurement date. In that event, the plan's prepaid asset would be written off resulting in a pre-tax charge to OCI in the range of $350 million to $400 million.

Even if the fair values of the U.S. plans' assets are less than ABO at December 31, 2005, the Company believes it will not be required to make cash contributions to the U.S. plans for at least several years. The covenants under the Company's Third Amended and Restated Secured Credit Agreement would not be affected by a reduction in the Company's net worth if a significant non-cash charge was taken to write off the prepaid pension assets.

Contingencies and Litigation

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot be estimated with certainty. The Company's ability to reasonably estimate its liability has been significantly affected by the volatility of asbestos-related litigation in the United States, the expanding list of non-traditional defendants that have been sued in this litigation and found liable for substantial damage awards, the continued use of litigation screenings to generate new lawsuits, the large number of claims asserted or filed by parties who claim prior exposure to asbestos materials but have no present physical impairment as a result of such exposure, and the growing number of co-defendants that have filed for bankruptcy. The Company believes that the bankruptcies of additional co-defendants have resulted in an acceleration of the presentation and disposition of a number of claims, which would otherwise have been presented and disposed of over the next several years. The Company continues to monitor trends which may affect its ultimate liability and continues to analyze the developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company.

The Company conducts a comprehensive review of its asbestos-related liabilities and costs annually in connection with finalizing and reporting its annual results of operations, unless significant changes in trends or new developments warrant an earlier review. If the results of an annual comprehensive review indicate that the existing amount of the accrued liability is insufficient to cover its estimated future asbestos-related costs, then the Company will record an appropriate charge to increase the accrued liability. The Company believes that an estimation of the reasonably probable amount of the contingent liability for claims not yet asserted against the Company is not possible beyond a period of several years. Therefore, while the results of future annual comprehensive reviews cannot be determined, the Company expects the addition of one year to the estimation period will result in an annual charge.

In the fourth quarter of 2004, the Company recorded a charge of $152.6 million ($84.9 million after tax) to increase its accrued liability for asbestos-related costs. This amount was

significantly reduced from the 2003 charge due in part to the Company's decision to conduct a comprehensive review annually. The factors and developments that particularly affected the determination of this increase included the following: (i) the modest 4.5% decline in yearly cash outlays; (ii) the significant decline in new claim filings against the Company including a decline in filings of serious disease cases; (iii) the Company's successful litigation record during the year, including a California appellate decision upholding its position regarding its nonliability for post-1958 claims; (iv) significant judicial reform in Mississippi (where approximately 40% of the lawsuits against the Company are pending) and advantageous legislative changes in Ohio affecting unimpaired claimants; and (v) a significant Federal circuit court decision overturning a co-defendant's prepackaged bankruptcy reorganization.

The Company's estimates are based on a number of factors as described further in Note 8 to the Consolidated Financial Statements.

Goodwill

As required by FAS No. 142, "Goodwill and Other Intangibles," the Company evaluates goodwill annually (or more frequently if impairment indicators arise) for impairment. The Company conducts its evaluation as of October 1 of each year. Goodwill impairment testing is performed using the business enterprise value ("BEV") of each reporting unit which is calculated as of a measurement date by determining the present value of debt-free, after-tax projected future cash flows, discounted at the weighted average cost of capital of a hypothetical third party buyer. This BEV is then compared to the book value of each reporting unit as of the measurement date to assess whether an impairment of goodwill may exist.

During the fourth quarter of 2004, the Company completed its annual testing and determined that no impairment of goodwill existed.

If the Company's projected future cash flows were substantially lower, or if the assumed weighted average cost of capital were substantially higher, the testing performed as of October 1, 2004, may have indicated an impairment of one or more of the Company's reporting units and, as a result, the related goodwill would also have been written down. However, based on the Company's testing as of that date, modest changes in the projected future cash flows or cost of capital would not have created impairment in any reporting unit. For example, if projected future cash flows had been decreased by 5%, or alternatively, if the weighted average cost of capital had been increased by 5%, the resulting lower BEV's would still have exceeded the book value of each reporting unit by a significant margin in all cases except for the Asia Pacific Glass reporting unit. Because the BEV for the Asia Pacific Glass reporting unit exceeded its book value by approximately 6%, the results of the impairment testing could be negatively affected by relatively modest changes in the assumptions and projections. At December 31, 2004, the goodwill of the Asia Pacific Glass reporting unit accounted for approximately $1.0 billion of the Company's consolidated goodwill.

The Company is in the process of performing its annual impairment testing as of October 1, 2005. While a number of projections and variables have not yet been determined, the Company believes that it is reasonably possible that the goodwill of the Asia Pacific Glass reporting unit may be impaired. If the results of this annual impairment testing confirm that a write down of goodwill is necessary, then the Company will record an appropriate non-cash charge in the fourth quarter of 2005. In the event the Company would be required to record a significant write down of goodwill, the charge would have a material adverse effect on reported results of operations and net worth.

Deferred Tax Assets

FAS No. 109, "Accounting for Income Taxes," requires that a valuation allowance be recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are determined separately for each tax jurisdiction in which the Company conducts its operations or otherwise incurs taxable income or losses. In the United States, the Company has recorded significant deferred tax assets, the largest of which relate to the accrued liability for asbestos-related costs that are not deductible until paid and to its net operating loss carryforwards. The deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relates to the prepaid pension asset. The Company has recorded a valuation allowance for its U.S. tax credit carryforwards and U.S. capital loss carryforward, however, it has not recorded a valuation allowance for the balance of its net U.S. deferred tax assets. The Company believes that its projected taxable income in the U.S., along with a number of prudent and feasible tax planning strategies, will be sufficient to utilize the net operating losses prior to their expiration. If the Company is unable to generate sufficient income from its U.S. operations or implement the required tax planning strategies, and if the Company is required to eliminate deferred tax liabilities in connection with a write off of its prepaid pension asset, then a valuation allowance will have to be provided. It is not possible to estimate the amount of the adjustment that may be required, however, based on recorded deferred taxes at December 31, 2004, the related non-cash tax charge could range as high as $580 million. The Company will assess the need to provide a valuation allowance annually or more frequently, if necessary.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

There have been no material changes in market risk at September 30, 2005 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Forward Looking Statements

This document contains "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 current expectations and projections about future events 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) changes 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 disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (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 and achieve expected synergies, (11) unanticipated expenditures with respect to environmental, safety and health laws, (12) the performance by customers of their obligations under purchase agreements, and (13) the timing and occurrence of events which are beyond the control of the Company, including events related to asbestos-related claims. It is not possible to foresee or identify all such factors. Any forward-looking statements in this document are based on certain assumptions and analyses made by the Company in light of its experience and perception of

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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 document.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the Company has investments in certain unconsolidated entities. As the Company does not control or manage these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those maintained with respect to our consolidated subsidiaries.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2004. There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

For further information on legal proceedings, see Note 8 to the Condensed Consolidated Financial Statements, "Contingencies," that is included in Part I of this Report and is incorporated herein by reference.

Item 6. Exhibits

Exhibit 12	Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
Exhibit 32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350

* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OWENS-ILLINOIS, INC.

Date November 9, 2005

By /s/ Edward C. White
Edward C. White
Senior Vice President and Chief Financial Officer (Principal Financial Officer)

INDEX TO EXHIBITS

Exhibits

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* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 12

OWENS-ILLINOIS, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Dollars in millions)

		Nine months ended Sept. 30, 2005	2004
Earnings before income taxes, and minority share owners' interests		$ 389.9	$ 316.4
Less:	Equity earnings	(17.9)	(22.2)
Add:	Total fixed charges deducted from earnings	358.1	333.6
	Proportional share of pre-tax earnings of 50% owned associates	7.1	8.2
	Dividends received from equity investees	6.5	12.8
	Earnings available for payment of fixed charges	$ 743.7	$ 648.8
Fixed charges (including the Company's proportional share of 50% owned associates):			
	Interest expense	$ 336.2	$ 314.2
	Portion of operating lease rental deemed to be interest	9.7	9.2
	Amortization of deferred financing costs and debt discount expense	12.2	10.2
	Total fixed charges deducted from earnings and fixed charges	358.1	333.6
Preferred stock dividends (increased to assumed pre-tax amount)		23.0	22.4
Combined fixed charges and preferred stock dividends		$ 381.1	$ 356.0
Ratio of earnings to fixed charges		2.1	1.9
Ratio of earnings to combined fixed charges and preferred stock dividends		2.0	1.8

EXHIBIT 31.1

CERTIFICATIONS

I, Steven R. McCracken, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Owens-Illinois, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date November 9, 2005

/s/ Steven R. McCracken
Steven R. McCracken
Chairman of the Board of Directors and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Edward C. White, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Owens-Illinois, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date November 9, 2005

/s/ Edward C. White
Edward C. White
Senior Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Owens-Illinois, Inc. (the "Company") hereby certifies that to such officer's knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2005

/s/ Steven R. McCracken
Steven R. McCracken
Chairman of the Board of Directors and Chief Executive Officer
Owens-Illinois, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Owens-Illinois, Inc. (the "Company") hereby certifies that to such officer's knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2005

/s/ Edward C. White

Edward C. White
Senior Vice President
and Chief Financial Officer
Owens-Illinois, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.