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

(Mark one) FORM 10-Q

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

For Quarter Ended March 31, 1997

or

( ) 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.)

Owens-Illinois Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	33-13061	34-1559348
(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

(Registrants' telephone number, including area code)

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X 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 - 122,930,993 shares at April 30, 1997.

Owens-Illinois Group, Inc. $.01 par value common stock - 100 shares at April 30, 1997.

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. Since the following condensed unaudited 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 Registrants' Annual Report on Form 10-K for the year ended December 31, 1996.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
Three months ended March 31, 1997 and 1996
(Millions of dollars, except per share amounts)

	1997	1996
Revenues:		
Net sales	$1,056.3	$905.8
Royalties and net technical assistance	6.4	5.8
Equity earnings	8.8	5.3
Interest	7.8	6.5
Other	36.9	13.4
	1,116.2	936.8
Costs and expenses:		
Manufacturing, shipping, and delivery	844.9	708.9
Research and development	7.8	8.1
Engineering	7.4	6.5
Selling and administrative	51.0	50.7
Interest	85.9	73.5
Other	34.8	14.7
	1,031.8	862.4
Earnings before items below	84.4	74.4
Provision for income taxes	23.4	25.9
Minority share owners' interests in earnings of subsidiaries	6.4	8.9
Net earnings	$ 54.6	$ 39.6
Net earnings per share of common stock	$ 0.44	$ 0.33
Average shares outstanding (thousands)	121,813	120,060

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
March 31, 1997, December 31, 1996, and March 31, 1996
(Millions of dollars)

	March 31, 1997	Dec. 31, 1996	March 31, 1996
Assets			
Current assets:			
Cash, including time deposits	$ 211.3	$ 160.9	$ 105.5
Short-term investments, at cost which approximates market	78.5	14.4	37.1
Receivables, less allowances for losses and discounts ($37.7 at March 31, 1997, $40.6 at December 31, 1996, and $36.7 at March 31, 1996)	659.0	488.8	468.2
Inventories	626.8	494.6	513.4
Prepaid expenses	125.5	126.4	99.6
Total current assets	1,701.1	1,285.1	1,223.8
Investments and other assets:			
Investments and advances	126.5	85.6	88.7
Repair parts inventories	209.3	189.4	168.1
Prepaid pension	639.1	624.5	626.0
Insurance for asbestos-related costs	255.3	271.4	290.3
Deposits, receivables, and other assets	266.7	704.2	238.3
Excess of purchase cost over net assets acquired, net of accumulated amortization ($302.6 at March 31, 1997, $293.7 at December 31, 1996, and $269.9 at March 31, 1996)	1,313.2	1,003.5	1,016.3
Total investments and other assets	2,810.1	2,878.6	2,427.7
Property, plant, and equipment, at cost	3,732.3	3,435.9	3,144.7
Less accumulated depreciation	1,548.4	1,494.3	1,344.4
Net property, plant, and equipment	2,183.9	1,941.6	1,800.3
Total assets	$6,695.1	$6,105.3	$5,451.8

CONDENSED CONSOLIDATED BALANCE SHEETS -- continued

	March 31, 1997	Dec. 31, 1996	March 31, 1996
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	$ 161.9	$ 141.5	$ 97.1
Current portion of asbestos-related liabilities	110.0	110.0	145.0
Accounts payable and other liabilities	779.7	653.4	647.5
Total current liabilities	1,051.6	904.9	889.6
Long-term debt	3,407.7	3,253.2	2,754.6
Deferred taxes	231.4	201.2	135.8
Nonpension postretirement benefits	366.2	371.7	385.3
Asbestos-related liabilities	118.4	138.2	215.2
Other liabilities	528.1	311.7	326.5
Commitments and contingencies			
Minority share owners' interests	234.4	194.7	174.7
Share owners' equity:			
Preferred stock	21.4	21.4	21.6
Common stock, par value $.01 per share (122,673,393 shares outstanding at March 31, 1997; 120,446,348 at December 31, 1996; and 120,136,398 at March 31, 1996)	1.2	1.2	1.2
Capital in excess of par value	1,074.4	1,047.6	1,044.3
Deficit	(203.6)	(258.2)	(409.7)
Cumulative foreign currency translation adjustment	(136.1)	(82.3)	(87.3)
Total share owners' equity	757.3	729.7	570.1
Total liabilities and share owners' equity	$6,695.1	$6,105.3	$5,451.8

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED CASH FLOWS
Three months ended March 31, 1997 and 1996
(Millions of dollars)

	1997	1996
Cash flows from operating activities:		
Net earnings	$ 54.6	$ 39.6
Non-cash charges:		
Depreciation	67.7	52.8
Amortization of deferred costs	14.3	12.9
Other	1.1	6.2
Change in non-current operating assets	(12.4)	(19.5)
Asbestos-related payments	(19.8)	(20.2)
Asbestos-related insurance proceeds	16.1	33.2
Reduction of non-current liabilities	(.1)	(.8)
Change in components of working capital	(69.5)	(49.2)
Cash provided by operating activities	52.0	55.0
Cash flows from investing activities:		
Additions to property, plant, and equipment	(76.6)	(77.1)
Acquisitions, net of cash acquired	(104.7)	
Net cash proceeds from divestitures	46.4	1.2
Cash utilized in investing activities	(134.9)	(75.9)
Cash flows from financing activities:		
Additions to long-term debt	117.3	23.0
Repayments of long-term debt	(5.5)	(25.5)
Increase in short-term loans	1.3	22.2
Issuance of subsidiary's stock		1.5
Issuance of common stock	26.8	1.3
Cash provided by financing activities	139.9	22.5
Effect of exchange rate fluctuations on cash	(6.6)	(5.5)
Increase (decrease) in cash	50.4	(3.9)
Cash at beginning of period	160.9	109.4
Cash at end of period	$ 211.3	$ 105.5

See accompanying notes.

1. Acquisition of AVIR S.p.A.

At December 31, 1996, deposits, receivables, and other assets includes approximately $440 million of escrow funding in connection with the acquisition of AVIR S.p.A. ("AVIR"), the largest manufacturer of glass containers in Italy. On February 3, 1997, the Company completed the acquisition of 79% of AVIR. In addition to purchasing this controlling interest pursuant to an acquisition agreement, the Company also initiated a tender offer during the second quarter of 1997 for the 21% of the shares of AVIR that are publicly held. Based upon current exchange rates, the amount required to purchase all of the publicly held shares is approximately $110 million, which is included in Other liabilities in the March 31, 1997 Condensed Consolidated Balance Sheet. Total consideration for 100% of the AVIR shares is currently expected to be approximately $571 million.

The acquisition of 79% of AVIR was financed through additional borrowings under the Company's Bank Credit Agreement (see Note 4), which was amended in November 1996 to provide additional borrowing capacity for the acquisition of 100% of AVIR.

The acquisition is being accounted for under the purchase method of accounting. The total purchase cost of approximately $571 million will be allocated to the tangible and identifiable intangible assets and liabilities of AVIR based upon their respective fair values. The Company believes that a portion of the $241.5 million unallocated excess of purchase cost over net assets acquired will ultimately be allocated to property, plant, and equipment and certain identifiable intangible assets. Such allocations will be based upon valuations which have not been finalized. Accordingly, the allocation of the purchase consideration included in the accompanying Condensed Consolidated Balance Sheet at March 31, 1997, is preliminary. The accompanying Condensed Consolidated Results of Operations include two months of AVIR operations.

The aggregate purchase cost and its preliminary allocation to the historical assets and liabilities of AVIR are as follows (in millions of dollars):

Property, plant and equipment	$254.5
Other non-current assets	49.0
Cash and short-term investments	131.2
Other net working capital acquired	72.3
Excess of purchase cost over net assets acquired	241.5
	748.5
Other long-term liabilities	(96.9)
Debt assumed	(80.5)
Aggregate purchase cost	$571.1

2. Pro Forma Results of Operations

Had the acquisition of AVIR described in Note 1 occurred at the beginning of the three-month period beginning January 1, 1996, unaudited pro forma consolidated net sales, net earnings, and net earnings per share of common stock would have been as follows (in millions of dollars, except per share amounts):

	Three Months ended March 31, 1996		
	As Reported	Effect of AVIR Acquisition	Pro Forma Results of Operations
Net sales	$905.8	$121.2	$1,027.0
Net earnings (loss)	$ 39.6	$ (0.1)	$ 39.5
Net earnings per share of common stock	$ 0.33	$ 0.00	$ 0.33

The Company believes that a portion of the $241.5 million unallocated excess of purchase cost over the net assets acquired in the AVIR acquisition will ultimately be allocated to property, plant, and equipment and certain identifiable intangible assets. The detailed allocation of such excess has not been finalized. The pro forma net earnings amounts reflect amortization of such excess over 30 years.

Certain of the glass container products produced by AVIR are subject to seasonal demand; shipments of such products have typically been greater in the second and third quarters of the year compared to the first and fourth quarters. Net sales of AVIR for the full year 1996 were approximately $600 million.

The pro forma data does not purport to represent what the results of operations would actually have been if the AVIR acquisition had in fact occurred on the date indicated, or to project results of operations for any future period.

3. Inventories

Major classes of inventory are as follows:

	March 31, 1997	Dec. 31, 1996	March 31, 1996
Finished goods	$500.0	$374.5	$402.5
Work in process	7.2	4.2	4.9
Raw materials	83.7	81.2	73.4
Operating supplies	35.9	34.7	32.6
	$626.8	$494.6	$513.4

4. Long-Term Debt

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

	March 31, 1997	Dec. 31, 1996	March 31, 1996
Bank Credit Agreement:			
Revolving Loans	$1,110.0	$1,105.0	$ 460.0
Bid Rate Loans	90.0		137.0
Senior Debentures, 11%, due 1999 to 2003	1,000.0	1,000.0	1,000.0
Senior Subordinated Notes:			
10-1/4%, due 1999	250.0	250.0	250.0
10-1/2%, due 2002	150.0	150.0	150.0
10%, due 2002	250.0	250.0	250.0
9-3/4%, due 2004	200.0	200.0	200.0
9.95%, due 2004	100.0	100.0	100.0
Other	308.4	232.9	230.0
	3,458.4	3,287.9	2,777.0
Less amounts due within one year	50.7	34.7	22.4
Long-term debt	$3,407.7	$3,253.2	$2,754.6

In November 1996, the Company entered into an agreement with a group of banks ("Bank Credit Agreement" or "Agreement") which provides Revolving Loan Commitments under which the Company may borrow up to $1.8 billion through December 31, 2001. The Agreement includes an Overdraft Account facility providing for aggregate borrowings up to $50 million which reduce the amount available for borrowing under the Revolving Loan Commitments. In addition, the terms of the Bank Credit Agreement permit the Company to request Bid Rate Loans from banks participating in the Agreement and to issue Commercial Paper notes to other purchasers. Borrowings outstanding under Bid Rate Loans and Commercial Paper notes are limited to $450 million in the aggregate and reduce the amount available for borrowing under the Revolving Loan Commitments. The Revolving Loan Commitments also provide for the issuance of letters of credit totaling up to $300 million.

At March 31, 1997, the Company had unused credit available under the Bank Credit Agreement of $408.2 million.

Revolving loans bear interest, at the Company's option, at the prime rate or a Eurodollar deposit-based rate plus a margin linked to the Company's Consolidated Leverage Ratio, as defined in the Agreement. The margin is currently .425% and is limited to a range of .275% to .625%. Overdraft Account loans bear interest at the prime rate minus the facility fee percentage, defined below. The weighted average interest rate on borrowings outstanding under the Bank Credit Agreement at March 31, 1997, was 5.97%. While no compensating balances are required by the Agreement, the Company must pay a facility fee on the Revolving Loan Commitments. The facility fee, currently .20%, is limited to a range of .125% to .375%, based on changes in the Company's Consolidated Leverage Ratio.

The capital stock and intercompany debt obligations of most of the Company's domestic subsidiaries are pledged as collateral for borrowings under the Agreement and certain other obligations. While these pledges do not directly encumber the operating assets owned by these subsidiaries, the Agreement restricts the creation of liens on them. The Agreement also requires the maintenance of certain financial ratios, restricts the incurrence of indebtedness and other contingent financial obligations, and restricts certain types of business activities and investments.

The Senior Debentures rank pari passu with the obligations of the Company under the Bank Credit Agreement and other senior indebtedness, and senior in right of payment to all existing and future subordinated debt of the Company. The Senior Debentures are guaranteed on a senior basis by Group and most of the Company's domestic subsidiaries and secured by a pledge of the capital stock of, and intercompany indebtedness of, Group and such subsidiaries.

Under the terms of the Bank Credit Agreement and the various Indentures related to the Company's senior and subordinated notes and debentures, dividend payments with respect to the Company's Preferred or Common Stock are limited. The Company is also limited with regard to payments for redemption of shares of its Common Stock.

5. Proposed Refinancing Plan

The Company intends to implement a refinancing plan (the "Refinancing Plan") designed to reduce interest expense, reduce the amount and extend the maturities of the Company's outstanding long-term debt, and improve financial flexibility. The Refinancing Plan contemplates that the Company will use the proceeds from the offering of an estimated 14,750,000 shares (16,962,500 shares if the underwriters' overallotment option is exercised in full) of the Company's common stock (the "Equity Offering"), the offering of $250.0 million aggregate principal amount of Senior Notes due 2004 and $250.0 million aggregate principal amount of Senior Notes due 2007 (collectively, the "Senior Note Offerings" and, together with the Equity Offering, the "Offerings"), and borrowings under its Bank Credit Agreement which the Company expects to amend prior to the closing of the Offerings to, among other things, increase the borrowing capacity thereunder from $1.8 billion to up to $3.0 billion (the "Amended Credit Facility"), to (a) repurchase the $1.0 billion aggregate principal amount of the Company's currently outstanding 11% Senior Debentures due 2003 (the "Senior Debentures") pursuant to the terms of a tender offer (the "Tender Offer") occurring concurrently with the Offerings and (b) redeem $950.0 million aggregate principal amount of the Company's Senior Subordinated Notes (the "Senior Subordinated Notes"), $250.0 million aggregate principal amount of which are currently redeemable at the option of the Company as of the date hereof and the remaining $700.0 million aggregate principal amount of which become redeemable at the option of the Company at various times in 1997 beginning on June 15, 1997. In conjunction with the Tender Offer, the Company is soliciting consents of the registered holders of the Senior Debentures to certain proposed amendments to the related Indenture.

Consummation of the Senior Note Offerings is conditioned upon the prior consummation of the Equity Offering and the release of the collateral securing, and the guarantees of, the Company's obligations under the Bank Credit Agreement and the Senior Debentures. Consummation of the Senior Note Offerings is not a condition to the consummation of the Equity Offering. The Company intends to use the net proceeds from the Offerings and borrowings currently available under the Bank Credit Agreement or the Amended Credit Facility, if available at such time, to consummate the Tender Offer. If the Company does not enter into the Amended Credit Facility, upon consummation of the Offerings the Company will have sufficient funds to consummate the Tender Offer only. If the Senior Note Offerings are not consummated, the Company will have sufficient funds to consummate the Tender Offer only if additional borrowings are available under the Amended Credit Facility or the Company identifies additional sources of funds. The Company expects to redeem the Senior Subordinated Notes with borrowings under the Amended Credit Facility. The redemption of the Senior Subordinated Notes will be made at the discretion of the Company, depending on prevailing market and economic conditions, when and as the Senior Subordinated Notes become redeemable. Although the Company anticipates that the Amended Credit Facility will be effective prior to the consummation of the Offerings and that the additional borrowing capacity will be available to the Company at such time, there can be no assurance that such will be the case or that the Company will have adequate funds available to redeem the Senior Subordinated Notes as they become redeemable.

On April 24, 1997, the Company filed with the Securities and Exchange Commission preliminary Prospectus Supplements with respect to the Offerings. On April 25, 1997, the Company commenced the Tender Offer.

Implementation of each of the elements of the Refinancing Plan will be determined based on a number of factors and, therefore, the Refinancing Plan as described above may not be completed as presently proposed.

6. Cash Flow Information

Interest paid in cash aggregated $49.5 million for the first quarter of 1997 and $42.2 million for the first quarter of 1996. Income taxes paid in cash totaled $5.3 million for the first quarter of 1997 and $9.9 million for the first quarter of 1996.

7. Contingencies

The Company is one of a number of defendants (typically 10 to 20) 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 a high-temperature, clay-based insulating material containing asbestos. The insulation material was used in limited industrial applications such as shipyards, power plants and chemical plants. During its ten years in the high-temperature insulation business, the Company's aggregate sales of insulation material containing asbestos were less than $40 million. The Company exited the 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 punitive damages in various amounts (herein referred to as "asbestos claims"). As of March 31, 1997, the Company estimates that it is a named defendant in asbestos claims involving approximately 16,000 plaintiffs and claimants.

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. They are affected by a multitude of factors, including the type and severity of the disease sustained by the claimant; the occupation of the claimant; the extent of the claimant's exposure to asbestos-containing insulation products manufactured or sold by the Company; the extent of the claimant's exposure to asbestos-containing products manufactured or sold by other producers; the number and financial resources of other defendants and the nature and extent of indemnity or contribution claims that may be asserted by or against such other defendants; the jurisdiction of suit; the presence or absence of other possible causes of the claimant's illness; the availability of legal defenses such as the statute of limitations or state of the art; and whether the claim was resolved on an individual basis or as part of a group settlement.

The Company's indemnity payments may also be affected by co-defendant bankruptcy and class action filings. Since 1982 a number of former producers of asbestos-containing products have filed for reorganization under Chapter 11 of the United States Bankruptcy Code ("Co-Defendant Bankruptcies"). Pending lawsuits are generally stayed as to these entities, but continue against the Company and other defendants. Certain other defendants, and certain plaintiffs, have also sought to resolve all asbestos claims on a global basis by filing petitions to certify nationwide litigation or settlement class actions ("Class Actions"), certain of which the Company believes are not supported by existing case law. The precise impact on the Company of these Co-Defendant Bankruptcies and Class Actions is not determinable. However, the Company believes that the Co-Defendant Bankruptcies probably have adversely affected, and may adversely affect in the future, the Company's share of the total liability to plaintiffs in previously settled or otherwise determined lawsuits and claims and that the dissemination of class notices in the Class Actions may have increased the number of claims and lawsuits against the Company or accelerated the filing of such claims.

The Company is also one of a number of defendants in (i) bodily injury lawsuits involving plaintiffs who allege that they are or were maritime workers ("Maritime Claims"), (ii) a lawsuit on behalf of individuals in Pennsylvania who have no asbestos-related impairment, but nevertheless seek the costs of future medical monitoring ("Medical Monitoring Claims") and (iii) lawsuits brought by public or private property owners alleging damages to their various properties ("Property Damage Claims"). Certain of these Maritime Claims, Medical Monitoring Claims and Property Damage Claims seek class action treatment. Based on its past experience, the Company presently believes that the probable ultimate disposition of these Maritime Claims, Medical Monitoring Claims and Property Damage Claims will not involve any material additional liability and does not include them in the description herein of asbestos claims or in the total number of pending asbestos claims above.

In April 1986, the Company and Aetna Life & Casualty Company ("Aetna") agreed to a final settlement fully resolving asbestos bodily injury and property damage insurance coverage litigation between them (which followed the entry of partial summary judgment in favor of the Company in such litigation). The Company has processed claims which have effectively exhausted its coverage under the Aetna agreement. In 1984, the Company initiated similar litigation in New Jersey against the Company's insurers, including its wholly-owned captive insurer Owens Insurance Limited ("OIL"), and certain other parties for the years 1977 through 1985 in which the Company sought damages and a declaration of coverage for both asbestos bodily injury and property damage claims under insurance policies in effect during those years (Owens-Illinois, Inc. v. United Insurance Co., et al, Superior Court of New Jersey, Middlesex County, November 30, 1984).

In December 1994, the Company partially settled for approximately $100 million its coverage claim against OIL to the extent of reinsurance provided to OIL by certain reinsurance companies representing approximately 19% of total United Insurance coverage limits. Subsequently, the Company reached separate settlements for approximately $140 million with various other reinsurers, and with OIL to the extent of reinsurance provided by such settling reinsurance companies. These settlements also included all of the reinsurers who had participated actively as litigating parties in the United Insurance case.

Following the settlements described above, a settlement agreement (the "OIL Settlement") was reached with OIL. The OIL Settlement, which was endorsed by three mediators and approved by OIL's independent directors, called for the payment of remaining non-settled reinsurance at 78.5% of applicable reinsurance limits, increasing to 81% on approximately March 1, 1996 and accruing interest thereafter at 10% per annum.

In December 1995, the presiding judge in the United Insurance case entered a Consent Judgment settling the United Insurance case as to all remaining issues and all parties with the single exception of a broker malpractice claim asserted by the Company, which remains pending. In the Consent Judgment Order, the presiding judge specifically found that the OIL Settlement is a good faith and non-collusive settlement and that it is fair and reasonable as to OIL and all of OIL's non-settling reinsurers.

In November 1995, before all the settlements described above were finalized, a reinsurer of OIL during the years affected by the United Insurance case brought a separate suit against OIL seeking a declaratory judgment that it had no reinsurance obligation to OIL due to alleged OIL fraud and also to OIL not having joined non-party reinsurers as parties in the United Insurance case as alleged to be required under New Jersey's "entire controversy" doctrine (Employer's Mutual vs Owens-Insurance Limited, Superior Court of New Jersey, Morris County, December 1995). The Company was not a named party to this cause of action but was subsequently joined in it as a necessary party defendant.

Subsequent to the entry of the Consent Judgment Order in the United Insurance case described above, OIL gave notice of the OIL Settlement to all nonsettling reinsurers affected by the United Insurance case, informing all such reinsurers of the terms of the OIL Settlement and demanding timely payment from such reinsurers pursuant to such terms. Certain previously nonsettling reinsurers made the payments called for under the OIL Settlement or otherwise settled their obligations thereunder. Other nonsettling solvent reinsurers, all of which are parties to the Employers Mutual case described above, did not, however, make the payments called for under the OIL Settlement by the date specified therein.

In June 1996, the Superior Court of New Jersey, Morris County granted OIL summary judgment on the "entire controversy" doctrine claim in the Employers Mutual case. A petition for interlocutory appeal of this summary judgment by certain nonsettling OIL reinsurers was rejected first by the Appellate Division of the New Jersey Superior Court and thereafter by the New Jersey Supreme Court.

As a result of payments and commitments that have been made by reinsurers pursuant to the OIL Settlement and the earlier settlement agreements described above in the United Insurance case and certain other available insurance, the Company has to date confirmed coverage for its asbestos-related costs of approximately $296.8 million. Of the total amount confirmed to date, $254.7 million had been received through March 31, 1997; and the balance of approximately $42.1 million will be received throughout 1997 and the next several years. The remainder of the insurance asset of approximately $213.2 million relates principally to the reinsurers who have not yet paid their reinsurance obligations under the OIL Settlement. This $213.2 million asset valuation at March 31, 1997 also reflects 1994 and 1995 reductions of $100 million and $40 million, respectively, in the insurance asset valuation of $650 million established in 1993, which had been made to reflect settlement activity and litigation developments in the United Insurance case.

The Company believes, based on the rulings of the trial court, the Appellate Division and the New Jersey Supreme Court in the United Insurance case, as well as its understanding of the facts and legal precedents (including specifically the legal precedent requiring that reinsurers "follow the fortunes" of and adhere to any good faith, fair and reasonable settlement entered into by the primary carrier which such reinsurers had agreed to reinsure) and based on advice of counsel, McCarter & English, that it is probable substantial additional payments will be received to cover the Company's asbestos-related claim losses, in addition to the amounts already received or to be received as a result of the settlements described above.

As a result of the Co-Defendant Bankruptcies, the Class Actions, and the continuing efforts in various federal and state courts to resolve asbestos lawsuits and claims in nontraditional manners, as well as the continued filings of new lawsuits and claims, the Company believes that its ultimate asbestos-related contingent liability (i.e., its indemnity or other claim disposition costs plus related litigation expenses) is difficult to estimate with certainty. However, the Company has continually monitored the trends of matters which may affect its ultimate liability and continually analyzes the trends, developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company.

Based on all the factors and matters relating to the Company's asbestos-related litigation and claims, the Company believes that its asbestos-related costs and liabilities will not exceed by a material amount the sum of the available insurance reimbursement the Company believes it has and will have principally as a result of the United Insurance case, and the OIL Settlement, as described above, and the amount of previous charges for asbestos-related costs.

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. The ultimate legal and financial liability of the Company in respect to the lawsuits and proceedings referred to above, in addition to other pending litigation, cannot be estimated with certainty. However, the Company believes, based on its examination and review of such matters and experience to date, that such ultimate liability will not be material in relation to the Company's Consolidated Financial Statements.

8. New Accounting Standard

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS No. 128"), which is required to be adopted for periods ending after December 15, 1997. The adoption of FAS No. 128 by the Company is expected to result in no change in primary earnings per share for the first quarters ended March 31, 1997 and 1996. The impact of FAS No. 128 on the calculation of fully diluted earnings per share for these quarters is not expected to be material.

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

Results of Operations - First Quarter 1997 compared with First Quarter 1996

The Company recorded net earnings of $54.6 million for the first quarter of 1997 compared to $39.6 million for the first quarter of 1996. The first quarter of 1997 includes amounts relating to: (1) the recently acquired AVIR operations (see Note 1 to the financial statements) and (2) certain assets of Anchor Glass Container Corporation acquired on February 5, 1997 ("Anchor Assets"). Excluding the effects of the 1997 unusual items discussed below, the Company's first quarter 1997 net earnings of $47.0 million increased $7.4 million, or 18.7%, over first quarter 1996 net earnings of $39.6 million. Consolidated segment operating profit, excluding the 1997 unusual items, was $151.5 million for the first quarter of 1997, an increase of $15.4 million, or 11.3%, compared to the same 1996 period. The increase is attributable to higher operating profit for both the Glass Containers segment and the Plastics and Closures segment, along with lower other retained costs. Interest expense, net of interest income, increased $11.1 million due in part to debt incurred or assumed in connection with acquisitions. The Company's estimated effective tax rate, excluding the effect of the Kimble Glass gain discussed below, was 34.4% in the first quarter of 1997, compared to 34.8% estimated for the first quarter of 1996 and the actual rate of 32.4% for the full year 1996.

Capsule segment results (in millions of dollars) for the first quarter of 1997 and 1996 were as follows:

	Net sales (Unaffiliated customers)		Operating Profit	
	1997	1996	1997	1996
Glass Containers	$ 775.6	$ 641.8	$ 101.1	$ 98.7
Plastics and Closures	280.4	263.6	51.7	43.8
Eliminations and other retained costs (a)	.3	.4	.9	(6.4)
Consolidated total	$1,056.3	$ 905.8	$ 153.7	$ 136.1

(a) Operating profit for 1997 includes: (1) a gain of $16.3 million on the sale of the remaining 49% interest in Kimble Glass, and (2) charges of $14.1 million principally for the estimated cost of guaranteed lease obligations of a previously divested business.

Consolidated net sales for the first quarter of 1997 increased $150.5 million, or 16.6%, over the prior year. Net sales of the Glass Containers segment increased $133.8 million, or 20.8%, over 1996. The combined U.S. dollar sales of the segment's foreign affiliates increased over the prior year, reflecting the recent acquisition of AVIR (which contributed approximately $85 million to first quarter 1997 U.S. dollar sales) and increased unit shipments in Colombia and the United Kingdom. Domestically, the increase in glass container unit shipments to U.S. brewers more than offset lower shipments of food containers.

Excluding the additional business gained through the acquisition of the Anchor Assets, domestic unit shipments increased slightly from the previous year. Net sales of the Plastics and Closures segment increased $16.8 million, or 6.4%, over the prior year. Higher shipments of plastic containers for personal care items such as shampoos, lotions, and liquid shower soaps along with increased demand for prescription containers contributed to the increase.

Consolidated operating profit for the first quarter of 1997, excluding the 1997 unusual items, increased $15.4 million, or 11.3%, to $151.5 million from first quarter 1996 operating profit of $136.1 million. The operating profit of the Glass Containers segment increased $2.4 million to $101.1 million, compared to $98.7 million in the first quarter of 1996. The combined U.S. dollar operating profit of the segment's foreign affiliates increased slightly from the first quarter of 1996. AVIR contributed approximately $11 million to first quarter 1997 U.S. dollar operating profit. Improved results at the segment's affiliates in Poland and Venezuela partially offset the effects of continuing soft market conditions in Brazil, and reduced export shipments from Hungary, which adversely affected results of affiliates located in those countries. Domestically, operating profit of the Glass Containers segment increased slightly from the first quarter of 1996. The operating profit of the Plastics and Closures segment increased $7.9 million, or 18.0%, compared to the first quarter of 1996. The increase resulted from improved manufacturing performance and higher unit shipments of plastic containers and prescription containers. Other retained costs, excluding the 1997 unusual items discussed below, were $1.3 million for the first quarter of 1997 compared to $6.4 million for the first quarter of 1996, reflecting lower employee benefit costs and higher net financial services income.

The first quarter 1997 results include the following unusual items: (1) a gain of $16.3 million ($16.3 million after tax) on the sale of the Company's remaining 49% interest in Kimble Glass, and (2) charges of $14.1 million ($8.7 million after tax) principally for the estimated cost of guaranteed lease obligations of a previously divested business.

Capital Resources and Liquidity

The Company's total debt at March 31, 1997 was $3.57 billion, compared to $3.39 billion at December 31, 1996 and $2.85 billion at March 31, 1996.

At March 31, 1997, the Company had available credit totaling $1.8 billion under the Bank Credit Agreement expiring in December 2001, of which $408.2 million had not been utilized. At December 31, 1996, the Company had $628.7 million of credit which had not been utilized under the Agreement. The increased utilization and corresponding higher debt balances at March 31, 1997 resulted in large part from the requirement to commit available credit sufficient to pay for the remaining 21% of AVIR shares upon the closing of the Company's tender offer for such shares and expenditures related to the acquisition of the Anchor Assets. Utilization was also higher as a result of borrowings for capital expenditures and asbestos-related payments, partially offset by proceeds received from the sale of the Company's remaining 49% in Kimble Glass and cash provided by operations, including cash received for settlement of a portion of the insurance asset for asbestos-related costs.

Cash provided by operating activities was $52.0 million for the first three months of 1997 compared to $55.0 million for the first three months of 1996.

In the twelve-month period commencing April 1, 1997, the Company anticipates that cash flow from its operations and from utilization of available credit under the Bank Credit Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service and other obligations. The Company faces additional demands upon its liquidity for asbestos-related payments. Based on the Company's expectations regarding favorable trends which should lower its aggregate payments for lawsuits and claims and its expectation of the collection of its insurance coverage and reimbursement for such lawsuits, 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.

Assuming consummation of the Refinancing Plan as currently contemplated (see Note 5 to the financial statements), the Company expects that the utilization of available credit under the Amended Credit Facility, combined with cash flows from operations, will be sufficient to fund its operating and seasonal working capital needs, debt service including relatively modest scheduled principal payments, completion of the AVIR acquisition and other obligations through 2001 (the term of the Amended Credit Facility). If the Refinancing Plan is not consummated as currently contemplated and additional borrowing capacity is not available under the Amended Credit Facility, cash flows from operations may not be sufficient to repay the Company's Senior Subordinated Notes as they become due and payable commencing early 1999. There can be no assurance that the Company will be able to refinance existing indebtedness or otherwise raise funds in a timely manner or that the proceeds therefrom will be sufficient to repay such indebtedness.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

(a) Contingencies. Note 7 to the Condensed Consolidated Financial Statements, "Contingencies," that is included in Part I of this Report, is incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit 10.1 Third Amendment to Owens-Illinois, Inc. Executive Savings Plan

Exhibit 10.2 Second Amendment to Owens-Illinois, Inc. Directors Deferred Compensation Plan

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges

Exhibit 23 Consent of McCarter & English

Exhibit 27 Financial Data Schedule

(b) Reports on Form 8-K:

(1) On March 3, 1997, the Registrants filed a Form 8-K/A, Amendment No. 1, amending the Current Report on Form 8-K dated December 16, 1996 (filed on December 31, 1996). Such Amendment included the information required under Items 7(a), 7(b) and 7(c) of Form 8-K.

(2) On March 31, 1997, the Registrants filed a Form 8-K which included the Refinancing Agreement, dated as of November 19, 1996, among Owens-Illinois, Inc., et al.

No other reports on Form 8-K were filed by the Registrants during the first quarter of 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

OWENS-ILLINOIS, INC.

Date May 9, 1997 By /s/ Lee A. Wesselmann

Lee A. Wesselmann, Senior Vice President and Chief Financial Officer (Principal Financial Officer)

OWENS-ILLINOIS GROUP, INC.

Date May 9, 1997 By /s/ Lee A. Wesselmann

Lee A. Wesselmann, Senior Vice President and Chief Financial Officer (Principal Financial Officer)

INDEX TO EXHIBITS

Exhibits

10.1	Third Amendment to Owens-Illinois, Inc. Executive Savings Plan
10.2	Second Amendment to Owens-Illinois, Inc. Directors Deferred Compensation Plan
12	Computation of Ratio of Earnings to Fixed Charges
23	Consent of McCarter & English
27	Financial Data Schedule

Exhibit 10.1

THIRD AMENDMENT TO OWENS-ILLINOIS, INC. EXECUTIVE SAVINGS PLAN

Pursuant to authority reserved and duly delegated to the Compensation Committee (the "Committee") of the Board of Directors of Owens-Illinois, Inc. (the "Company") under the Owens-Illinois, Inc. Executive Savings Plan (as heretofore amended, the "Plan"), the Committee hereby amends the Plan as follows:

1. Section 5.3 of the Plan is amended to read, in its entirety, as follows:

> 5.3 The Company shall post a Matching Credit to the Matching Account of each Executive who has made a Deferral Election under Section 5.1 in an amount equal to 50 percent of the amount of such Deferral Election, up to a maximum annual Matching Credit equal to the excess of (a) four percent of the Executive's Current Compensation over (b) the amount of the annual "Company Matching Contribution" made on his behalf under (and as defined in) SPASP.

2. Section 5.5 of the Plan is, in its entirety, revoked and deleted from the Plan.

3. This Third Amendment shall be effective as of January 1, 1997. In all other respects the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Committee has caused this Third Amendment to be executed by a duly authorized officer of the Company as of the 18th day of March, 1997.

OWENS-ILLINOIS, INC.

By /s/ Thomas L. Young
Executive Vice President

Attest:

/s/ James W. Baehren
Assistant Secretary

Exhibit 10.2

SECOND AMENDMENT TO OWENS-ILLINOIS, INC.
DIRECTORS DEFERRED COMPENSATION PLAN

Pursuant to the authority reserved to the Committee (the "Committee") of the Board of Directors of Owens-Illinois, Inc. (the "Company") appointed to administer the Owens-Illinois, Inc. Directors Deferred Compensation Plan (the "Plan") under Section 9 of the Plan, the Committee hereby amends the Plan as follows:

1. The definition of "Account" in Section 2 of the Plan is amended to read as follows:

> "Account" means a deferred compensation memorandum account established and maintained on the books of the Company to reflect a Director's interest in the Plan, and includes either or both of a Cash Account or Company Stock Account.

2. Section 2 of the Plan is further amended by the addition thereto, in appropriate alphabetical order, of the following new definitions:

> "Cash Account" means a deferred compensation memorandum account established and maintained on the books of the Company to reflect amounts deferred under the Plan which have been credited in dollars and on which interest accrues, in accordance with Section 7.2 hereof;
>
> "Company Stock" means the Company's common stock, $.01 par value;
>
> "Company Stock Unit" means a unit of value, equal in value to one share of Company Stock, by which the value of a Director's Company Stock Account is determined pursuant to and in accordance with Section 7.3 hereof;
>
> "Company Stock Account" means a deferred compensation memorandum account established and maintained on the books of the Company to reflect the value of amounts deferred under the Plan which have been credited in Company Stock Units and to which additional Company Stock Units may be credited to reflect dividends and other distributions and/or adjustments, if any, on Company Stock, in accordance with Sections 7.3 and 7.4 hereof;

3. Section 7.1 of the Plan is amended to read, in its entirety, as follow:

> 7.1 All amounts deferred under the Plan shall be credited by the Company, as of the date such amounts would otherwise be payable to the Director in the absence of a Deferral Election, to the Director's Cash Account and/or Company Stock Account, in the proportions specified by the Director

at the time of his Deferral Election. In the absence of such a specification by a Director, such amounts shall be so credited to his Cash Account.

4. Section 7.2 of the Plan is redesignated as Section 7.6 thereof, and the following new Sections 7.2, 7.3, 7.4, and 7.5 are added to the Plan:

7.2 All amounts credited to a Director's Cash Account shall, until paid or distributed in full, accrue interest, compounded monthly, at an annual rate equal from time to time to the average annual yield on domestic corporate bonds of Moody's A-rated companies (as most recently reported in the Survey of Current Business published by the United States Department of Commerce or a successor publication) or at such other rate as the Board may at any time and from time to time designate prospectively; provided, however, that no such action taken by the Board after the date of an installment payment election (or of the modification of any such previous election) pursuant to Section 8 hereof shall operate to reduce the rate of interest on the unpaid balance of the amount payable pursuant to such election (or modification) to less than the rate which would have been in effect hereunder in the absence of such action by the Board.

7.3 A Director's Company Stock Account shall be credited with a number (including fractions) of Company Stock Units equal in value to the deferred amount specified to be so credited. For all purposes of the Plan, the value of Company Stock Units shall be determined by reference to the closing price of Company Stock on the principal exchange on which Company Stock is traded on the day before the date on or as of which such value is being determined or, if no Company Stock was traded on such day, then on the next preceding trading day on which Company Stock was so traded. As of the date any dividend is paid to shareholders of Company Stock, each Company Stock Account shall be credited with a number (including fractions) of additional Company Stock Units equal in value to the dividends paid on the number of shares of Company Stock represented by the Units in such Account immediately before such dividend was paid.

7.4 In the event that the outstanding shares of Company Stock are hereafter changed into or exchanged for a different number or kind of shares or other securities of the Company, or of another corporation, by reason of reorganization, merger, consolidation, recapitalization, or reclassification, or if the number of shares is increased or decreased by reason of a stock split-up, stock dividend, combination of shares or any other increase or decrease in the number of such shares of Company Stock effected without receipt of consideration by the Company (provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration"), the number of Company Stock Units credited or to be credited to Directors' Company Stock Accounts under the Plan shall be adjusted accordingly.

7.5 A Director may change the proportion in which amounts to be deferred in the future are to be credited to his Cash Account and Company Stock Account and/or the proportion in which amounts previously deferred are to be reallocated between his Cash Account and Company Stock Account, at such times and with such frequency as may be permitted pursuant to rules and procedures of uniform application adopted by the Committee.

5. Sections 8.1 and 8.2 of the Plan are amended to read, in their entirety, as follows:

8.1 The entire value of a Director's Accounts shall become payable upon termination of the Director's membership on the Board for any reason. All amounts so payable shall be paid to the Director in cash in a lump sum or, if and to the extent the Director has so elected in writing:

(a) at or before the time of his Deferral Elections; or

(b) thereafter, but only with the consent of the Executive Compensation Committee pursuant to Section 8.5 hereof, except that a Director's initial election under this Section 8.1(b) will be effective without the consent of the Executive Compensation Committee if made no later than 30 days after the later of (i) the date of adoption of the First Amendment to the Plan or (ii) the effective date of such Amendment,

in such number, not to exceed 15, of equal annual cash installments as the Director has so elected plus interest on the unpaid balance at the rate from time to time called for under Section 7.2 of the Plan. To facilitate the cash-only distribution(s) contemplated by the Plan, the entire value of a Director's Company Stock Account on the date of termination of his Board membership shall be reallocated to and thereafter held in his Cash Account, from which all distributions under the Plan shall be made.

8.2 In the event of a Director's death before or after his termination of Board membership but before his Account has been paid to him in full, the entire unpaid value of his Account shall be paid, to the beneficiary or beneficiaries named by him in a written designation filed with the Company (or, in the absence of such a designation, to his estate), in cash in a lump sum or, if and to the extent the Director has made an election of installment payments under Section 8.1 hereof, in accordance with such election.

6. This Second Amendment shall be effective as of January 1, 1997. In all other respects the Plan shall remain in full force and effect as originally adopted effective December 31, 1993 and heretofore amended.

IN WITNESS WHEREOF, the Committee has caused this Second Amendment to be executed by a duly authorized officer of the Company as of the 1st day of April, 1997.

OWENS-ILLINOIS, INC.

By /s/ Thomas L. Young

Executive Vice President

Attest:

/s/ James W. Baehren

Assistant Secretary

Exhibit 12

OWENS-ILLINOIS, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Millions of dollars, except ratios)

	Three Months ended March 31,		
	Actual 1997	Actual 1996	Pro Forma As Adjusted for Avir Acquisition 1996
Earnings from continuing operations before income taxes, minority share owners' interests, extraordinary items and cumulative effect of accounting changes	$ 84.4	$ 74.4	$ 82.6
Less: Equity earnings	(8.8)	(5.3)	(6.1)
Add: Total fixed charges deducted from earnings	91.5	78.7	90.1
Proportional share of pretax loss of 50% owned associates	(0.4)		
Earnings available for payment of fixed charges	$166.7	$147.8	$166.6
Fixed charges (including the Company's proportional share of 50% owned associates):			
Interest expense	$ 84.6	$ 72.2	$ 83.4
Portion of operating lease rental deemed to be interest	5.6	5.2	5.4
Amortization of deferred financing costs and debt discount expense	1.3	1.3	1.3
Total fixed charges deducted from earnings and total fixed charges	$ 91.5	$ 78.7	$ 90.1
Ratio of earnings to fixed charges	1.8	1.9	1.8

Exhibit 23

CONSENT OF MCCARTER & ENGLISH

May 8, 1997

Ladies and Gentlemen:

We consent to the incorporation by reference in this Quarterly Report on Form 10-Q of Owens-Illinois, Inc. and Owens-Illinois Group, Inc. for the quarter ended March 31, 1997, of the reference to our firm under the caption "Legal Proceedings".

Very truly yours,

/s/ McCarter & English

McCarter & English

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This schedule contains summary financial information extracted from the March 31, 1997 condensed consolidated balance sheet, and the condensed consolidated results of operations for the three-month period then ended and is qualified in its entirety by reference to such financial statements.

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3-MOS
DEC-31-1997
MAR-31-1997
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