

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant /X/  
Filed by a Party other than the Registrant / /

Check the appropriate box:  
/ / Preliminary Proxy Statement  
/ / Confidential, for Use of the Commission Only (as permitted by Rule  
14a-6(e)(2))  
/X/ Definitive Proxy Statement  
/ / Definitive Additional Materials  
/ / Soliciting Material Pursuant to Section 240.14a-11(c) or  
Section 240.14a-12

OWENS-ILLINOIS, INC.

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(Name of Registrant as Specified In Its Charter)  
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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)  
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Payment of Filing Fee (Check the appropriate box):

/X/ No fee required.  
/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(1)  
and 0-11.  
(1) Title of each class of securities to which transaction applies:  
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(2) Aggregate number of securities to which transaction applies:  
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(3) Per unit price or other underlying value of transaction computed  
pursuant to Exchange Act Rule 0-11 (set forth the amount on which the  
filing fee is calculated and state how it was determined):  
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(4) Proposed maximum aggregate value of transaction:  
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(5) Total fee paid:  
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/ / Fee paid previously with preliminary materials.  
/ / Check box if any part of the fee is offset as provided by Exchange Act Rule  
0-11(a)(2) and identify the filing for which the offsetting fee was paid  
previously. Identify the previous filing by registration statement number,  
or the Form or Schedule and the date of its filing.  
(1) Amount Previously Paid:  
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(2) Form, Schedule or Registration Statement No.:  
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(3) Filing Party:  
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(4) Date Filed:  
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[LOGO]

OWENS-ILLINOIS, INC.

NOTICE AND PROXY STATEMENT

FOR

THE ANNUAL MEETING OF SHARE OWNERS

TO BE HELD

WEDNESDAY, MAY 13, 1998

YOUR VOTE IS IMPORTANT

PLEASE MARK, DATE AND SIGN THE ENCLOSED PROXY CARD AND PROMPTLY RETURN IT IN  
THE ENCLOSED ENVELOPE.

OWENS-ILLINOIS, INC.  
ONE SEAGATE  
TOLEDO, OHIO 43666  
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NOTICE OF ANNUAL MEETING OF SHARE OWNERS  
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Dear Share Owner:

You are cordially invited to attend the Annual Meeting of Owens-Illinois' share owners which will be held on Wednesday, May 13, 1998, at 2:00 p.m. in the auditorium of the Owens-Illinois World Headquarters Building, One SeaGate, Toledo, Ohio for the purpose of considering and voting upon the following matters:

1. The election of four directors for a term of three years.
2. Such other business as may properly be presented for action at the meeting or any adjournment thereof.

Enclosed is a Proxy Statement which provides information concerning the Company and the Board of Directors' nominees for election as directors. Also enclosed is a copy of the Company's Annual Report which describes the results of our operations during 1997 and provides other information about the Company which will be of interest.

The Board of Directors fixed the close of business on March 16, 1998, as the record date for the determination of share owners owning the Company's Common Stock, par value \$.01 per share, entitled to notice of and to vote at the Annual Meeting.

Enclosed is a proxy card which provides you with a convenient means of voting on the matters to be considered at the meeting whether or not you attend the meeting in person. All you need do is mark the proxy card to indicate your vote, sign and date the card, then return it in the enclosed envelope as soon as conveniently possible. If the shares are held in more than one name, all holders of record should sign. If you desire to vote for all of the Board of Directors' nominees, you need not mark your votes on the proxy card but need only sign and date it and return it in the enclosed envelope.

Management sincerely appreciates your support. We hope to see you at the Annual Meeting.

By order of the Board of Directors,

Joseph H. Lemieux  
Chairman of the Board

Thomas L. Young  
Secretary

March 31, 1998  
Toledo, Ohio

OWENS-ILLINOIS, INC.  
ONE SEAGATE  
TOLEDO, OHIO 43666

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PROXY STATEMENT FOR THE ANNUAL MEETING OF SHARE OWNERS  
TO BE HELD MAY 13, 1998  
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The Annual Meeting of the share owners of Owens-Illinois, Inc. (herein called the "Company") will be held on Wednesday, May 13, 1998, at 2:00 p.m. in the auditorium of the Owens-Illinois World Headquarters Building, One SeaGate, Toledo, Ohio. At the Annual Meeting, share owners will elect four directors for a term of three years, as more fully described below.

This Proxy Statement has been prepared in connection with the solicitation by the Company's Board of Directors of proxies for the Annual Meeting and provides information concerning the persons nominated by the Board of Directors for election as directors, and other information relevant to the Annual Meeting. The Company intends to commence distribution of this Proxy Statement and the materials which accompany it on or about March 31, 1998.

The record of share owners entitled to notice of and to vote at the Annual Meeting was taken as of the close of business on March 16, 1998 (the "record date"), and each share owner will be entitled to vote at the meeting any shares of the Company's Common Stock, par value \$.01 per share ("Common Stock"), held of record at the record date.

Each share owner of record is requested to complete, date and sign the accompanying proxy card and return it promptly in the enclosed envelope. The proxy card lists each person nominated by the Board of Directors for election as director. Proxies duly executed and received in time for the meeting will be voted in accordance with share owners' instructions. If no instructions are given, proxies will be voted (a) to elect James H. Greene, Jr., George R. Roberts, Robert J. Dineen and Thomas L. Young as directors of the Company for a term of three years, and (b) in the discretion of the proxy holders as to any other business which may properly come before the meeting.

ELECTION OF DIRECTORS

The Company's Restated Certificate of Incorporation provides for a classified Board of Directors consisting of three classes as nearly equal in size as practicable. Each class holds office until the third Annual Meeting for selection of directors following the election of such class. The Board of Directors of the Company (the "Board") currently consists of eleven members, four of whom are Class I directors whose terms expire at this year's Annual Meeting, three of whom are Class II directors whose terms expire at the 1999 Annual Meeting, and four of whom are Class III directors whose terms expire at the 2000 Annual Meeting. Ten of the eleven directors listed herein, including three of the four nominees, have served as directors since the last Annual Meeting. Lee A. Wesselman, a director since 1988, will retire from the Board at the Annual Meeting.

The Board has nominated four persons for election as Class I directors to serve for a three-year term expiring at the Annual Meeting of share owners to be held in 2001 and until their successors have been

elected and qualified. The four nominees of the Board are James H. Greene, Jr., George R. Roberts and Robert J. Dineen, each of whom is currently serving as a director of the Company, and Thomas L. Young. If for any reason any of them should be unavailable to serve, proxies solicited hereby may be voted for a substitute as well as for the other nominees. The Board, however, expects all nominees to be available.

The nominees and the directors whose terms of office continue after this year's Annual Meeting are listed below with brief statements setting forth their present principal occupations and other information, including directorships in other public companies.

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS THAT THE SHARE OWNERS  
VOTE FOR THE FOUR NOMINEES IDENTIFIED BELOW.  
CLASS I: NOMINEES FOR 3-YEAR TERM

James H. Greene, Jr. Member of KKR & Co. L.L.C., the general partner of Kohlberg Kravis Roberts & Co., L.P.	Director since 1987 Age 47
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Mr. Greene was a general partner of Kohlberg Kravis Roberts & Co., L.P. from January 1, 1993 until January 1, 1996, when he became a member of the limited liability company which is the general partner of Kohlberg Kravis Roberts & Co., L.P. Mr. Greene has been a general partner of KKR Associates, L.P. since January 1, 1993, and prior thereto was a limited partner of KKR Associates, L.P. and an executive of Kohlberg Kravis Roberts & Co., L.P. Mr. Greene is a director of Accuride Corporation, Bruno's Inc., Randall's Food Markets, Inc., RELTEC Corporation, Safeway Inc. and Union Texas Petroleum Holdings, Inc. He is a member of the Compensation Committee.

George R. Roberts Managing Member of KKR & Co. L.L.C., the general partner of Kohlberg Kravis Roberts & Co., L.P.	Director since 1987 Age 54
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Mr. Roberts is a Founding Partner of Kohlberg Kravis Roberts & Co., L.P. and, effective January 1, 1996, he became a managing member of the limited liability company which is the general partner of Kohlberg Kravis Roberts & Co., L.P. Mr. Roberts also is a general partner of KKR Associates, L.P. Mr. Roberts is a director of Accuride Corporation, Amphenol Corporation, Borden, Inc., Bruno's, Inc., Evenflo & Spalding Holdings Corporation, IDEX Corporation, KinderCare Learning Center, Inc., KSL Recreation Group, Inc., PRIMEDIA, Inc., Randall's Food Markets, Inc., Safeway Inc., Union Texas Petroleum Holdings, Inc. and World Color Press, Inc. He is a member of the Executive Committee.

Robert J. Dineen  
Chairman of the Board of Directors  
Layne Christensen Company

Director since  
1994  
Age 68

Mr. Dineen has been Chairman of the Board of Directors of Layne Christensen Company since 1992. Prior to 1993, Mr. Dineen was President and Chief Executive Officer of The Marley Company for more than five years. Mr. Dineen is a director of Layne Christensen Company and Kansas City Power & Light Company. He is a member of the Audit Committee.

Thomas L. Young  
Executive Vice President  
Owens-Illinois, Inc.

Nominee  
Age 54

Mr. Young has been Executive Vice President, Administration, General Counsel and Secretary since 1993. He previously served the Company as Vice President, General Counsel, General Manager--Operations Administration and Secretary (1992-1993). Mr. Young is a director of Health Care and Retirement Corporation.

CLASS II: TERM EXPIRES IN 1999

Edward A. Gilhuly  
Member of KKR & Co. L.L.C.,  
the general partner of  
Kohlberg Kravis Roberts & Co., L.P.

Director since  
1987  
Age 38

Mr. Gilhuly was a general partner of Kohlberg Kravis Roberts & Co., L.P. from January 1, 1995 until January 1, 1996, when he became a member of the limited liability company which is the general partner of Kohlberg Kravis Roberts & Co., L.P. Mr. Gilhuly has been a general partner of KKR Associates, L.P. since January 1, 1995, and prior thereto was a limited partner of KKR Associates, L.P. and an executive of Kohlberg Kravis Roberts & Co., L.P. Mr. Gilhuly is a director of Layne Christensen Company and Union Texas Petroleum Holdings, Inc. He is Chairman of the Audit Committee and a member of the Executive and Compensation Committees.

Robert J. Lanigan  
Chairman Emeritus

Director since  
1987  
Age 70

Mr. Lanigan was the Chairman of the Board of Directors of the Company from 1984 to 1991 and the Chief Executive Officer of the Company from 1984 to 1990. Mr. Lanigan is a director of Chrysler Corporation, Cognizant Corporation, The Dun and Bradstreet Corporation, Sonat, Inc. and Transocean Offshore Drilling, Inc..

Robert I. MacDonnell  
Member of KKR & Co. L.L.C.,  
the general partner of  
Kohlberg Kravis Roberts & Co., L.P.

Director since  
1987  
Age 60

Mr. MacDonnell has been a member of the limited liability company which is the general partner of Kohlberg Kravis Roberts & Co., L.P. since January 1, 1996. Prior thereto, he was a general partner of Kohlberg Kravis Roberts & Co., L.P. Mr. MacDonnell also is a general partner of KKR Associates, L.P. Mr. MacDonnell is a director of Safeway Inc.

John J. McMackin, Jr.  
Member  
Williams & Jensen, P.C.

Director since  
1994  
Age 46

Mr. McMackin has been a member of Williams & Jensen for more than five years. He is a member of the Audit Committee.

CLASS III: TERM EXPIRES IN 2000

Joseph H. Lemieux  
Chairman of the Board and  
Chief Executive Officer  
Owens-Illinois, Inc.

Director since  
1987  
Age 67

Mr. Lemieux has been Chairman of the Board of the Company since 1991 and Chief Executive Officer of the Company since 1990. Mr. Lemieux was President and Chief Operating Officer of the Company and its predecessor from 1986 to 1990. Mr. Lemieux is a director of Health Care and Retirement Corporation, National City Corporation and National City Bank, Northwest. He is chairman of the Executive Committee.

Henry R. Kravis  
Managing Member of KKR & Co. L.L.C.,  
the general partner of  
Kohlberg Kravis Roberts & Co., L.P.

Director since  
1987  
Age 54

Mr. Kravis is a Founding Partner of Kohlberg Kravis Roberts & Co., L.P. and, effective January 1, 1996, he became a managing member of the limited liability company which is the general partner of Kohlberg Kravis Roberts & Co., L.P. Mr. Kravis also is a general partner of KKR Associates, L.P. Mr. Kravis is a director of Accuride Corporation, Amphenol Corporation, Borden, Inc., Bruno's, Inc., Evenflo & Spalding Holdings Corporation, The Gillette Company, IDEX Corporation, KinderCare Learning Centers, Inc., KSL Recreation Group, Inc., Newsquest Capital plc, PRIMEDIA, Inc., Randall's Food Markets, Inc., Safeway Inc., Sotheby's Holdings, Inc., Union Texas Petroleum Holdings, Inc. and World Color Press, Inc.

Messrs. Kravis and Roberts are first cousins.

Michael W. Michelson  
Member of KKR & Co. L.L.C.,  
the general partner of  
Kohlberg Kravis Roberts & Co., L.P.

Director since  
1987  
Age 46

Mr. Michelson has been a member of the limited liability company which is the general partner of Kohlberg Kravis Roberts & Co., L.P. since January 1, 1996. Prior thereto, he was a general partner of Kohlberg Kravis Roberts & Co., L.P. Mr. Michelson also is a general partner of KKR Associates, L.P. Mr. Michelson is a director of Amphenol Corporation, AutoZone, Inc., Promus Corporation and Union Texas Petroleum Holdings, Inc. He is chairman of the Compensation Committee and a member of the Executive Committee.

## FUNCTIONS OF THE BOARD AND ITS COMMITTEES

The Board has the ultimate authority for the management of the Company's business. The Board selects the Company's executive officers, delegates responsibilities for the conduct of the Company's operations to those officers, and monitors their performance.

Important functions of the Board are performed by committees comprised of members of the Board. Subject to applicable provisions of the Company's By-Laws, the Board as a whole appoints the members of each committee each year at its first meeting following the Annual Meeting. The Board may, at any time, change the authority or responsibility delegated to any committee. There are three regularly constituted committees of the Board: the Executive Committee, the Audit Committee and the Compensation Committee. The Company does not have a nominating committee or any regularly constituted committee performing the functions of such a committee.

The Executive Committee is empowered to exercise the authority of the Board in the management of the Company between meetings of the Board, except that the Executive Committee may not fill vacancies on the Board, appoint or remove officers, amend the Company's By-Laws or exercise certain other powers reserved to the Board or delegated to other Board committees.

The Audit Committee recommends to the Board the firm of independent auditors to audit the Company's financial statements for each fiscal year; reviews with the independent auditors the general scope of this service; reviews the nature and extent of the non-audit services performed by the independent auditors; and consults with management on the activities of the Company's independent auditors and the Company's internal control structure.

The Compensation Committee administers the Amended and Restated Stock Option Plan, the 1997 Equity Participation Plan and certain other benefit plans of the Company and makes recommendations to the Board with respect to the compensation to be paid and benefits to be provided to directors, officers and employees of the Company.

During 1997, the Board held three formal meetings, the Executive Committee held two formal meetings and the Audit Committee held two formal meetings. The Compensation Committee held no meetings in 1997. During 1997, each member of the Board attended 75% or more of the aggregate number of meetings of the Board and of committees of the Board of which he was a member, except James H. Greene, Jr., Henry R. Kravis, Robert J. Lanigan and Robert I. MacDonnell. In addition to the formal meetings indicated above, the Board and the committees of the Board consulted frequently and often acted by written consent taken without a meeting.



DIRECTOR AND EXECUTIVE COMPENSATION AND OTHER INFORMATION

DIRECTOR COMPENSATION

Directors of the Company who are not Company officers are paid a fee of \$35,000 annually plus expenses associated with meetings of the Company's Board.

SUMMARY COMPENSATION TABLE

The following table shows, for the years ended December 31, 1995, 1996 and 1997, the cash compensation paid by the Company and its subsidiaries, as well as certain other compensation paid or accrued for those years, to the Company's Chief Executive Officer and the four most highly compensated executive officers of the Company (the "named executive officers") in all capacities in which they served.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION	
		SALARY (\$)(1)	BONUS (\$)(2)	OTHER ANNUAL COMPENSATION (\$)(3)	RESTRICTED STOCK AWARD(S) (\$)	SECURITIES UNDERLYING OPTIONS/SARS (#)(4)
Joseph H. Lemieux..... Chairman and Chief Executive Officer	1997	\$578,333	\$537,500	\$113,066(7)	\$593,208(8)	200,000
	1996	558,333	750,000	105,588	0	20,000
	1995	540,000	620,000	126,105	0	20,000
Lee A. Wesselmann..... Senior V.P. & Chief Financial Officer	1997	264,000	255,000	19,807	0	0
	1996	254,000	235,000	21,291	0	12,000
	1995	244,000	190,000	21,048	0	12,000
Terry L. Wilkison(9)..... Executive V.P.	1997	248,333	240,000	42,090	0	0
	1996	240,000	220,000	24,957	0	15,000
	1995	230,000	190,000	15,396	0	15,000
R. Scott Trumbull..... Executive V.P., International Operations	1997	247,833	240,000	18,610	0	75,000
	1996	237,000	220,000	24,278	0	15,000
	1995	225,000	200,000	28,682	0	15,000
Thomas L. Young..... Exec. V.P.-Administration, Secretary & Gen. Counsel	1997	236,167	240,000	21,876	0	101,567(10)
	1996	217,000	220,000	16,584	0	15,000
	1995	205,000	190,000	16,966	0	15,000

NAME AND PRINCIPAL POSITION	PAYOUTS	
	LONG-TERM INCENTIVE PAYOUTS (\$)(5)	ALL OTHER COMPENSATION (\$)(6)
Joseph H. Lemieux..... Chairman and Chief Executive Officer	\$231,840	\$ 23,133
	453,600	10,000
	417,555	8,500
Lee A. Wesselmann..... Senior V.P. & Chief Financial Officer	141,257	10,560
	138,186	9,500
	125,782	8,093
Terry L. Wilkison(9)..... Executive V.P.	106,514	9,933
	104,198	9,500
	94,852	7,700
R. Scott Trumbull..... Executive V.P., International Operations	104,218	9,913
	101,952	9,000
	92,790	7,500
Thomas L. Young..... Exec. V.P.-Administration, Secretary & Gen. Counsel	94,944	9,447
	92,880	6,000
	84,542	4,500

- (1) Includes amounts deferred at the election of the named executive officer pursuant to the salary reduction provisions of the Stock Purchase and Savings Program.
- (2) The amounts disclosed in this column represent awards under the Owens-Illinois, Inc. Senior Management Incentive Plan for the year indicated. Amounts, if any, deferred at the election of an executive officer are included in the year earned.
- (3) The amounts disclosed in this column represent amounts reimbursed during the year for the payment of taxes.
- (4) No SAR's were granted to any of the named executive officers during 1997.
- (5) The amounts disclosed in this column represent awards under the Owens-Illinois, Inc. Performance Award Plan for the year indicated. Amounts, if any, deferred at the election of an executive officer are included in the year earned.
- (6) The amounts disclosed in this column for 1997 represent matching cash contributions by the Company to the Stock Purchase and Savings Program ("SPASP") and the Executive Savings Plan, both defined contribution plans. The SPASP is a tax-qualified defined contribution plan intended to satisfy the requirements of Section 401(k) of the Internal Revenue Code of 1986. The Company contributes to each participant's account maintained under the SPASP an amount of Company stock equal to 50% of the participant's contributions to the SPASP but not more than 4% of (a) the participant's earnings or (b)

\$160,000 for 1997, whichever is lower.

The Executive Savings Plan provides a benefit to any eligible individual for whom the 4% matching contribution would otherwise be in excess of the maximum permitted under the SPASP. The difference between the theoretical Company matching contribution under the SPASP for each participant, without regard to the legally imposed maximum, and the maximum contribution permitted under law is used to determine the number of theoretical shares of Company Common Stock which would have been purchased for the participant's account in the absence of the IRS limitation on participant's earnings of \$160,000 for 1997. Such amount, including interest, is paid in cash to the individual at termination of employment.

- (7) The amount shown reflects \$56,380 reimbursed to Mr. Lemieux in 1997 for the payment of taxes. The amount shown also reflects the value of certain perquisites provided by the Company to Mr. Lemieux totalling \$56,686, of which \$29,037 is attributable to his personal use of Company aircraft.
- (8) Represents aggregate value of restricted stock received in lieu of cash payments in the amounts of \$262,500 and \$231,840 pursuant to elections under the Company's Senior Management Incentive Plan and Performance Award Plan, respectively. See "Board Compensation Committee Report on Executive Compensation--Annual Incentive" and "--Long-Term Incentives" below.
- (9) Mr. Wilkison retired as Executive Vice President of the Company as of the end of 1997.
- (10) Represents 75,000 options awarded in 1997 under the 1997 Equity Participation Plan and 26,567 Addition Options (reload options) issued in 1997. See "Option/SAR Grants in Last Fiscal Year" below.

OPTION/SAR GRANTS IN LAST FISCAL YEAR(1)

The following table provides information on option grants in 1997 to the named executive officers.

NAME	INDIVIDUAL GRANTS			EXERCISE OR BASE PRICE (\$/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4)	
	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR				5%	10%
Joseph H. Lemieux.....	200,000(2)	16.8%		\$ 31.6250	07/18/07	\$ 3,977,759	\$ 10,080,421
Lee A. Wesselmann.....	0	0.0%		31.6250	07/18/07	0	0
Terry L. Wilkison.....	0	0.0%		31.6250	07/18/07	0	0
R. Scott Trumbull.....	75,000(2)	6.3%		31.6250	07/18/07	1,491,659	3,780,158
Thomas L. Young.....	75,000(2)	6.3%		31.6250	07/18/07	1,491,659	3,780,158
	17,252(3)	1.5%		36.3125	05/14/02	164,527	361,856
	5,572(3)	.5%		36.3125	04/02/03	64,426	145,042
	3,743(3)	.3%		36.3125	06/29/04	54,459	126,639

(1) No SAR's were granted to any of the named executive officers during 1997.

(2) Exercises of one-half of the options are permitted after each of the fifth and sixth anniversaries of the dates of the grant; provided, options shall become exercisable after the first anniversary of the date of the grant thereof at the time when the average fair market value per share (as evidenced by the closing price of the underlying stock on the principal exchange on which it is traded) for any period of 20 consecutive trading days (commencing after such first anniversary) is at least equal to the product of the fair market value per share on the date of grant times the amount shown below under "Stock Price Multiple" as to the percentage of the shares of stock initially subject to the option shown below under "Exercise Percentage."

STOCK PRICE MULTIPLE	RESULTING STOCK PRICE	EXERCISE PERCENTAGE
120%	\$ 37.95	25%
144%	45.54	50%
172%	54.40	75%
206%	65.15	100%

Under the Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc., for all options granted between January 1, 1992 and December 31, 1996, rights to receive Additional Options, as defined in the Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc., are attached to each option and Additional Options will be granted upon exercise, subject to certain conditions, if the exercise price is paid using shares of Owens-Illinois Common Stock owned by the optionee or the related tax obligation is paid using shares of Owens-Illinois Common Stock owned by the optionee or by relinquishing Owens-Illinois Common Stock which the optionee is entitled to receive upon the exercise of the options. Under the 1997 Equity Participation Plan of Owens-Illinois, Inc., for all options granted under the plan, rights to receive Additional Options, as defined in the 1997 Equity Participation Plan of Owens-Illinois, Inc., are attached to each option and Additional Options will be granted upon exercise, subject to certain conditions, if the exercise price is paid using shares of Owens-Illinois Common Stock owned by the optionee or the related tax obligations is paid using shares of Owens-Illinois Common Stock owned by the optionee or by relinquishing Owens-Illinois Common Stock which the optionee is entitled to receive upon the exercise of the options.

(3) Options are Additional Options issued under the Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc.

(4) Based on actual option term and annual compounding. The assumed annual rates of appreciation of 5 and 10 percent would result in the price of the Company's Common Stock increasing to \$51.514 and \$82.027, respectively.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND  
FISCAL YEAR-END OPTION/SAR VALUES

Shown below is information with respect to option exercises in 1997 by named executive officers and the unexercised options to purchase the Company's Common Stock granted in 1997 and prior years to the named executive officers and held by them at December 31, 1997.

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT DECEMBER 31, 1997		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT DECEMBER 31, 1997(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Joseph H. Lemieux.....	654,056	\$12,951,717	275,000	200,000	\$6,945,313	\$ 1,262,500
Lee A. Wesselmann.....	108,637	2,051,067	98,000	0	2,697,875	0
Terry L. Wilkison.....	208,131	3,909,429	15,000	0	321,563	0
R. Scott Trumbull.....	188,250	3,106,785	28,750	75,000	671,016	473,438
Thomas L. Young.....	116,388	2,483,395	64,741	75,000	955,234	473,438

(1) Based on the closing price of the Company's Common Stock on the New York Stock Exchange on that date of \$37.9375.

LONG-TERM INCENTIVE PLANS--AWARDS IN LAST FISCAL YEAR

The named executive officers are covered by the Company's Performance Award Plan ("PAP") under which eligible employees receive annual cash awards payable at the end of the three-year period covered by the grant of the award. Award payouts under PAP are based on the average annual attainment of the performance objectives set by the Compensation Committee of the Board. For the 1997-1999 award period, performance will be evaluated in comparison to the Company's attained levels of return on assets and earnings per share on an equally weighted basis relative to objectives for that period. The target amounts shown below are earned by Company performance at the level of 100% of the established objectives, with such payment percentage increasing or decreasing four percentage points for each single percentage point increase or decrease, respectively, in performance.

NAME	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT	ESTIMATED FUTURE PAYOUTS UNDER NON-STOCK PRICE-BASED PLANS		
		THRESHOLD	TARGET	MAXIMUM
Joseph H. Lemieux.....	1997-1999	\$ 90,300	\$451,500	(1)
Lee A. Wesselmann.....	1997-1999	27,790	138,950	(1)
Terry L. Wilkison.....	1997-1999	20,896	104,480	(1)
R. Scott Trumbull.....	1997-1999	20,880	104,400	(1)
Thomas L. Young.....	1997-1999	20,000	100,000	(1)

(1) The maximum dollar amount that may be earned under PAP is not capped.

PENSION PLANS

The following table illustrates the estimated annual benefits payable under the Owens-Illinois Salary Retirement Plan (the "Retirement Plan") and nonqualified retirement plans in various average earnings classifications upon normal retirement at age 65:

HIGHEST CONSECUTIVE THREE-YEAR AVERAGE ANNUAL EARNINGS	YEARS OF CREDITED SERVICE				
	20	25	30	35	40
\$ 200,000.....	\$ 53,112	\$ 66,390	\$ 79,668	\$ 92,947	\$ 105,067
400,000.....	109,685	137,106	164,527	191,948	214,347
600,000.....	166,827	208,534	250,241	291,948	323,627
800,000.....	223,970	279,963	335,955	391,948	432,907
1,000,000.....	281,113	351,391	421,670	491,948	542,187
1,200,000.....	338,256	422,820	507,384	591,948	651,467
1,400,000.....	395,399	494,249	593,098	691,948	760,747
1,600,000.....	452,542	565,677	678,813	791,948	870,027
1,800,000.....	509,685	637,106	764,527	891,948	979,307

The above pension table illustrates benefits calculated on a straight-life annuity basis, and reflects the greater of the regular benefit or the "grandfathered" benefit available under the formula in effect prior to January 1, 1989. The regular benefit does not contain an offset for social security or other amounts, whereas the "grandfathered" benefit does provide for a partial offset for social security benefits.

The compensation covered by the plans under which the benefits are summarized in the table above equals the sum of base salary and Senior Management Incentive Plan payments, as reported in the Summary Compensation Table for the named executive officers for the last three fiscal years, and is equal to the highest three-year average of such amounts. At January 31, 1998, Mr. Lemieux had 40 years of credited service, Mr. Wesselmann had 37 years of credited service, Mr. Wilkison had 34 years of credited service, Mr. Trumbull had 26 years of credited service and Mr. Young had 21 years of credited service under the Retirement Plan. To the extent that benefits in the preceding table cannot, under the limitations of the Code, be provided under the Retirement Plan, such benefits will be provided under the Company's Supplemental Retirement Benefit Plan.

EMPLOYMENT AGREEMENTS. The Company has entered into employment agreements with certain officers, including the named executive officers listed above, that entitle the participants to receive their base salaries and to participate in designated benefit plans of the Company. The agreements provide for termination of employment at any time, with or without cause, and the benefit plans designated therein and each employee's rights to receive salary and bonuses pursuant thereto are subject to modification by the Company in its sole discretion. Such employment agreements permit executive officers to take part in the Senior Executive Life Insurance Plan, whereby the Company purchases life insurance policies which are transferred to the participants subject, in part, to the executive agreeing not to compete with the Company.

CERTAIN TRANSACTIONS

During 1997, the law firm of Williams & Jensen, P.C., of which Mr. McMackin is a member, received fees for legal services in connection with various matters. It is anticipated that the Company will continue to utilize the services of Williams & Jensen, P.C. on various Company matters.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION IN COMPENSATION DECISIONS

The following non-employee directors serve on the Compensation Committee of the Company's Board of Directors: Edward A. Gilhuly, James H. Greene, Jr. and Michael W. Michelson (chair). Until June, 1987, Mr. Gilhuly and Mr. Greene were officers of the Company. Messrs. Greene, Michelson and Gilhuly are members of KKR & Co. L.L.C., the general partner of Kohlberg Kravis Roberts & Co., L.P., which provides management, consulting and financial services to the Company for an annual fee. In 1997 the payment for the management fee and expenses was \$1,256,900. Such services include, but are not necessarily limited to, advice and assistance concerning any and all aspects of the operation, planning and financing of the Company and its subsidiaries, as needed from time to time.

BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee (the "Committee") of the Company's Board of Directors establishes the Company's policies regarding the compensation of its executive officers and other key managers, and oversees the compensation practices employed pursuant to those policies. The Committee also administers the Company's Equity Participation Plan, the Performance Award Plan ("PAP"), and, with the Chief Executive Officer, the Senior Management Incentive Plan ("SMIP"). The Committee has direct responsibility for the compensation of the Chief Executive Officer.

The Company's principal objective is to increase share owner value over time. The Committee's executive compensation policies are intended and structured to achieve this objective by emphasis on and adherence to the following principles: (1) focus on a significant equity orientation among executives to align their interests with those of all other share owners, (2) linkage of compensation with achievement of certain specific financial, strategic and operating goals which underlie long-term share owner value, (3) maintenance of plans which are intended to be competitive with those of other successful companies of comparable size, particularly those in the industries in which the Company competes, and (4) effective communication and straightforward administration of plans that are well understood and not unduly complex.

The components of the Company's executive officer compensation are:

- Base Salary
- Annual Incentive
- Long-Term Incentives
- Benefits

**BASE SALARY.** Base salaries are set at levels intended to be competitive with industrial companies of comparable size in a broad range of American industries, which the Committee believes are the Company's competitors for executive talent. The Committee reviews salaries annually and provides salary adjustments based on periodic reviews of competitive considerations. In 1996, Mr. Lemieux was granted a \$22,000 increase in base salary, representing a 3.6% adjustment on an annualized basis.

**ANNUAL INCENTIVE.** The Company's SMIP establishes target annual incentives for key executives in the form of a percentage of base salary (up to a maximum target incentive of 100% in the case of the Chief Executive Officer). The SMIP provides for annual incentive awards consisting of a corporate performance component based on the Company's attainment of an annual rate of return on net assets ("RONA") and

an earnings per share ("EPS") target, on an equally weighted basis, established by the Board as the performance objectives for the year, an operating unit RONA performance component (for executive positions at the unit level), and a discretionary component. Each performance component and, in the aggregate, the discretionary components are contingent on the Company's attainment of the corporate RONA and EPS objectives for the year.

The SMIP establishes precise quantitative relationships between performance and payout percentages within defined minimum/maximum ranges. The total bonus pool available for distribution to all covered executives, including the Chief Executive Officer, cannot exceed 150% of the total of all target bonuses for the covered executives.

A recipient of an SMIP payment may elect to receive restricted stock in lieu of cash for all or a portion of such payment. Such restricted stock is issued under the terms of the 1997 Equity Participation Plan of Owens-Illinois, Inc., which plan was approved by the share owners at the 1997 Annual Meeting. A recipient who so elects receives a number of shares of restricted stock equal to 120% of the amount of cash forgone divided by the closing price of the Common Stock on the last trading day prior to the date on which the cash amount would have been paid. Except as otherwise provided in the 1997 Equity Participation Plan of Owens-Illinois, Inc., such restricted stock vests on the third anniversary of the date on which the cash amount would have been paid.

Based on the Company's RONA and EPS performance relative to its 1997 RONA and EPS objectives, and further based on the Committee's evaluation of certain other performance factors relating to the Chief Executive Officer, Mr. Lemieux was granted an SMIP award of \$800,000 in 1997.

**LONG-TERM INCENTIVES.** There are two forms of long-term incentives utilized for key executives: PAP, which provides cash awards, and stock options granted pursuant to the Company's Equity Participation Plan.

The PAP establishes target cash awards for key executives based on a percentage of base salary at the time of the award (up to a maximum target award of 75% in the case of the Chief Executive Officer). The PAP is based on a three-year performance cycle. Award payouts are based on the average annual attainment of the performance objectives set by the Board for each year of each award period. The Board establishes the performance criteria under this Plan and sets the relative weighting where multiple criteria are applicable. For the 1996-98 and 1997-1999 award periods, performance will be evaluated in comparison to the Company's attained level of EPS relative to objectives for these periods. Under the Plan, performance at the level of 100% of these established objectives results in a 100% payment of the PAP award, with such payment percentage increasing or decreasing four percentage points for each single percentage point increase or decrease, respectively, in performance.

A recipient of a PAP payment may elect to receive restricted stock in lieu of cash for all or a portion of such payment on the same terms described above with respect to SMIP payments.

The Committee previously approved a PAP allotment to Mr. Lemieux for the 1995-97 award period of \$420,000, and the Committee determined, in the manner described in the immediately preceding paragraph, that performance in 1995-97 award period relative to the RONA and earnings per share objectives established for this period warranted a 110% payout of Mr. Lemieux's 1995-97 PAP allotment.

In 1996, the Committee approved a PAP allotment to Mr. Lemieux for the 1997-1999 award period of \$451,500.

The Company Equity Participation Plan provides executives with the opportunity to acquire an equity interest in the Company and to share in the appreciation of the value of the stock. Stock options only have value if the stock price appreciates from the date the options are granted. Furthermore, under the form of Stock Option Agreement currently approved by the Committee, exercisability of options is not available until the fifth year after the grant date unless exercisability has been accelerated by virtue of increase(s) in the Company stock price.

Each year the Committee determines the total number of options to be awarded to all eligible key employees as a group. The Committee determined that in 1997 a pool approximately equal to .85% of the total number of outstanding shares of common stock of the Company was sufficient to achieve the overall goals of the plan. The number of options awarded to each eligible key employee, including the Chief Executive Officer and each executive officer, is based on the opportunity for such individual to enhance shareholder value through the effective performance of such individual's job responsibilities. Consideration is also given to the total number of options previously granted to such individual. In 1997, Mr. Lemieux was granted options on 200,000 shares.

**BENEFITS.** Benefits offered to executive officers are essentially the same as those offered to all salaried employees of the Company. The level and nature of such benefits are reviewed from time to time to ensure that they are competitive, tax efficient, and otherwise appropriate in the judgment of the Committee.

The Committee believes that the executive compensation policies and programs described above serve the interest of all share owners and the Company and substantially link the compensation of the Company's executives with the Company's performance.

**TAX DEDUCTIBILITY COMPENSATION.** During 1993, the Internal Revenue Code of 1986 was amended by adding a new Section 162(m), which denies a tax deduction to a publicly held corporation for compensation paid to its Chief Executive Officer and its other four most highly compensated officers to the extent any such compensation exceeds \$1 million in a taxable year after 1993. Such denial of tax deductibility is subject, however, to an exception for "performance-based compensation." The Internal Revenue Service has issued regulations purporting to interpret and implement the provisions of Section 162(m).

Mr. Lemieux is the only executive whose compensation under the Company's cash compensation plans is potentially subject to the provisions of Section 162(m). Mr. Lemieux has elected, pursuant to a deferred compensation plan previously approved by the Committee, to defer until his retirement an amount of his potential incentive compensation for 1998 such that his total compensation will not in any event exceed the \$1 million deductibility limit in 1998. Of that amount, \$494,340 was taken in the form of restricted stock under the 1997 Equity Participation Plan.

Michael W. Michelson, Chairman

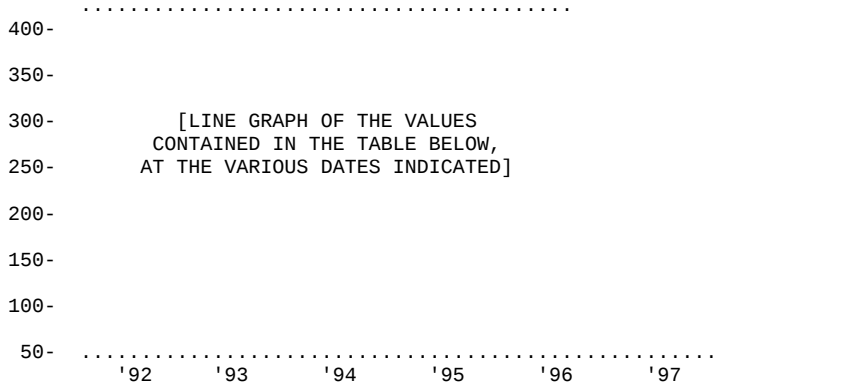
Edward A. Gilhuly

James H. Greene, Jr.



PERFORMANCE GRAPH

COMPARISON OF CUMULATIVE TOTAL RETURN  
AMONG OWENS-ILLINOIS, S&P 500 AND PACKAGING GROUP



	1992	1993	1994	1995	1996	1997
Owens-Illinois..	\$100.00	\$123.75	\$110.00	\$145.00	\$227.50	\$379.37
S&P 500.....	\$100.00	\$110.08	\$111.53	\$153.45	\$188.68	\$251.63
Packaging Group.....	\$100.00	\$104.30	\$112.21	\$132.14	\$163.34	\$195.82

The above graph compares the performance of the Company's Common Stock with that of a broad market index (the S&P 500 Composite Index) and a packaging group consisting of companies with lines of business or product end uses comparable to those of the Company for which market quotations are available.

The packaging group consists of: Aluminum Co. of America, Aptargroup Inc., Avery Dennison Corp., Ball Corp., Bemis Co., Chesapeake Corp., Continental Can, Crown Cork & Seal Co., Johnson Controls Inc., Liqui-Box Corp., The Mead Corp., Multi-Color Corp., Owens-Illinois Inc., Reynolds Metals Co., Sealed Air Corp., Sealright Co., Sonoco Products Co., Tredegar Industries, U.S. Can Co., and Vitro Sociedad Anonima (ADSs). Market quotations ceased to be available for Kerr Group Inc. following its acquisition in 1997. Its elimination from the packaging group did not have a significant effect on total return for periods prior to 1997.

The comparison of total return on investment for each period is based on the change in market value of the stock, including additional shares assumed purchased through reinvestment of dividends, if any.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of March 16, 1998 (except as otherwise noted in the footnotes below) by each beneficial owner of more than five percent of the Company's outstanding Common Stock known to the Company, each of the Company's directors and nominees for director, each of the named executive officers and all directors and executive officers of the Company as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED(1)	PERCENTAGE
KKR Associates, L.P.(2)..... 9 West 57th Street New York, New York 10019	36,000,000	25.6%
FMR Corp.(3)..... 82 Devonshire Street Boston, Massachusetts 02109	19,665,862	14.0
Trust for Owens-Illinois Hourly Retirement Plan..... 200 Newport Avenue--7N North Quincy, Massachusetts 02171	7,884,285	5.6
Joseph H. Lemieux(1).....	701,513(4)	0.5
Lee A. Wesselmann(1).....	169,398(4)	0.1
Robert J. Dineen(1).....	27,282	--
Edward A. Gilhuly(2).....	10,000	--
James H. Greene, Jr.(2).....	--	--
Henry R. Kravis(2).....	--	--
Robert J. Lanigan(1).....	353,278	0.3
Robert I. MacDonnell(2).....	--	--
John J. McMackin, Jr.(1).....	28,019	--
Michael W. Michelson(2)(5)....	20,000	--
George R. Roberts(2).....	--	--
Terry L. Wilkison(1).....	64,119(4)	--
R. Scott Trumbull(1).....	132,853(4)	0.1
Thomas L. Young(1).....	115,279(4)	0.1
All directors and executive officers as a group (other than as set forth in relation to KKR Associates, L.P.) (25 persons).....	2,266,186(4)	1.6

(FOOTNOTES ON FOLLOWING PAGE)

- - - - -
- (1) For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of a given date if such person has the right to acquire such shares within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The information includes: all currently exercisable options granted to Messrs. Lemieux, Wesselmann, Dineen, Lanigan, McMackin, Wilkison, Trumbull and Young. The number of shares beneficially owned includes 275,000 shares subject to options granted to Mr. Lemieux; 98,000 shares subject to options granted to Mr. Wesselmann; 18,182 shares subject to options granted to Mr. Dineen; 75,000 shares subject to options granted to Mr. Lanigan; 18,391 shares subject to options granted to Mr. McMackin; 15,000 shares subject to options granted to Mr. Wilkison; 28,750 shares subject to options granted to Mr. Trumbull; 64,741 shares subject to options granted to Mr. Young; and 974,664 shares subject to options granted to all directors and officers as a group (other than as set forth in relation to KKR Associates, L.P.).
  - (2) Shares shown as owned by KKR Associates, L.P. are owned of record by three limited partnerships of which KKR Associates, L.P. is the sole general partner and as to which it possesses sole voting and investment power. KKR Associates is a limited partnership of which Henry R. Kravis, George R. Roberts, Robert I. MacDonnell, Michael W. Michelson, James H. Greene, Jr., Edward A. Gilhuly (all directors of the Company), Paul E. Raether, Michael T. Tokarz, Perry Golkin, Clifton S. Robbins, and Scott Stuart are the general partners. Such persons may be deemed to share beneficial ownership of the shares shown as owned by KKR Associates, L.P. The foregoing persons disclaim beneficial ownership of such shares of the Company.
  - (3) The Company has received a Schedule 13G filed by FMR Corp., Edward C. Johnson 3d, Abigail P. Johnson and Fidelity Management & Research Company with respect to the shares of Common Stock identified as owned as of December 31, 1997 and in which such reporting persons assert dispositive and/or voting power with respect to portions or all of such shares as a result of their direct or indirect investment advisory relationship to, or ownership interest in, various investment companies, institutional accounts or investment advisers which own such shares. The Company has not attempted to independently verify any of the foregoing information which is based solely on the information contained in the Schedule 13G.
  - (4) The table includes the number of shares of Common Stock that Joseph H. Lemieux, Lee A. Wesselmann, Terry L. Wilkison, R. Scott Trumbull, Thomas L. Young and all directors and officers as a group (other than as set forth in relation to KKR Associates, L.P.) held in the Stock Purchase and Savings Program as of February 28, 1998.
  - (5) Does not include 3,000 shares of Common Stock held in an irrevocable trust created by Mr. Michelson for the benefit of his children with respect to which Mr. Michelson disclaims any beneficial ownership.

## GENERAL INFORMATION

### AUDITORS

The Board, upon the recommendation of the Audit Committee, has approved the selection of Ernst & Young LLP as the Company's independent auditors for 1998. Representatives of Ernst & Young LLP will attend the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

### OUTSTANDING STOCK

An aggregate of 140,759,753 shares of the Company's Common Stock was outstanding at the close of business on March 16, 1998. Each share entitles its holder of record to one vote on each matter upon which votes are taken at the Annual Meeting. Shares of Common Stock held by the trustee under the Company's 401(k) plans must be voted by the trustee in accordance with written instructions from participants in such plan or, as to those shares for which no instructions are received, in a uniform manner as a single block in accordance with the instructions received with respect to the majority of shares for which instructions were received from participants. No other securities are entitled to be voted at the Annual Meeting.

### REVOCABILITY OF PROXIES

Any proxy solicited hereby may be revoked by the person or persons giving it at any time before it has been exercised at the Annual Meeting by giving notice of revocation to the Company in writing or at the 1998 Annual Meeting.

### SOLICITATION COSTS

The Company will pay the cost of preparing and mailing this Proxy Statement and other costs of the proxy solicitation made by the Board. Certain of the Company's officers and employees may solicit the submission of proxies authorizing the voting of shares in accordance with the Board's recommendations, but no additional remuneration will be paid by the Company for the solicitation of those proxies. Such solicitations may be made by personal interview, telephone and telegram. Arrangements have also been made with brokerage firms and others for the forwarding of proxy solicitation materials to the beneficial owners of Common Stock, and the Company will reimburse them for reasonable out-of-pocket expenses incurred in connection therewith.

### VOTING PROCEDURES

The By-laws of the Company (the "By-laws") provide that a majority of the Common Stock issued and outstanding and entitled to vote at the Annual Meeting, the holders of which are present in person or represented by proxy, shall constitute a quorum at any Annual Meeting.

Votes cast at the Annual Meeting will be tabulated by the persons appointed by the Company to act as inspectors of election for the Annual Meeting. The inspectors of election will treat shares of voting stock represented by a properly signed and returned proxy as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining. Likewise, the inspectors of election will treat shares of voting stock represented by "broker non-votes" (i.e., shares of voting stock held in record name by brokers or nominees as to which (i) instructions have

not been received from the beneficial owners or persons entitled to vote, (ii) the broker or nominee does not have discretionary voting power under applicable New York Stock Exchange rules or the instrument under which it serves in such capacity, and (iii) the recordholder has indicated on the proxy card or otherwise notified the Company that it does not have authority to vote such shares on that matter) as present for purposes of determining a quorum.

The By-Laws provide that all matters to come before the Annual Meeting require the approval of the vote of the holders of a majority of the stock present in person or represented by proxy, unless the question is one upon which by express provision of law, or the Certificate of Incorporation, or the By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. On any such matters, abstentions as to particular proposals will have the same effect as votes against such proposals. Broker non-votes as to particular proposals, however, will be deemed shares not having voting power on such proposals. Accordingly, broker non-votes will not be counted for purposes of determining whether the requisite majority vote has been received in favor of the approval of the benefit plans described herein.

The By-Laws further provide that all elections shall be had and all questions decided by a plurality vote. Therefore, directors will be elected by a favorable vote of a plurality of the shares of Common Stock present and entitled to vote, in person or by proxy, at the Annual Meeting. Accordingly abstentions or broker non-votes as to the election of directors will not affect the election of the candidates receiving the plurality of votes.

If a properly signed proxy form is returned to the Company and is not marked, it will be voted in accordance with management's recommendations on all proposals.

#### OTHER MATTERS

Management of the Company does not know of any matter that will be presented for action at the 1998 Annual Meeting other than the election of directors. However, if any other matter should be brought to a vote at the meeting, all shares covered by proxies solicited hereby will be voted with respect to such matter in accordance with the proxy holders' discretion.

#### SECTION 16 BENEFICIAL OWNERSHIP COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership (Forms 3, 4 and 5) with the Securities and Exchange Commission and the New York Stock Exchange. Officers, directors and greater-than-ten-percent holders are required by SEC regulation to furnish the Company with copies of all such forms which they file. To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no reports were required, other than Mr. Gilhuly who filed a late Form 4 relating to the purchase of 5,000 shares of the Company's Common Stock, all of its directors and executive officers made all required filings on time during 1997.

#### SHARE OWNER PROPOSALS AND NOMINATIONS FOR 1999 ANNUAL MEETING

A share owner desiring to submit a proposal for inclusion in the Company's Proxy Statement for the 1999 Annual Meeting must deliver the proposal so that it is received by the Company no later than

December 1, 1998. The Company requests that all such proposals be addressed to Thomas L. Young, Executive Vice President, Owens-Illinois, Inc., One SeaGate, Toledo, Ohio 43666, and mailed by certified mail, return receipt requested.

#### REPORTS TO SHARE OWNERS

The Company has mailed this Proxy Statement and a copy of its 1997 Annual Report to each share owner entitled to vote at the Annual Meeting. Included in the 1997 Annual Report are the Company's consolidated financial statements for the year ended December 31, 1997.

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1997, INCLUDING THE FINANCIAL STATEMENT SCHEDULES, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, MAY BE OBTAINED WITHOUT CHARGE BY SENDING A WRITTEN REQUEST THEREFOR TO OWENS-ILLINOIS, INC., INVESTOR RELATIONS, ONE SEAGATE, TOLEDO, OHIO 43666.

Toledo, Ohio  
March 31, 1998

[LOGO]

OWENS-ILLINOIS, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

P The undersigned hereby appoints David G. Van Hooser, Jeffrey A. Denker and  
R then a majority thereof, as Proxies with full power of substitution, and  
hereby authorize(s) them to represent and to vote, as designated below, all  
0 shares of common stock of Owens-Illinois, Inc. held of record by the  
undersigned on March 16, 1998, at the Annual Meeting of Share Owners to be  
X held on May 13, 1998, or at any adjournment thereof.

Y Election of Directors, Nominees:

Class I: Thomas L. Young, James H. Greene, Jr., George R. Roberts,  
and Robert J. Dineen.

(PLEASE MARK THIS PROXY AND SIGN AND DATE IT ON THE REVERSE SIDE HEREOF AND  
RETURN IT IN THE ENCLOSED ENVELOPE)

SEE REVERSE  
SIDE



X PLEASE MARK YOUR  
VOTES AS IN THIS  
EXAMPLE.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED  
HEREIN BY THE UNDERSIGNED SHARE OWNER. IF NO DIRECTION IS MADE, THIS PROXY  
WILL BE VOTED FOR THE ELECTION OF THE DIRECTOR NOMINEES.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 1.

- |                          |     |          |                                    |                                         |
|--------------------------|-----|----------|------------------------------------|-----------------------------------------|
|                          | FOR | WITHHELD |                                    |                                         |
| 1. Election of Directors | / / | / /      | WITHHOLD AUTHORITY to vote for all | 2. In their discretion, the Proxies are |
| FOR nominees listed      |     |          | nominees listed on reverse side    | authorized to vote upon such other      |
| on the reverse side      |     |          |                                    | business as may properly come before    |
| (except as marked to     |     |          |                                    | the meeting.                            |
| the contrary).           |     |          |                                    |                                         |

(TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, WRITE THAT  
NOMINEE'S NAME IN THE SPACE PROVIDED BELOW.)

---

Please sign exactly as name appears  
hereon. When shares are held by joint  
owners, both should sign. When signing  
as attorney, executor, administrator,  
trustee or guardian, please give full  
title as such. If a corporation, please  
sign in full corporate name by  
President or other authorized officer.  
If a partnership, please sign in  
partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THE  
PROXY CARD PROMPTLY USING THE ENCLOSED  
ENVELOPE.

---

Signature

---

Signature, if held jointly      DATE