

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

(Mark one) FORM 10-Q

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

For Quarter Ended June 30, 1999

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.)

One SeaGate, Toledo, Ohio

43666

(Address of principal executive offices)

(Zip Code)

419-247-5000

(Registrant's telephone number, including area code)

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

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 - 155,848,339 shares at July 31, 1999.

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 unaudited condensed consolidated financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
Three months ended June 30, 1999 and 1998
(Millions of dollars, except share and per share amounts)

	1999	1998
Revenues:	-----	-----
Net sales	\$1,423.1	\$1,385.0
Royalties and net technical assistance	7.2	7.1
Equity earnings	4.5	4.5
Interest	7.7	8.6
Other	73.1	27.1
	-----	-----
	1,515.6	1,432.3
Costs and expenses:		
Manufacturing, shipping, and delivery	1,068.4	1,031.6
Research and development	10.1	8.9
Engineering	8.2	8.4
Selling and administrative	72.6	64.7
Interest	103.8	99.1
Other	64.0	35.1
	-----	-----
	1,327.1	1,247.8
	-----	-----
Earnings before items below	188.5	184.5
Provision for income taxes	72.2	62.0
Minority share owners' interests in earnings of subsidiaries	5.4	7.5
	-----	-----
Earnings before extraordinary items	110.9	115.0
Extraordinary charges from early extinguishment of debt, net of applicable income taxes		(14.1)
	-----	-----
Net earnings	\$ 110.9	\$ 100.9
	=====	=====
Basic earnings per share of common stock:		
Earnings before extraordinary items	\$ 0.68	\$ 0.76
Extraordinary charges		(0.10)
	-----	-----
Net earnings	\$ 0.68	\$ 0.66
	=====	=====
Weighted average shares outstanding (thousands)	155,873	148,278
	=====	=====
Diluted earnings per share of common stock:		
Earnings before extraordinary items	\$ 0.67	\$ 0.75
Extraordinary charges		(0.09)
	-----	-----
Net earnings	\$ 0.67	\$ 0.66
	=====	=====
Weighted diluted average shares (thousands)	165,976	153,942
	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
Six months ended June 30, 1999 and 1998
(Millions of dollars, except share and per share amounts)

	1999	1998
Revenues:	-----	-----
Net sales	\$2,730.1	\$2,483.5
Royalties and net technical assistance	14.2	13.2
Equity earnings	9.0	9.2
Interest	13.5	14.5
Other	102.1	70.1
	-----	-----
	2,868.9	2,590.5
Costs and expenses:		
Manufacturing, shipping, and delivery	2,068.2	1,892.7
Research and development	19.7	16.6
Engineering	17.6	16.4
Selling and administrative	139.2	127.1
Interest	209.0	164.3
Other	107.5	71.8
	-----	-----
	2,561.2	2,288.9
Earnings before items below	-----	-----
	307.7	301.6
Provision for income taxes	118.4	90.8
Minority share owners' interests in earnings of subsidiaries	9.1	15.4
	-----	-----
Earnings before extraordinary items	180.2	195.4
Extraordinary charges from early extinguishment of debt, net of applicable income taxes		(14.1)
	-----	-----
Net earnings	\$ 180.2	\$ 181.3
	=====	=====
Basic earnings per share of common stock:		
Earnings before extraordinary items	\$ 1.09	\$ 1.33
Extraordinary charges		(0.10)
	-----	-----
Net earnings	\$ 1.09	\$ 1.23
	=====	=====
Weighted average shares outstanding (thousands)	155,742	144,470
	=====	=====
Diluted earnings per share of common stock:		
Earnings before extraordinary items	\$ 1.08	\$ 1.32
Extraordinary charges		(0.10)
	-----	-----
Net earnings	\$ 1.08	\$ 1.22
	=====	=====
Weighted diluted average shares (thousands)	157,249	148,195
	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 1999, December 31, 1998, and June 30, 1998
(Millions of dollars)

	June 30, 1999	Dec. 31, 1998	June 30, 1998
	-----	-----	-----
Assets			
Current assets:			
Cash, including time deposits	\$ 270.8	\$ 271.4	\$ 322.5
Short-term investments, at cost which approximates market	30.5	21.1	23.0
Receivables, less allowances for losses and discounts (\$51.1 at June 30, 1999, \$56.9 at December 31, 1998, and \$44.0 at June 30, 1998)	894.6	877.7	878.3
Inventories	861.5	838.1	815.6
Prepaid expenses	179.6	168.8	165.2
	-----	-----	-----
Total current assets	2,237.0	2,177.1	2,204.6
Investments and other assets:			
Equity investments	183.1	195.3	142.0
Repair parts inventories	245.5	254.2	254.2
Prepaid pension	732.0	686.1	687.6
Insurance receivable for asbestos-related costs	212.2	212.8	222.6
Deposits, receivables, and other assets	533.4	383.7	343.9
Net assets held for sale		409.6	535.0
Excess of purchase cost over net assets acquired, net of accumulated amortization (\$453.8 at June 30, 1999, \$405.3 at December 31, 1998, and \$348.0 at June 30, 1998)	3,329.8	3,314.9	3,148.2
	-----	-----	-----
Total other assets	5,236.0	5,456.6	5,333.5
Property, plant, and equipment, at cost	5,419.8	5,394.1	5,168.4
Less accumulated depreciation	2,055.2	1,967.1	1,807.1
	-----	-----	-----
Net property, plant, and equipment	3,364.6	3,427.0	3,361.3
	-----	-----	-----
Total assets	\$10,837.6	\$11,060.7	\$10,899.4
	=====	=====	=====

CONDENSED CONSOLIDATED BALANCE SHEETS -- continued

	June 30, 1999	Dec. 31, 1998	June 30, 1998
	-----	-----	-----
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 226.0	\$ 249.5	\$ 238.4
Current portion of asbestos-related liabilities	85.0	85.0	70.0
Accounts payable and other liabilities	945.8	992.6	944.6
	-----	-----	-----
Total current liabilities	1,256.8	1,327.1	1,253.0
Long-term debt	5,517.4	5,667.2	5,694.1
Deferred taxes	358.2	325.0	305.9
Nonpension postretirement benefits	325.7	338.4	343.5
Other liabilities	635.5	690.4	464.1
Commitments and contingencies			
Minority share owners' interests	223.4	240.6	288.4
Share owners' equity:			
Convertible preferred stock, par value \$.01 per share, liquidation preference \$50 per share, 9,050,000 shares authorized, issued and outstanding	452.5	452.5	452.5
Exchangeable preferred stock	12.9	18.3	20.1
Common stock, par value \$.01 per share (156,297,439 shares outstanding at June 30, 1999; 155,450,173 at December 31, 1998, and 155,317,512 at June 30, 1998)	1.6	1.5	1.5
Capital in excess of par value	2,192.1	2,183.1	2,180.2
Retained earnings	176.8	7.3	91.0
Accumulated other comprehensive income	(315.3)	(190.7)	(194.9)
	-----	-----	-----
Total share owners' equity	2,520.6	2,472.0	2,550.4
	-----	-----	-----
Total liabilities and share owners' equity	\$10,837.6	\$11,060.7	\$10,899.4
	=====	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED CASH FLOWS
Six months ended June 30, 1999 and 1998
(Millions of dollars)

	1999	1998
Cash flows from operating activities:	-----	-----
Earnings before extraordinary items	\$ 180.2	\$ 195.4
Non-cash charges (credits):		
Depreciation	198.8	166.5
Amortization of deferred costs	69.6	41.5
Restructuring costs, write-offs of certain assets and settlement of environmental litigation	20.8	16.3
Gains on asset sales	(40.8)	(18.5)
Other	(35.4)	(26.8)
Change in non-current operating assets	(23.3)	(12.0)
Asbestos-related payments	(68.0)	(42.0)
Asbestos-related insurance proceeds	.6	16.7
Reduction of non-current liabilities	(13.7)	(2.7)
Change in components of working capital	(154.7)	(159.5)
	-----	-----
Cash provided by operating activities	134.1	174.9
Cash flows from investing activities:		
Additions to property, plant, and equipment	(261.4)	(242.4)
Acquisitions, net of cash acquired	(14.6)	(3,523.1)
Net cash proceeds from divestitures	311.7	37.7
	-----	-----
Cash provided by (utilized in) investing activities	35.7	(3,727.8)
Cash flows from financing activities:		
Additions to long-term debt	259.1	5,154.0
Repayments of long-term debt	(415.0)	(2,561.5)
Increase in short-term loans	1.0	52.5
Payment of convertible preferred stock dividends	(10.7)	
Issuance of common stock	2.3	639.7
Issuance of convertible preferred stock		439.6
Payment of finance fees and debt retirement costs		(61.5)
	-----	-----
Cash provided by (utilized in) financing activities	(163.3)	3,662.8
Effect of exchange rate fluctuations on cash	(7.1)	(5.6)
	-----	-----
Increase (decrease) in cash	(.6)	104.3
Cash at beginning of period	271.4	218.2
	-----	-----
Cash at end of period	\$ 270.8	\$ 322.5
	=====	=====

See accompanying notes.

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

1. Earnings Per Share

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

	Three months ended June 30,	
	1999	1998

Numerator:		
Earnings before extraordinary items	\$110.9	\$115.0
Preferred stock dividends:		
Convertible	(5.4)	(2.4)
Exchangeable	(.2)	(.3)
	(5.6)	(2.7)

Numerator for basic earnings per share - income available to common share owners	105.3	112.3
Effect of dilutive securities - preferred stock dividends	5.6	2.7

Numerator for diluted earnings per share - income available to common share owners after assumed exchanges of preferred stock for common stock	\$110.9	\$115.0
=====		
Denominator:		
Denominator for basic earnings per share - weighted average shares outstanding	155,872,886	148,278,037
Effect of dilutive securities:		
Stock options and other	866,715	1,147,374
Exchangeable preferred stock	646,778	646,958
Convertible preferred stock	8,589,355	3,869,929
	10,102,848	5,664,261

Denominator for diluted earnings per share - adjusted weighted average shares and assumed exchanges of preferred stock for common stock	165,975,734	153,942,298
=====		
Basic earnings per share	\$0.68	\$0.76
=====		
Diluted earnings per share	\$0.67	\$0.75
=====		

Options to purchase 2,924,956 weighted average shares of common stock which were outstanding during the three months ended June 30, 1999 were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

	Six months ended June 30,	
	1999	1998

Numerator:		
Earnings before extraordinary items	\$180.2	\$195.4
Preferred stock dividends:		
Convertible	(10.7)	(2.4)
Exchangeable	(.5)	(.7)
	(11.2)	(3.1)

Numerator for basic earnings per share - income available to common share owners	169.0	192.3
Effect of dilutive securities - preferred stock dividends	.5	3.1

Numerator for diluted earnings per share - income available to common share owners after assumed exchanges of preferred stock for common stock	\$169.5	\$195.4
=====		
Denominator:		
Denominator for basic earnings per share - weighted average shares outstanding	155,742,442	144,470,231
Effect of dilutive securities:		
Stock options and other	754,385	1,114,612
Exchangeable preferred stock	751,961	674,954
Convertible preferred stock		1,934,965
	1,506,346	3,724,531

Denominator for diluted earnings per share - adjusted weighted average shares and assumed exchanges of preferred stock for common stock	157,248,788	148,194,762
=====		
Basic earnings per share	\$1.09	\$1.33
=====		
Diluted earnings per share	\$1.08	\$1.32
=====		

The Convertible preferred stock was not included in the computation of six months ended June 30, 1999 diluted earnings per share since the result would have been antidilutive. Options to purchase 2,929,152 weighted average shares of common stock which were outstanding during the six months ended June 30, 1999 were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

2. Inventories

Major classes of inventory are as follows:

	June 30, 1999	Dec. 31, 1998	June 30, 1998
	-----	-----	-----
Finished goods	\$634.7	\$608.9	\$591.9
Work in process	29.7	35.0	35.7
Raw materials	122.9	123.6	119.4
Operating supplies	74.2	70.6	68.6
	-----	-----	-----
	\$861.5	\$838.1	\$815.6
	=====	=====	=====

3. Long-Term Debt

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

	June 30, 1999	Dec. 31, 1998	June 30, 1998
Bank Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	\$2,257.1	\$2,207.0	\$1,820.0
Offshore Loans:			
1.39 billion (1.39 billion at December 31, 1998 and June 30, 1998) Australian dollars	905.9	874.0	902.7
235 million (333 million at December 31, 1998 and June 30, 1998) British pounds	380.3	549.8	556.1
111 billion (129 billion and 194 billion at December 31, 1998 and June 30, 1998, respectively) Italian lira	59.9	77.0	110.6
Bid Rate Loans	15.0		60.0
Term Loan			342.0
Senior Notes:			
7.85%, due 2004	300.0	300.0	300.0
7.15%, due 2005	350.0	350.0	350.0
8.10%, due 2007	300.0	300.0	300.0
7.35%, due 2008	250.0	250.0	250.0
Senior Debentures:			
7.50%, due 2010	250.0	250.0	250.0
7.80%, due 2018	250.0	250.0	250.0
Other	270.3	350.6	285.2
	5,588.5	5,758.4	5,776.6
Less amounts due within one year	71.1	91.2	82.5
	\$5,517.4	\$5,667.2	\$5,694.1

In April 1998, the Company entered into the Second Amended and Restated Credit Agreement (the "Bank Credit Agreement" or "Agreement") with a group of banks which expires on December 31, 2001. The Agreement provides for a \$4.5 billion revolving credit facility (the "Revolving Credit Facility"), which includes a \$1.75 billion fronted offshore loan revolving facility (the "Offshore Facility") denominated in certain foreign currencies, subject to certain sublimits, available to certain of the Company's foreign subsidiaries. The Agreement includes an Overdraft Account facility providing for aggregate borrowings up to \$100 million which reduce the amount available for borrowing under the Revolving Credit Facility. In addition, the terms of the Bank Credit Agreement permit the Company to request Bid Rate Loans from banks participating in the Agreement. Borrowings outstanding under Bid Rate Loans are limited to \$750 million and reduce the amount available for borrowing under the Revolving Credit Facility. The Agreement also provides for the issuance of letters of credit totaling up to \$500 million, which also reduce

the amount available for borrowing under the Revolving Credit Facility. At June 30, 1999, the Company had unused credit of \$831.4 million available under the Bank Credit Agreement.

Borrowings under the Revolving Loans commitment bear interest, at the Company's option, at the prime rate or a reserve adjusted Eurodollar rate. Loans under the Offshore Facility bear interest, at the applicable borrower's option, at the applicable Offshore Base Rate (as defined in the Bank Credit Agreement). Borrowings under the Revolving Credit Facility also bear a margin linked to the Company's Consolidated Leverage Ratio, as defined in the Agreement. The margin is currently .500% and is limited to a range of .275% to 1.000%. 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 Revolving Loans commitment at June 30, 1999, was 5.57%. The weighted average interest rate on borrowings outstanding under the Offshore Facility at June 30, 1999, was 5.43%. While no compensating balances are required by the Agreement, the Company must pay a facility fee on the Revolving Credit Facility commitments. The facility fee, currently .250%, is limited to a range of .125% and .500%, based on the Company's Consolidated Leverage Ratio.

Borrowings outstanding under the Bank Credit Agreement are unsecured. All of the obligations of the Company's foreign subsidiaries under the Offshore Facility are guaranteed by the Company. The Company's Senior Notes and Senior Debentures rank pari passu with the obligations of the Company under the Bank Credit Agreement. The Bank Credit Agreement, Senior Notes, and Senior Debentures are senior in right of payment to all existing and future subordinated debt of the Company.

Under the terms of the Bank Credit Agreement, dividend payments with respect to the Company's Preferred or Common Stock and payments for redemption of shares of its Common Stock are subject to certain limitations. The Agreement also requires, among other things, the maintenance of certain financial ratios, and restricts the creation of liens and certain types of business activities and investments.

4. Cash Flow Information

Interest paid in cash aggregated \$180.7 million and \$149.6 million for the six months ended June 30, 1999 and June 30, 1998, respectively. Income taxes paid in cash totaled \$22.9 million and \$19.4 million for the six months ended June 30, 1999 and June 30, 1998, respectively. In connection with the sale of Rockware described in Note 6, the Company received notes of approximately \$135 million.

5. Comprehensive Income

The Company's components of comprehensive income are net earnings and foreign currency translation adjustments. Total comprehensive income for the three month periods ended June 30, 1999 and 1998 amounted to \$113.4 million and \$101.2 million, respectively. Total comprehensive income for the six month periods ended June 30, 1999 and 1998 amounted to \$55.6 million and \$134.4 million, respectively.

6. Acquisition of Worldwide Packaging Businesses of BTR plc and Net Assets Held for Sale

On April 30, 1998, the Company completed the acquisition of the worldwide glass and plastics packaging businesses of BTR plc ("BTR Packaging") in an all cash transaction valued at approximately \$3.6 billion (the "Acquisition"). The Acquisition is being accounted for under the purchase method of accounting. The total purchase cost of approximately \$3.6 billion will be allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values. 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 Sheets is preliminary.

In connection with the Acquisition, the Company committed to sell BTR's United Kingdom glass container manufacturer ("Rockware") obtained in the transaction. Early in the second quarter of 1999, the Company completed the sale of Rockware to a subsidiary of Ardagh plc, the Irish glass container manufacturer based in Dublin, Ireland, for total consideration of 240 million pounds sterling (approximately \$390 million). The accompanying Condensed Consolidated Results of Operations exclude Rockware and related financing costs. The carrying value was based upon estimated future cash flows associated with the assets. Proceeds from the sale of Rockware were used for the reduction of debt and for general corporate purposes.

7. Pro Forma Information - Acquisition of BTR Packaging

Had the acquisition of BTR Packaging described in Note 6 and the related financing occurred on January 1, 1998, unaudited pro forma consolidated net sales, net earnings, and net earnings per share of common stock would have been as follows:

	Six Months ended June 30, 1998			
	As Reported	BTR Packaging Adjusted	Financing Adjustments	Pro Forma As Adjusted
Net Sales	\$2,483.5 =====	\$384.1		\$2,867.6 =====
Net Earnings	\$195.4 =====	\$31.9	\$(33.2)	\$194.1 =====
Basic net earnings per share of common stock	\$1.33 =====			\$1.18 =====
Basic weighted average shares outstanding (thousands)	144,470			155,190
Diluted net earnings per share of common stock	\$1.32 =====			\$1.17 =====
Diluted weighted average shares outstanding (thousands)	148,195			156,980

Shares of common stock issuable upon conversion of the Convertible preferred stock in the pro forma period were not included in the computation of pro forma diluted earnings per share because the effect would have been antidilutive.

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

8. Extraordinary Charges from Early Extinguishment of Debt

During the second quarter of 1998, the Company used proceeds from the May 1998 sale of shares of common stock, convertible preferred stock, and the issuance of debt for the early retirement of debt incurred in connection with the Acquisition. As a result, the Company recorded extraordinary charges for the write-off of unamortized deferred finance fees totaling \$22.8 million, net of applicable income taxes of \$8.7 million.

9. 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 approximately \$40 million of a high-temperature, clay-based insulating material containing asbestos. 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 June 30, 1999, the Company estimates that it is a named defendant in asbestos claims involving approximately 18,000 plaintiffs and claimants.

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

In 1984, the Company initiated 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). Beginning in December 1994 and continuing intermittently for approximately one year thereafter, the Company entered into settlements for approximately \$240 million of its coverage claim against OIL to the extent of reinsurance provided to OIL by the settling reinsurance companies. Following such settlements, a settlement agreement (the "OIL Settlement") was reached with OIL. The OIL Settlement 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 approving the OIL Settlement, and specifically finding that it was a good faith settlement which was fair and reasonable as to OIL and all of OIL's non-settling reinsurers.

In November 1995, 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 (Employer's Mutual v. 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 non-settling 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. Since the date of the OIL Settlement, 27 previously non-settling reinsurers have made the payments called for under the OIL Settlement or otherwise settled their obligations thereunder. Other non-settling solvent reinsurers, all of which are parties to the Employers Mutual case described above, have not, however, made the payments called for under the OIL Settlement.

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 \$314.5 million. Of the total amount confirmed to date, \$297.8 million had been received through June 30, 1999; and the balance of approximately \$16.7 million will be received throughout 1999 and the next several years. The remainder of the insurance asset of approximately \$195.5 million relates principally to the reinsurers who have not yet paid, and continue to contest, their reinsurance obligations under the OIL Settlement.

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 and based on advice of counsel, McCarter & English L.L.P., that it is probable substantial additional payments will be received to cover the Company's asbestos-related claim losses.

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, in 1993, the Company established a liability of \$975 million to cover what it then estimated would be the total indemnity payments and legal fees associated with the resolution of then outstanding and all expected future asbestos lawsuits and claims. As part of its continual monitoring of asbestos-related matters, the Company in 1998 conducted a comprehensive review to determine if adjustments of asbestos-related assets or liabilities were appropriate. As a result of that review, the Company established an additional liability of \$250 million to cover what it now estimates will be the total indemnity payments and legal fees associated with the resolution of outstanding asbestos personal injury lawsuits and claims and asbestos personal injury lawsuits and claims filed during the succeeding five years, after which any remaining liability is not expected to be material in relation to the Company's Consolidated Financial Statements.

Based on all the factors and matters relating to the Company's asbestos-related litigation and claims, the Company presently 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 the charges for asbestos-related costs previously recorded.

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.

10. Segment Information

The Company operates in the rigid packaging industry. The Company has two reportable product segments within the rigid packaging industry: (1) Glass Containers and (2) Plastics Packaging. The Plastics Packaging segment consists of three business units -- plastic containers, closure and specialty products, and prescription products. The Other segment consists primarily of the Company's labels and carriers products business unit.

The Company evaluates performance and allocates resources based on earnings before interest income, interest expense, provision for income taxes, minority share owners' interests in earnings of subsidiaries, extraordinary charges, (collectively "EBIT") and unusual items. EBIT for product segments includes an allocation of corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided.

Financial information for the three month periods ended June 30, 1999 and 1998 regarding the Company's product segments is as follows:

	Glass Containers	Plastics Packaging	Other	Total Product Segments	Elimina- tions and Other Retained	Consoli- dated Totals

Net sales:						
June 30, 1999	\$962.2	\$441.3	\$19.6	\$1,423.1		\$1,423.1
June 30, 1998	976.7	385.2	23.1	1,385.0		1,385.0
=====						
EBIT, excluding unusual items:						
June 30, 1999	\$171.5	\$ 86.4	\$ 2.0	\$ 259.9	\$4.7	\$ 264.6
June 30, 1998	193.3	75.0	5.0	273.3	1.7	275.0
=====						
Unusual items:						
June 30, 1999:						
Gains related to the sales of two manufacturing facilities	\$ 40.8			\$ 40.8		\$ 40.8
Charges related principally to restructuring costs and write-offs of certain assets in Europe and South America	(20.8)			(20.8)		(20.8)
=====						

The reconciliation of EBIT to consolidated totals for the three month periods ended June 30, 1999 and 1998 is as follows:

	June 30, 1999	June 30, 1998

EBIT:		
EBIT, excluding unusual items for reportable segments	\$259.9	\$273.3
Unusual items excluded from reportable segment information	20.0	
Eliminations and other retained	4.7	1.7
Net interest expense	(96.1)	(90.5)

Earnings before income taxes, minority share owners' interests in earnings of subsidiaries, and extraordinary items	\$188.5	\$184.5
=====		

Financial information for the six month periods ended June 30, 1999 and 1998 regarding the Company's product segments is as follows:

	Glass Containers	Plastics Packaging	Other	Total Product Segments	Elimina- tions and Other Retained	Consoli- dated Totals
Net sales:						
June 30, 1999	\$1,835.3	\$856.6	\$38.2	\$2,730.1		\$2,730.1
June 30, 1998	1,789.1	647.8	46.6	2,483.5		2,483.5
EBIT, excluding unusual items:						
June 30, 1999	\$ 311.8	\$166.1	\$ 3.7	\$ 481.6	\$1.6	\$ 483.2
June 30, 1998	317.1	120.8	8.1	446.0	3.2	449.2
Unusual items:						
June 30, 1999:						
Gains related to the sales of two manufacturing facilities						
	\$ 40.8			\$ 40.8		\$ 40.8
Charges related principally to restructuring costs and write-offs of certain assets in Europe and South America						
	(20.8)			(20.8)		(20.8)
June 30, 1998:						
Gain on termination of license agreement						
			\$18.5	18.5		18.5
Charges for restructuring costs at certain international affiliates						
	(7.8)			(7.8)		(7.8)
Settlement of certain environmental litigation						
					\$(8.5)	(8.5)

The reconciliation of EBIT to consolidated totals for the six month periods ended June 30, 1999 and 1998 is as follows:

	June 30, 1999	June 30, 1998
EBIT:		
EBIT, excluding unusual items for reportable segments	\$481.6	\$446.0
Unusual items excluded from reportable segment information	20.0	10.7
Eliminations and other retained, excluding unusual items	1.6	3.2
Unusual items excluded from eliminations and other retained		(8.5)
Net interest expense	(195.5)	(149.8)
Earnings before income taxes, minority share owners' interests in earnings of subsidiaries, and extraordinary items	\$307.7	\$301.6

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

Results of Operations - Second Quarter 1999 compared with Second Quarter 1998

The Company recorded earnings before extraordinary items of \$110.9 million for the second quarter of 1999 compared to \$115.0 million for the second quarter of 1998, a decrease of \$4.1 million, or 3.6%. Excluding the effects of the 1999 unusual items discussed below, the Company's second quarter 1999 earnings before extraordinary items of \$101.3 million decreased \$13.7 million, or 11.9%, from 1998 second quarter earnings before extraordinary items of \$115.0 million. The second quarters of 1999 and 1998 include amounts relating to the April 30, 1998 acquisition of the worldwide glass and plastics packaging businesses of BTR plc. Consolidated EBIT for the second quarter of 1999, excluding unusual items, was \$264.6 million, a decrease of \$10.4 million, or 3.8%, compared to second quarter of 1998 EBIT of \$275.0 million. The decrease is attributable to lower EBIT for the Glass Containers segment. The decrease in minority share owners' interests in earnings of subsidiaries resulted from lower net earnings of certain foreign affiliates, principally the affiliate located in Colombia. Net earnings of \$100.9 million for the second quarter of 1998 reflect \$14.1 million of extraordinary charges from the early extinguishment of debt.

Capsule segment results (in millions of dollars) for the second quarter of 1999 and 1998 were as follows:

	Net sales (Unaffiliated customers)		EBIT (a)	
	1999	1998	1999	1998
Glass Containers	\$ 962.2	\$ 976.7	\$ 191.5(b)	\$ 193.3
Plastics Packaging	441.3	385.2	86.4	75.0
Other	19.6	23.1	2.0	5.0
Segment totals	1,423.1	1,385.0	279.9	273.3
Eliminations and other retained costs			4.7	1.7
Consolidated totals	\$1,423.1	\$1,385.0	\$ 284.6	\$ 275.0

(a) EBIT consists of consolidated earnings before interest income, interest expense, provision for income taxes, minority share owners' interests in earnings of subsidiaries, and extraordinary items.

(b) EBIT for 1999 includes: (1) gains totaling \$40.8 million related to the sales of a U.S. glass container plant and a mold manufacturing business in Colombia, and (2) charges totaling \$20.8 million related principally to restructuring costs and write-offs of certain assets in Europe and South America.

Consolidated net sales for the second quarter of 1999 increased \$38.1 million, or 2.8%, over the prior year. Net sales of the Glass Containers segment decreased \$14.5 million, or 1.5%, from 1998. The combined U.S. dollar sales of the segment's foreign affiliates decreased over the prior year. Contributions of the Asia Pacific glass container businesses acquired from BTR on April 30, 1998 (an increase of approximately \$50 million from second quarter 1998 to second quarter 1999) were more than offset by weak economic conditions in markets served by the Company's operations in Latin America and Europe. The effect of foreign currency movements reduced the second quarter 1999 U.S. dollar sales of the segment's foreign affiliates by approximately \$30 million in comparison to second quarter 1998. Domestically, sales from increased shipments of containers for beer producers partially offset lower shipments of certain food containers and the adverse year to year comparative effects resulting from the April 1, 1999 sale of a specialized glass manufacturing facility. Net sales of the Plastics Packaging segment increased \$56.1 million, or 14.6%, over 1998, reflecting the plastics businesses acquired on April 30, 1998 from BTR (an increase of approximately \$48 million from second quarter 1998 to second quarter 1999), and increased unit shipments of closures and health care and personal care containers, partially offset by the effects of lower resin costs on pass-through arrangements with customers.

Excluding the effect of the 1999 unusual items, segment EBIT for 1999 decreased \$13.4 million, or 4.9%, to \$259.9 million from 1998 segment EBIT of \$273.3 million. EBIT of the Glass Containers segment, excluding the 1999 unusual items, decreased \$21.8 million to \$171.5 million, compared to \$193.3 million in 1998. EBIT of the Asia Pacific glass container businesses acquired from BTR on April 30, 1998 increased approximately \$9 million from second quarter 1998 to second quarter 1999. The contributions of the acquired businesses were more than offset by soft market conditions for most of the affiliates located in Europe and Latin America. The adverse economic conditions in Latin America and Eastern Europe and the weaker than normal conditions in other parts of Europe are continuing into the third quarter. As a result, third quarter 1999 operating results of the Company's affiliates located in these geographic areas may be below those reported in the same 1998 period. Domestically, Glass Container EBIT increased from 1998 as a result of increased shipments of beer, food and liquor containers. The EBIT of the Plastics Packaging segment increased \$11.4 million, or 15.2%, compared to 1998. Contributing to this increase were the plastics businesses acquired on April 30, 1998 from BTR (an increase of approximately \$6 million from second quarter 1998 to second quarter 1999), increased shipments of closures, and strong demand for health care and personal care containers.

The second quarter of 1999 results include the following unusual items: (1) gains totaling \$40.8 million (\$23.6 million after tax and minority share owners' interests) related to the sales of a U.S. glass container plant and a mold manufacturing business in Colombia, and (2) charges totaling \$20.8 million (\$14.0 million after tax and minority share owners' interests) related principally to restructuring costs and write-offs of certain assets in Europe and South America.

First Six Months 1999 compared with First Six Months 1998

For the first six months of 1999, the Company recorded earnings before extraordinary items of \$180.2 million compared to \$195.4 million for the first six months of 1998. Excluding the effects of unusual items for both 1999 and 1998, the Company's first six months of 1999 earnings before extraordinary items of \$170.6 million decreased \$8.4 million, or 4.7%, from 1998 first six months earnings before extraordinary items of \$179.0 million. The first six months of 1999 and 1998 includes amounts relating to the April 30, 1998 acquisition of the worldwide glass and plastics packaging businesses of BTR plc. Consolidated EBIT, excluding both the 1999 and 1998 unusual items, was \$483.2 million for the first six months of 1999, an increase of \$34.0 million, or 7.6%, compared to \$449.2 million for the same 1998 period. The increase is attributable to higher EBIT for the Plastics Packaging segment. Interest expense, net of interest income, increased \$45.7 million from the 1998 period due principally to the financings related to the acquisition of the BTR glass and plastics packaging businesses. The decrease in minority share owners' interests in earnings of subsidiaries resulted from lowated in Colombia. The Company's estimated effective tax rate for the first six months of 1999 was 38.5%. This compares with an estimated rate of 35.1% for the first six months of 1998 and the actual rate of 37.3% for the full year 1998, excluding the effects of the adjustment to Italy's net deferred income tax liabilities discussed below and other unusual items. Increased goodwill amortization resulting from the acquisition of the former BTR packaging businesses is the primary reason for the 1999 increase. Net earnings of \$181.3 million for the second quarter of 1998 reflect \$14.1 million of extraordinary charges from the early extinguishment of debt.

Capsule segment results (in millions of dollars) for the first six months of 1999 and 1998 were as follows:

	Net sales (Unaffiliated customers)		EBIT (a)	
	1999	1998	1999	1998 (c)
Glass Containers	\$1,835.3	\$1,789.1	\$ 331.8(b)	\$ 309.3
Plastics Packaging	856.6	647.8	166.1	120.8
Other	38.2	46.6	3.7	26.6
Segment totals	2,730.1	2,483.5	501.6	456.7
Eliminations and other retained costs			1.6	(5.3)
Consolidated totals	\$2,730.1	\$2,483.5	\$ 503.2	\$ 451.4

(a) EBIT consists of consolidated earnings before interest income, interest expense, provision for income taxes, minority share owners' interests in earnings of subsidiaries, and extraordinary items.

- (b) EBIT for 1999 includes: (1) gains totaling \$40.8 million related to the sales of a U.S. glass container plant and a mold manufacturing business in Colombia, and (2) charges totaling \$20.8 million related principally to restructuring costs and write-offs of certain assets in Europe and South America. These items were recorded in the second quarter of 1999.
- (c) EBIT for 1998 includes: (1) a gain of \$18.5 million related to the termination of a licensing agreement, net of charges for related equipment writeoffs and capacity adjustments, and (2) charges totaling \$16.3 million for the settlement of certain environmental litigation and severance costs at certain international affiliates. These items increased (decreased) EBIT as follows: Glass Containers, \$(7.8) million; Other, \$18.5 million; and Eliminations and other retained, \$(8.5) million. These items were recorded in the first quarter of 1998.

Consolidated net sales for the first six months of 1999 increased \$246.6 million, or 9.9%, over the prior year. Net sales of the Glass Containers segment increased \$46.2 million, or 2.6%, over 1998. The combined U.S. dollar sales of the segment's foreign affiliates increased over the prior year, reflecting the Asia Pacific glass container businesses acquired from BTR on April 30, 1998 (an increase of approximately \$185 million from first six months 1998 to first six months 1999). This increase was partially offset by weak economic conditions in markets served by the Company's operations in Latin America and Europe. The effect of foreign currency movements reduced the first six months of 1999 U.S. dollar sales of the segment's foreign affiliates by approximately \$55 million in comparison to the first six months of 1998. Domestically, increased glass container units shipments of containers for the beer industry partially offset the adverse year to year comparative effects of the April 1, 1999 sale of a specialized glass manufacturing facility and lower shipments of food containers. Net sales of the Plastics Packaging segment increased \$208.8 million, or 32.2%, over 1998, reflecting the plastics businesses acquired on April 30, 1998 from BTR (an increase of approximately \$190 million from first six months 1998 to first six months 1999), and increased unit shipments of closures and prescription containers, partially offset by the effects of lower resin costs on pass-through arrangements with customers.

Segment EBIT for the first six months of 1999, excluding the 1999 and 1998 unusual items, increased \$35.6 million, or 8.0%, to \$481.6 million from first six months 1998 segment EBIT of \$446.0 million. EBIT of the Glass Containers segment, excluding the 1999 and 1998 unusual items, decreased \$5.3 million to \$311.8 million, compared to \$317.1 million in the first six months of 1998. EBIT of the Asia Pacific glass container businesses acquired from BTR on April 30, 1998 increased approximately \$44 million from first six months of 1998 to first six months of 1999. The contributions of the acquired businesses were more than offset by soft market conditions for most of the affiliates located in Europe and Latin America. The adverse economic conditions in Latin America and Eastern Europe and the weaker than normal conditions in other parts of Europe are continuing into the third quarter. Domestically, Glass Container EBIT increased from the first six months of 1998 as a result of increased unit shipments and an improved cost structure. The EBIT of the Plastics Packaging segment increased \$45.3 million, or 37.5%, compared to the first six months of

1998. Contributing to this increase were the plastics businesses acquired on April 30, 1998 from BTR (an increase of approximately \$28 million from first six months 1998 to first six months 1999), increased shipments of closures for beverage and health care products, and strong demand for prescription packaging, including the new 1-Clic(TM) prescription vial. The Other segment EBIT comparison to prior year, excluding the 1998 unusual item, was adversely affected by the end of the first quarter 1998 termination of a license agreement under which the Company had produced plastic multipack carriers for beverage cans, and lower shipments of labels.

The first six months of 1998 results include the following unusual items: (1) a tax benefit of \$15.1 million to adjust net deferred income tax liabilities as a result of a reduction in Italy's statutory income tax rate; (2) a gain of \$18.5 million (\$11.4 million aftertax) related to the termination of a license agreement, net of charges for related equipment writeoffs and capacity adjustments, under which the Company had produced plastic multipack carriers for beverage cans; and (3) charges of \$16.3 million (\$10.1 million aftertax) for the settlement of certain environmental litigation and severance costs at certain international affiliates.

Capital Resources and Liquidity

The Company's total debt at June 30, 1999 was \$5.74 billion, compared to \$5.92 billion at December 31, 1998 and \$5.93 billion at June 30, 1998.

At June 30, 1999, the Company had available credit totaling \$4.5 billion under its agreement with a group of banks ("Bank Credit Agreement") expiring in December 2001, of which \$831.4 million had not been utilized. At December 31, 1998, the Company had \$731.0 million of credit which had not been utilized under the Bank Credit Agreement. Cash provided by operating activities was \$134.1 million for the first six months of 1999 compared to \$174.9 million for the first six months of 1998.

The Company anticipates that cash flow from its operations and from utilization of credit available through December 2001 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 claims, and also based on the Company's expected operating cash flow, the Company believes that the payment of any deferred amounts of previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company's liquidity on a short-term or long-term basis.

In May 1999, the Company announced that its Board of Directors authorized management to repurchase up to 10 million shares of the Company's common stock. The Company did not repurchase any of its shares during the second quarter of 1999, but does intend to repurchase stock from time to time on the open market depending on market conditions and other considerations. The

Company believes that cash flows from its operations and from utilization of credit available under the Bank Credit Agreement will be sufficient to fund such repurchases in addition to the obligations mentioned in the previous paragraph.

Year 2000

General

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The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations or a temporary inability to engage in normal business activities. The Company uses a significant number of computer software programs and operating systems across its entire organization, including applications used in financial business systems, manufacturing, and various administrative functions. To the extent that the Company's software applications contain source code that is unable to appropriately interpret the upcoming calendar year 2000 and beyond, modification, replacement, or retirement of such applications will be necessary. The Company has determined that it will be required to modify or replace portions of its software and hardware so that the affected systems will properly utilize dates beyond December 31, 1999.

Project

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The Company has undertaken a Year 2000 Project (the "Project") to identify and mitigate Year 2000 compliance issues in its critical information technology ("IT") and non-IT systems. Such systems include manufacturing information systems, process control and embedded systems, business applications, and information technology infrastructure. The general phases of the Project are: (1) inventorying/identification of Year 2000 items and issues; (2) assessment and solution definition; (3) remediation/conversion of Year 2000 items and issues identified; (4) acceptance testing; and (5) implementation. The results of the assessment and solution definition phase to date has indicated that certain of the Company's significant systems are not Year 2000 compliant. The results have also indicated that certain software and hardware (embedded chips) used in building and machine maintenance, production, and manufacturing systems also are at risk.

The Company has completed the inventorying/identification and the assessment and solution definition phases of the Project. Activities involving the phases of remediation/conversion and acceptance testing are nearing completion, while the implementation phase is ongoing and will continue into the second half of calendar year 1999. The Company expects to have its critical IT and non-IT systems Year 2000 compliant by October 1999.

The Company relies on numerous third-party vendors and suppliers for a wide variety of goods and services, including raw materials, transportation, and utilities such as electricity and natural gas. The Project includes identify-

ing and prioritizing critical suppliers and customers and communicating with them about their plans and progress in addressing Year 2000 compliance issues. Information requests have been distributed and replies are being evaluated. The replies received to date indicate that most suppliers, vendors and customers will not provide any assurance that they will be Year 2000 compliant. The process of evaluating the Company's critical suppliers is ongoing and scheduled for completion by September 1999. The Company cannot be certain when or if suppliers and customers will be Year 2000 compliant. Although it is not presently expected, the inability of customers and suppliers to complete their Year 2000 compliance efforts in a timely fashion could materially impact the Company.

Costs

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The Company is utilizing both internal and external resources to reprogram or replace, test, and implement the software and equipment for Year 2000 modifications. The total cost associated with the Project, including certain previously scheduled replacements of software and equipment which have been accelerated due to Year 2000 issues, is estimated to be approximately \$75 million and is being funded through operating cash flows. The majority of these costs are attributable to the purchase of new software and operating equipment, and will therefore, be capitalized. To date, the Company has incurred approximately \$45 million related to all phases of the Project.

Risks

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The Project undertaken by the Company is expected to significantly reduce the Company's level of uncertainty about Year 2000 compliance issues. As previously noted, the Company has not yet completed all necessary phases of the Project. The failure to correct a Year 2000 compliance issue could result in an interruption in, or a failure of, certain normal business activities or operations. Although it is not presently expected, such failures could materially and adversely affect the Company's results of operations, liquidity, and financial condition. Due to the general uncertainty inherent in Year 2000 compliance issues, resulting in part from the uncertainty of Year 2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time the consequences of Year 2000 failures on the Company's results of operations, liquidity, or financial condition.

Contingency Plans

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The Company is developing contingency plans for certain of its applications. Those contingency plans involve, among other actions, manual workarounds, increasing inventories, adjusting staffing strategies, and planned shutdowns of non-critical equipment prior to January 1, 2000. Actions related to the development of contingency plans have not been completed as the necessity of such contingency plans depend upon the progress of Year 2000 compliance efforts.

The foregoing statements as to costs and dates relating to the Project are forward looking and are made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. They are based on the Company's best estimates which may be updated as additional information becomes available. The Company's forward looking statements are also based on assumptions about many important factors, including the availability of certain resources, the technical skills of employees and independent contractors, the representations and preparedness of third parties, the ability of vendors and suppliers to deliver goods or perform services required by the Company and the collateral effects of Year 2000 compliance issues on the Company's business partners and customers. While the Company believes its assumptions are reasonable, it cautions that it is impossible to predict the impact of certain factors that could cause actual costs or timetables to differ materially from the expected results. No assurance can be given that these estimates will be achieved, or that there will not be a delay in, or increased costs associated with, the Project.

Introduction of Euro Currency

On January 1, 1999, a new currency called the "euro" was introduced in eleven of the fifteen Economic and Monetary Union ("EMU") countries. The Company has affiliates located in the following countries which participated in the euro introduction: Finland, Italy, the Netherlands, and Spain. In addition, the Company transacts business in other countries in which the euro has been introduced. The Company has initiated an assessment of the potential impact that the euro introduction will have on its information systems, financial reporting, banking facilities, purchases and the sale of its products. Based upon the assessment to date, the Company does not believe the conversion to the euro and the cost of implementing required system changes will be material to the Company's consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

The Bank Credit Agreement provides, among other things, a \$1.75 billion offshore revolving loan facility which is available to certain of the Company's foreign subsidiaries and denominated in certain foreign currencies. For further information about the facility and related foreign currency loan amounts outstanding, see Note 3 to the financial statements.

Cautionary Statement Concerning Forward-Looking Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations may contain forward looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. Forward looking statements are necessarily projections which are subject to change upon the occurrence of events that may affect the business. In addition, acquisitions involve a number of risks that can cause actual results to be materially different from expected results.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

(a) Contingencies. Note 9 to the Condensed Consolidated Financial Statements, "Contingencies," that is included in Part I of this Report, is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Owens-Illinois' share owners was held on May 12, 1999. Each of the three nominees for a three-year term on the Company's Board of Directors was elected by vote of the share owners as follows:

Name	For	Withheld	Abstention	Broker Non-Votes
Edward A. Gilhuly	141,383,535	2,242,161	1,930,853	-
Robert J. Lanigan	134,446,948	9,178,748	1,930,853	-
John J. McMackin, Jr.	141,688,549	1,937,147	1,930,853	-

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

(a) Exhibits:

- Exhibit 10.1 Amended and Restated 1997 Equity Participation Plan of Owens-Illinois, Inc.
- Exhibit 10.2 Form of Restricted Stock Agreement for use under the Amended and Restated 1997 Equity Participation Plan of Owens-Illinois, Inc.
- Exhibit 10.3 Form of Phantom Stock Agreement for use under the Amended and Restated 1997 Equity Participation Plan of Owens-Illinois, Inc.
- Exhibit 12 Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- Exhibit 23 Consent of McCarter & English, LLP.
- Exhibit 27 Financial Data Schedule.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Registrant during the second quarter of 1999.

SIGNATURES

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

OWENS-ILLINOIS, INC.

Date August 13, 1999

By /s/ David G. Van Hooser

David G. Van Hooser, Senior Vice President and
Chief Financial Officer (Principal Financial
Officer)

INDEX TO EXHIBITS

Exhibits

10.1	Amended and Restated 1997 Equity Participation Plan of Owens-Illinois, Inc.
10.2	Form of Restricted Stock Agreement for use under the Amended and Restated 1997 Equity Participation Plan of Owens-Illinois, Inc.
10.3	Form of Phantom Stock Agreement for use under the Amended and Restated 1997 Equity Participation Plan of Owens-Illinois, Inc.
12	Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends
23	Consent of McCarter & English, LLP
27	Financial Data Schedule

AMENDED AND RESTATED
1997 EQUITY PARTICIPATION PLAN
OF
OWENS-ILLINOIS, INC.

OWENS-ILLINOIS, INC., a Delaware corporation, hereby amends and restates in its entirety the 1997 Equity Participation Plan of Owens-Illinois, Inc. (the "Plan"), which was adopted effective May 14, 1997 and amended effective December 19, 1997. The purposes of this Plan are as follows:

(1) To further the growth, development and financial success of the Company by providing additional incentives to certain of its key Employees (as defined hereunder) who have been or will be given responsibility for the management or administration of the Company's business affairs, by assisting them to become owners of capital stock of the Company and thus to benefit directly from its growth, development and financial success.

(2) To enable the Company to obtain and retain the services of the type of professional, technical and managerial employees considered essential to the long-range success of the Company by providing and offering them an opportunity to become owners of capital stock of the Company under options, including options that are intended to qualify as "incentive stock options" under Section 422 of the Code (as defined hereunder).

ARTICLE I

DEFINITIONS

Whenever the following terms are used in this Plan, they shall have the meaning specified below unless the context clearly indicates to the contrary. The masculine pronoun shall include the feminine and neuter and the singular shall include the plural, where the context so indicates.

Section 1.1 - Additional Option

"Additional Option" means an Option granted to an Optionee to purchase a number of shares of Common Stock equal to the number of shares of Common Stock tendered or relinquished by the Optionee in payment of the exercise price upon exercise of an Option and/or the number of shares of Common Stock tendered or relinquished in payment of the amount to be withheld under applicable federal, state and local income tax laws in connection with the exercise of an option as described in Article VI.

Section 1.2 - Additional Option Feature

"Additional Option Feature" means a feature of an Option that provides for the automatic grant of an Additional Option in accordance with the provisions described in Article VI.

Section 1.3 - Award

"Award" shall mean an Option, Restricted Stock or Phantom Stock Unit granted under this Plan.

Section 1.4 - Award Limit

"Award Limit" shall mean 500,000 shares of Common Stock or, as the context may require, Options to acquire 500,000 shares of Common Stock or Phantom Stock Units which, when vested, would result in the issuance of 500,000 shares of Common Stock.

Section 1.5 - Board

"Board" shall mean the Board of Directors of the Company.

Section 1.6 - Code

"Code" shall mean the Internal Revenue Code of 1986, as amended.

Section 1.7 - Committee

"Committee" shall mean the Compensation Committee of the Board, appointed as provided in Section 9.1

Section 1.8 - Common Stock

"Common Stock" shall mean the Company's common stock, \$.01 par value.

Section 1.9 - Company

"Company" shall mean Owens-Illinois, Inc. In addition, "Company" shall mean any corporation assuming, or issuing new employee stock options in substitution for, Incentive Stock Options, outstanding under the Plan, in a transaction to which Section 424(a) of the Code applies.

Section 1.10 - Director

"Director" shall mean a member of the Board.

Section 1.11 - Employee

"Employee" shall mean any employee (as defined in accordance with the regulations and revenue rulings then applicable under Section 3401(c) of the Code) of the Company, or of any corporation which is then a Parent Corporation or a Subsidiary, whether such employee is so employed at the time this Plan is adopted or becomes so employed subsequent to the adoption of this Plan.

Section 1.12 - Exchange Act

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

Section 1.13 - Fair Market Value

"Fair Market Value" of a share of the Company's stock as of a given date shall be: (i) the closing price of a share of the Company's stock on the principal exchange on which shares of the Company's stock are then trading, if any, on the day previous to such date, or, if shares were not traded on the day previous to such date, then on the next preceding trading day during which a sale occurred; or (ii) if such stock is not traded on an exchange but is quoted on NASDAQ or a successor quotation system, (1) the last sales price (if the stock is then listed as a National Market Issue under the NASD National Market System) or (2) the mean between the closing representative bid and asked prices (in all other cases) for the stock on the day previous to such date as reported by NASDAQ or such successor quotation system; or (iii) if such stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the mean between the closing bid and asked prices for the stock, on the day previous to such date, as determined in good faith by the Committee; or (iv) if the Company's stock is not publicly traded, the fair market value established by the Committee acting in good faith.

Section 1.14 - Incentive Stock Option

"Incentive Stock Option" shall mean an Option which qualifies under Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee.

Section 1.15 - Non-Qualified Option

"Non-Qualified Option" shall mean an Option which is not an Incentive Stock Option and which is designated as a Non-Qualified Option by the Committee.

Section 1.16 - Officer

"Officer" shall mean an officer of the Company, as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as such Rule may be amended in the future.

Section 1.17 - Option

"Option" shall mean an option to purchase capital stock of the Company, granted under the Plan. "Options" includes both Incentive Stock Options and Non-Qualified Options.

Section 1.18 - Optionee

"Optionee" shall mean an Employee to whom an Option or Restricted Stock, as the case may be, is granted under the Plan.

Section 1.19 - Parent Corporation

"Parent Corporation" shall mean any corporation in an unbroken chain of corporations ending with the Company if each of the corporations other than the Company then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Section 1.20 - Phantom Stock Units

"Phantom Stock Units" shall mean units of Phantom Stock awarded under Article VIII of this Plan.

Section 1.21 - Phantom Stock Agreement

"Phantom Stock Agreement" shall mean Phantom Stock Agreement as provided in Section 8.2.

Section 1.22 - Plan

"Plan" shall mean this 1997 Equity Participation Plan of Owens-Illinois, Inc.

Section 1.23 - Restricted Stock

"Restricted Stock" shall mean Common Stock awarded under Article VII of this Plan.

Section 1.24 - Restricted Stock Agreement

"Restricted Stock Agreement" shall mean Restricted Stock Agreement as provided in Section 7.2.

Section 1.25 - Rule 16b-3

"Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended in the future.

Section 1.26 - Secretary

"Secretary" shall mean the Secretary of the Company.

Section 1.27 - Section 162(m) Participant

"Section 162(m) Participant" shall mean any key Employee designated by the Committee as a key Employee whose compensation for the fiscal year in which the key Employee is so designated or a future fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

Section 1.28 - Securities Act

"Securities Act" shall mean the Securities Act of 1933, as amended.

Section 1.29 - Subsidiary

"Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. "Subsidiary" shall also mean any partnership in which the Company and/or any Subsidiary owns more than 50% of the capital or profits interests.

Section 1.30 - Termination of Employment

"Termination of Employment" shall mean the time when the employee-employer relationship between the Optionee or holder of Restricted Stock or Phantom Stock Units and the Company, a Parent Corporation or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, total disability or retirement, but excluding (i) terminations where there is a simultaneous reemployment by the Company, a Parent Corporation or a Subsidiary or (ii) except with respect to an Incentive Stock Option, terminations where the Optionee or holder of Restricted Stock or Phantom Stock Units continues a relationship (e.g., as a director or as a consultant) with the Company, a Parent Corporation or a Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all other matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for good cause, and all questions of whether particular leaves of absence constitute Terminations of Employment; provided, however, that, with respect to Incentive Stock Options, a leave of absence shall constitute a Termination of Employment if, and to the extent that, such leave of absence

interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. Notwithstanding any other provision of this Plan, the Company or any of its subsidiaries has an absolute and unrestricted right to terminate the Optionee's or holder of Restricted Stock's or Phantom Stock Units' employment at any time for any reason whatsoever, with or without cause.

Section 1.31 - Transferable Option

"Transferable Option" means a Non-Qualified Option which by its terms, as determined by the Committee and set forth in the applicable Option Agreement (or an amendment thereto), may be transferred by the Optionee, in writing and with written notice thereof to the Committee, by gift, without the receipt of any consideration, (i) to such Optionee's spouse; (ii) to any child or more remote lineal descendant of such Optionee or to the spouse of any such child or more remote lineal descendant; or (iii) to any trust, custodianship, or other similar fiduciary relationship maintained for the benefit of any one or more of such persons, but is otherwise nontransferable except by will or the applicable laws of descent and distribution.

Section 1.32 - Transferee

"Transferee" shall mean any person or entity to whom or to which an Optionee has transferred a Transferable Option.

ARTICLE II

SHARES SUBJECT TO PLAN

Section 2.1 - Shares Subject to Plan

(a) The shares of stock subject to Options, awards of Restricted Stock and issuance upon the vesting of Phantom Stock Units shall be shares of the Company's \$.01 par value Common Stock. The aggregate number of such shares which may be issued upon exercise of such Options or the vesting of Phantom Stock Units or upon any such awards of Restricted Stock shall not exceed 10,000,000. For purposes of determining the number of shares of Common Stock that may be sold under the Plan, such number shall increase by the number of shares tendered or relinquished to the Corporation (a) in connection with the exercise of an Option or (b) in payment of federal, state and local income tax withholding liabilities upon exercise of an Option or award or vesting of Restricted Stock or Phantom Stock Units.

(b) The maximum number of shares which may be subject to Awards granted under the Plan to any Employee in any calendar year shall not exceed the Award Limit.

Section 2.2 - Unexercised Options

If any Option expires or is cancelled without having been fully exercised, the number of shares subject to such Option but as to which such Option was not exercised prior to its expiration or cancellation may again be granted hereunder, subject to the limitations of Section 2.1. If any Restricted Stock is repurchased by the Company or forfeited in connection with a Termination of Employment or otherwise, the number of shares repurchased or forfeited may again be granted hereunder, subject to the limitations of Section 2.1.

Section 2.3 - Changes in Company's Shares

In the event that the outstanding shares of Common Stock of the Company 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, reclassification, or 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 Common 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 Committee shall make appropriate adjustments in the number and kind of shares for the purchase of which Options may be granted, which may be granted as Restricted Stock or which may be issued upon the vesting of Phantom Stock Units, including adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued on exercise of Options, the vesting of Phantom Stock Units and for the grants of Restricted Stock, and of the Award Limit set forth in Section 1.4.

ARTICLE III

GRANTING OF OPTIONS

Section 3.1 - Eligibility

Any key Employee of the Company or of any corporation which is then a Parent Corporation or a Subsidiary shall be eligible to be granted Options, except as provided in Section 3.2.

Section 3.2 - Qualification of Incentive Stock Options

No Incentive Stock Option shall be granted unless such Option, when granted, qualifies as an "incentive stock option" under Section 422 of the Code.

Section 3.3 - Granting of Options

(a) The Committee shall from time to time, in its absolute discretion:

(i) Determine which Employees are key Employees and select from among the key Employees (including those to whom Options have been previously granted under the Plan) such of them as in its opinion should be granted Options; and

(ii) Determine the number of shares to be subject to such Options granted to such selected key Employees, and determine whether such Options are to be Incentive Stock Options or Non-Qualified Options; and

(iii) Determine the terms and conditions of such Options, consistent with the Plan, including, but not limited to:

(A) such terms and conditions as may be required in order for such Options to qualify as performance-based compensation as described in Section 162(m)-(4)(C) of the Code if the Committee determines that such Options should so qualify; and/or

(B) such terms and conditions as may be required in order to make a Non-Qualified Option a Transferable Option.

(b) Upon the selection of a key Employee to be granted an Option, the Committee shall instruct the Secretary to issue such Option and may impose such conditions on the grant of such Option as it deems appropriate. Without limiting the generality of the preceding sentence, the Committee may, in its discretion and on such terms as it deems appropriate, require as a condition on the grant of an Option to an Employee that the Employee surrender for cancellation some or all of the unexercised Options which have been previously granted to him. An Option the grant of which is conditioned upon such surrender may have an Option price lower (or higher) than the Option price of the surrendered Option, may cover the same (or a lesser or greater) number of shares as the surrendered Option, may contain such other terms as the Committee deems appropriate and shall be exercisable in accordance with its terms, without regard to the number of shares, price, Option period or any other term or condition of the surrendered Option.

ARTICLE IV

TERMS OF OPTIONS

Section 4.1 - Option Agreement

Each Option shall be evidenced by a written Stock Option Agreement, which shall be executed by the Optionee and an authorized Officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with the Plan, including, but not limited to such terms and conditions as may be required in order for such Option to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code if the Committee determines that such Option should so qualify. Stock Option Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to qualify such Options as "incentive stock options" under Section 422 of the Code. Stock Option

Agreements evidencing Transferable Options shall contain (or may be amended to contain) such terms and conditions as may be necessary to meet the definition of a Transferable Option under Section 1.31 hereof.

Section 4.2 - Option Price

The price of the shares subject to each Option shall be set by the Committee; provided, however, that the price per share shall be not less than 100% of the Fair Market Value of such shares on the date such Option is granted; provided, further, that, in the case of an Incentive Stock Option, the price per share shall not be less than 110% of the Fair Market Value of such shares on the date such Option is granted in the case of an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company, any Subsidiary or any Parent Corporation.

Section 4.3 - Commencement of Exercisability

(a) No Option may be exercised in whole or in part during the first year after such Option is granted, except as may be provided in Sections 4.3(c) and 4.6.

(b) Subject to the provisions of Sections 4.3(a), 4.3(c), 4.3(d), 4.6 and 10.4, Options shall become exercisable at such times and in such installments (which may be cumulative) as the Committee shall provide in the terms of each individual Option; provided, however, that by a resolution adopted after an Option is granted the Committee may, on such terms and conditions as it may determine to be appropriate and subject to Sections 4.3(a), 4.3(c), 4.3(d), 4.6 and 9.4, accelerate the time at which such Option or any portion thereof may be exercised.

(c) No portion of an Option which is unexercisable at Termination of Employment shall thereafter become exercisable; provided, however, that provision may be made that such Option shall become exercisable in the event of a Termination of Employment because of the Optionee's retirement or total disability (each as determined by the Committee in accordance with Company policies) or death; and provided further, that in the event the Committee extends the right of an Optionee to exercise his or her Option pursuant to Section 4.4(a)(vii) below, the Committee may also provide that such Option shall become exercisable immediately, or in accordance with the schedule of exercisability which would be applicable to such Option but for the Optionee's Termination of Employment, or in accordance with any other schedule determined in the Committee's discretion.

(d) To the extent that the aggregate Fair Market Value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by an Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company, any Subsidiary and any Parent Corporation) exceeds \$100,000, such options shall be taxed as Non-Qualified Options. The rule set forth in the preceding sentence shall be applied by taking options into account in the order in which they were granted. For purposes of this Section 4.3(d), the Fair Market Value of

stock shall be determined as of the time the option with respect to such stock is granted.

Section 4.4 - Expiration of Options

(a) No Option may be exercised to any extent by anyone after the first to occur of the following events:

(i) In the case of an Incentive Stock Option, (A) the expiration of ten years from the date the Option was granted, or (B) in the case of an Optionee owning (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than 10% of the total combined voting power of all classes of stock of the Company, any Subsidiary or any Parent Corporation, the expiration of five years from the date the Option was granted; or

(ii) In the case of a Non-Qualified Option, the expiration of ten years and one day from the date the Option was granted; or

(iii) Except as provided in clauses (iv) through (viii) below, the date of the Optionee's Termination of Employment; or

(iv) In the case of an Optionee who is totally disabled (within the meaning of Section 22(e)(3) of the Code for purposes of an Incentive Stock Option, or otherwise as determined by the Committee in accordance with Company policies), the expiration of one year from the date of the Optionee's Termination of Employment by reason of his or her disability unless the Optionee dies within said one-year period; or

(v) In the case of an Optionee who retires after reaching the Company's normal retirement age or who takes early retirement, the expiration of three months from the date of Optionee's Termination of Employment by reason of such retirement, or in the case of any such retiring Optionee whose right to exercise his or her Option is extended by the Committee, which extension shall not exceed three years from the date of Optionee's Termination of Employment, the date upon which such extension expires; or

(vi) The expiration of one year from the date of the Optionee's death; or

(vii) In the case of an Optionee who is discharged not for good cause, the expiration of three months from the Optionee's Termination of Employment unless the Optionee dies within said three-month period; or

(viii) In the case of any Optionee whose right to exercise his or her Option is extended by the Committee, which extension shall not exceed three years from the date of Optionee's Termination of Employment, the date upon which such extension expires.

(b) Subject to the provisions of Section 4.4(a), the Committee shall provide, in the terms of each individual Option, when such Option expires and becomes unexercisable; and (without limiting the generality of the foregoing) the Committee may provide in the terms of individual Options that said Options expire immediately upon a Termination of Employment; provided, however, that provision may be made that such Option shall become exercisable in the event of a Termination of Employment because of the Optionee's retirement (as determined by the Committee in accordance with Company policies), total disability (within the meaning of Section 22(e)(3) of the Code for purposes of an Incentive Stock Option, or otherwise as determined by the Committee in accordance with Company policies) or death; and provided further, that in the event the Committee extends the right of an Optionee to exercise his or her Option pursuant to Section 4.4(a)(vii) above, the Committee may also provide that such Option shall become exercisable immediately, or in accordance with the schedule of exercisability which would be applicable to such Option but for the Optionee's Termination of Employment, or in accordance with any other schedule determined in the Committee's discretion.

Section 4.5 - Consideration

In consideration of the granting of an Option, the Optionee shall agree, in the written Stock Option Agreement, to remain in the employ of the Company, a Parent Corporation or a Subsidiary for a period of at least one year after the Option is granted. Nothing in this Plan or in any Stock Option Agreement hereunder shall confer upon any Optionee any right to continue in the employ of the Company, any Parent Corporation or any Subsidiary or shall interfere with or restrict in any way the rights of the Company, its Parent Corporations and its Subsidiaries, which are hereby expressly reserved, to discharge any Optionee at any time for any reason whatsoever, with or without cause.

Section 4.6 - Merger, Consolidation, Acquisition, Liquidation or Dissolution

Notwithstanding the provisions of Section 10.3, in its absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide by the terms of any Option that such Option cannot be exercised after the merger or consolidation of the Company with or into another corporation, the acquisition by another corporation or person (excluding any employee benefit plan of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company) of all or substantially all of the Company's assets or 51% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company; and if the Committee so provides, it may, in its absolute discretion and on such terms and conditions as it deems appropriate, also provide, either by the terms of such Option or by a resolution adopted prior to the occurrence of such merger, consolidation, acquisition, liquidation or dissolution, that, for some period of time prior to such event, such Option shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in Section 4.3(a), Section 4.3(b) and/or any installment provisions of such Option.

Section 4.7 - No Right to Continued Employment

Nothing in this Plan or in any Non-Qualified Stock Option Agreement, Phantom Stock Agreement or Restricted Stock Agreement hereunder shall confer upon any Optionee any right to continue in the employ of the Company, any Parent Corporation or any Subsidiary or shall interfere with or restrict in any way the rights of the Company, its Parent Corporations and its Subsidiaries, which are hereby expressly reserved, to terminate or discharge any Optionee at any time for any reason whatsoever, with or without cause.

ARTICLE V

EXERCISE OF OPTIONS

Section 5.1 - Persons Eligible to Exercise

During the lifetime of the Optionee, only he or his Transferee, if any, may exercise an Option (or any portion thereof) granted to him. After the death of the Optionee, any exercisable portion of an Option may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement, be exercised by his Transferee, if any, or by his personal representative or any other person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution. All of the terms and conditions of any Option in the hands of the Optionee during his lifetime shall be and remain fully applicable and binding on his Transferee, if any, and on any other person who may become eligible to exercise such Option.

Section 5.2 - Partial Exercise

At any time and from time to time prior to the time when any exercisable Option or exercisable portion thereof becomes unexercisable under the Plan or the applicable Stock Option Agreement, such Option or portion thereof may be exercised in whole or in part; provided, however, that the Company shall not be required to issue fractional shares and the Committee may, by the terms of the Option, require any partial exercise to be with respect to a specified minimum number of shares.

Section 5.3 - Manner of Exercise

An exercisable Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary or his office of all of the following prior to the time when such Option or such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement:

- (a) Notice in writing signed by the Optionee or other person then entitled to exercise such Option or portion, stating that such Option or portion is exercised, such notice complying with all applicable rules established by the Committee; and

(b) (i) Full payment (in cash or by check) for the shares with respect to which such Option or portion is thereby exercised; or

(ii) With the consent of the Committee, (A) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer to the Company, or, (B) shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, with a Fair Market Value on the date of Option exercise equal to the aggregate Option price of the shares with respect to which such Option or portion is thereby exercised; or

(iii) With the consent of the Committee, a full recourse promissory note bearing interest (at least such rate as shall then preclude the imputation of interest under the Code or any successor provision) and payable upon such terms as may be prescribed by the Committee. The Committee may also prescribe the form of such note and the security to be given for such note. No Option may, however, be exercised by delivery of a promissory note or by a loan from the Company when or where such loan or other extension of credit is prohibited by law; or

(iv) With the consent of the Committee, any combination of the consideration provided in the foregoing subsections (i), (ii) and (iii); and

(c) The payment to the Company (or other employer corporation) of all amounts which it is required to withhold under federal, state or local law in connection with the exercise of the Option; with the consent of the Committee, (i) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer, or, (ii) shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, valued at Fair Market Value as of the date of Option exercise, may be used to make all or part of such payment;

(d) Such representations and documents as the Committee, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal or state securities laws or regulations. The Committee may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer orders to transfer agents and registrars; and

(e) In the event that the Option or portion thereof shall be exercised pursuant to Section 5.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option or portion thereof.

Section 5.4 - Conditions to Issuance of Stock Certificates

The shares of stock issuable and deliverable upon the exercise of an Option, or any portion thereof, may be either previously authorized but unissued shares or issued shares which have then been reacquired by the Company. The Company shall not be required to issue or deliver any

certificate or certificates for shares of stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed; and

(b) The completion of any registration or other qualification of such shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Committee shall, in its absolute discretion, deem necessary or advisable; and

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and

(d) The payment to the Company (or other employer corporation) of all amounts which it is required to withhold under federal, state or local law in connection with the exercise of the Option; and

(e) The lapse of such reasonable period of time following the exercise of the Option as the Committee may establish from time to time for reasons of administrative convenience.

Section 5.5 - Rights as Stockholders

The holders of Options shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect to any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such holders.

Section 5.6 - Transfer Restrictions

The Committee, in its absolute discretion, may impose such restrictions on the transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such other restriction shall be set forth in the respective Stock Option Agreement and may be referred to on the certificates evidencing such shares. The Committee may require the Employee to give the Company prompt notice of any disposition of shares of stock, acquired by exercise of an Incentive Stock Option, within two years from the date of granting such Option or one year after the transfer of such shares to such Employee. The Committee may direct that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

ARTICLE VI

ADDITIONAL OPTIONS

Section 6.1 - Additional Options

(a) The Committee may, at or after the date of grant of an Option, grant Additional Options. Additional Options may be granted with respect to any outstanding Option.

(b) If, with consent of the Committee pursuant to Section 5.3(b)(ii), an Optionee exercises an Option that has an Additional Option Feature by tendering or relinquishing shares of Common Stock and/or when shares of Common Stock are tendered or relinquished in payment for the amount to be withheld under applicable federal, state and local income tax laws in connection with the exercise of an option, the Optionee shall automatically be granted an Additional Option. The Additional Option shall be subject to the following provisions:

(i) The Additional Option shall cover the number of shares of Common Stock equal to the sum of (A) the number of shares of Common Stock tendered or relinquished as consideration upon the exercise of the Option to which such Additional Option Feature relates and (B) the number of shares of Common Stock tendered or relinquished in payment of the amount to be withheld under applicable federal, state and local income tax laws in connection with the exercise of the option to which such Additional Option Feature relates;

(ii) The Additional Option will not have an Additional Option Feature unless the Committee directs otherwise;

(iii) The Additional Option exercise price shall be 100% of the Fair Market Value per share on the date the employee tenders or relinquishes shares of Common Stock to exercise the Option that has the Additional Option Feature and/or tenders or relinquishes shares of Common Stock in payment of income tax withholding on the exercise of an Option that has the Additional Option Feature; and

(iv) The Additional Option shall have the same termination date and other termination provisions as the underlying Option that had the Additional Option Feature.

ARTICLE VII

AWARDS OF RESTRICTED STOCK

Section 7.1 - Award of Restricted Stock

(a) The Committee may from time to time, in its absolute discretion:

(i) Select from among the key Employees (including Employees who have previously received Options under this Plan) such of them as in its opinion should be awarded Restricted Stock;

(ii) Determine the term of the restrictions placed on the Restricted Stock, provided, the term of such restrictions shall not be less than three (3) years, subject to the right of the Committee to grant Restricted Stock with a restriction period of less than three (3) years, but not less than one (1) year, if (A) the grant of the Restricted Stock is performance based, or (B) the total number of shares of non-performance based Restricted Stock granted under the Plan with a restriction period of less than three (3) years does not exceed five percent (5%) of the aggregate number of shares which may be issued under the Plan; and

(iii) Determine the purchase price, if any, and other terms and conditions applicable to such Restricted Stock, consistent with this Plan.

Section 7.2 - Restricted Stock Agreement

Restricted Stock shall be issued only pursuant to a written Restricted Stock Agreement, which shall be executed by the selected key Employee and an authorized officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with this Plan.

Section 7.3 - Rights as Stockholders

Upon delivery of the shares of Restricted Stock to the escrow holder pursuant to Section 7.8, the holder of Restricted Stock shall have, unless otherwise provided by the Committee, all the rights of a stockholder with respect to said shares, subject to the restrictions in his Restricted Stock Agreement, including voting rights and the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that in the discretion of the Committee, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 7.4.

Section 7.4 - Restrictions

All shares of Restricted Stock issued under this Plan (including any shares received by holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Restricted Stock Agreement, be subject to such restrictions as the Committee shall provide,

which restrictions may include, without limitation, restrictions concerning voting rights and transferability and restrictions based on duration of employment with the Company, Company performance and individual performance. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire. Unless provided otherwise by the Committee, if no consideration was paid by the holder of Restricted Stock upon issuance, a holder of Restricted Stock's rights in unvested Restricted Stock shall lapse upon Termination of Employment.

Section 7.5 - Provisions Applicable to Section 162(m) Participants

Notwithstanding anything in the Plan to the contrary, the Committee may grant any performance or incentive awards of Restricted Stock described in this Article VII to a Section 162(m) Participant that vest or become exercisable upon the attainment of performance targets for the Company which are related to one or more of the following performance goals: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) earnings before any one or more of the following items: interest, taxes, depreciation or amortization, (vi) return on equity, (vii) return on invested capital or assets and (viii) cost reductions or savings.

(b) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to performance or incentive awards described in this Article VII which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period, (iii) establish the various targets and bonus amounts which may be earned for such fiscal year or other designated fiscal period and (iv) specify the relationship between performance goals and targets and the amounts to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period. Following the completion of each fiscal year or other designated fiscal period, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period.

Section 7.6 - Repurchase of Restricted Stock

The Committee may provide in the terms of each individual Restricted Stock Agreement that the Company shall have the right to repurchase from the holder of Restricted Stock the Restricted Stock then subject to restrictions under the Restricted Stock Agreement immediately upon a Termination of Employment between the holder of Restricted Stock and the Company, at a cash price per share equal to the price paid by the holder of Restricted Stock for such Restricted Stock; provided, however, that provision may be made that no such right of repurchase shall exist in the event of a

Termination of Employment without cause, or following a change in control of the Company or because of the holder of the Restricted Stock's retirement, death or disability, or otherwise, and provided further that provisions may be made that the right of repurchase may be exercised at a price less than the price paid by the holder of Restricted Stock in the event of termination for cause, voluntary termination or otherwise.

Section 7.7 - Tax Withholding

The Company shall be entitled to require payment in cash or deduction from other compensation payable to each holder of Restricted Stock of any sums required by federal, state or local tax law to be withheld with respect to the issuance, vesting or exercise of any Restricted Stock. The Committee may in its discretion and in satisfaction of the foregoing requirement allow such holder of Restricted Stock to elect to have the Company withhold shares of Common Stock otherwise issuable under such award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld.

Section 7.8 - Escrow

The Secretary of the Company or such other escrow holder as the Committee may appoint shall retain physical custody of each certificate representing Restricted Stock until all of the restrictions imposed under the Restricted Stock Agreement with respect to the shares evidenced by such certificate expire or shall have been removed.

Section 7.9 - Legend

In order to enforce the restrictions imposed upon shares of Restricted Stock hereunder, the Committee shall cause a legend or legends to be placed on certificates representing all shares of Restricted Stock that are still subject to restrictions under Restricted Stock Agreements, which legend or legends shall make appropriate reference to the conditions imposed thereby.

ARTICLE VIII

AWARDS OF PHANTOM STOCK UNITS

Section 8.1 - Award of Phantom Stock Units

(a) The Committee may from time to time, in its absolute discretion:

(i) Select from among the key Employees (including Employees who have previously received Phantom Stock Units under this Plan) such of them as in its opinion should be awarded Phantom Stock Units;

(ii) Determine the term of the vesting period placed on the Phantom Stock Units, provided, the term of such vesting period shall not be less than three (3) years, subject to the right of the Committee to grant

Phantom Stock Units with a vesting period of less than three (3) years, but not less than one (1) year, if (A) the grant of the Phantom Stock Unit is performance based, or (B) the total number of shares represented by Phantom Stock Units, when combined with the total number of non-performance based Restricted Stock granted under the 1997 Plan with a restriction period of less than three (3) years does not exceed five percent (5%) of the aggregate number of shares which may be issued under the 1997 Plan; and

(iii) Determine the purchase price, if any, and other terms and conditions applicable to such Phantom Stock Units, consistent with this Plan.

Section 8.2 - Phantom Stock Agreement

Phantom Stock Units shall be issued only pursuant to a written Phantom Stock Agreement, which shall be executed by the selected key Employee and an authorized officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with this Plan.

Section 8.3 - Restrictions

All Phantom Stock Units issued under this Plan (including any units received by holders thereof with respect to Phantom Stock Units as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Phantom Stock Agreement, be subject to such restrictions as the Committee shall provide, which restrictions may include, without limitation, restrictions concerning vesting and transferability and restrictions based on duration of employment with the Company, Company performance and individual performance. Phantom Stock Units may not be sold or encumbered until fully vested. Unless provided otherwise by the Committee, if no consideration was paid by the holder of Phantom Stock Unit upon issuance, a holder of Phantom Stock Units' rights in unvested Phantom Stock Units shall lapse upon Termination of Employment.

Section 8.4 - Provisions Applicable to Section 162(m) Participants

(a) Notwithstanding anything in the Plan to the contrary, the Committee may grant any performance or incentive awards of Phantom Stock Units described in this Article VIII to a Section 162(m) Participant that vest or become exercisable upon the attainment of performance targets for the Company which are related to one or more of the following performance goals: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) earnings before any one or more of the following items: interest, taxes, depreciation or amortization, (vi) return on equity, (vii) return on invested capital or assets and (viii) cost reductions or savings.

(b) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to performance or incentive awards described in this Article VIII which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i)

designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period, (iii) establish the various targets and bonus amounts which may be earned for such fiscal year or other designated fiscal period and (iv) specify the relationship between performance goals and targets and the amounts to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period. Following the completion of each fiscal year or other designated fiscal period, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period.

Section 8.5 - Termination of Phantom Stock

The Committee may provide in the terms of each individual Phantom Stock Agreement that the Company shall have the right to terminate any unvested Phantom Stock Unit immediately upon a Termination of Employment between the holder of Phantom Stock Unit and the Company, at a cash price per share equal to the price paid by the holder of Phantom Stock Unit for such Phantom Stock Unit; provided, however, that provision may be made that no such right of termination shall exist in the event of a Termination of Employment without cause, or following a change in control of the Company or because of the holder of the Phantom Stock Unit's retirement, death or disability, or otherwise, and provided further that provisions may be made that the right of termination may be exercised at a price less than the price paid by the holder of Phantom Stock Unit in the event of termination for cause, voluntary termination or otherwise.

Section 8.6 - Tax Withholding

The Company shall be entitled to require payment in cash or deduction from other compensation payable to each holder of Phantom Stock Units of any sums required by federal, state or local tax law to be withheld with respect to the issuance or vesting of the Phantom Stock Units or upon the issuance of certificates of Common Stock following such vesting. The Committee may in its discretion and in satisfaction of the foregoing requirement allow such holder of Phantom Stock Units to elect to have the Company withhold shares of Common Stock otherwise issuable under such award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld.

ARTICLE IX

ADMINISTRATION

Section 9.1 - Compensation Committee

The Compensation Committee shall consist of two or more Directors, appointed by and holding office at the pleasure of the Board. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee shall be filled by the Board.

Section 9.2 - Duties and Powers of Committee

It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Options, Restricted Stock and Phantom Stock Units awarded hereunder and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. Any such interpretations and rules in regard to Incentive Stock Options shall be consistent with the basic purpose of the Plan to grant "incentive stock options" within the meaning of Section 422 of the Code. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

Section 9.3 - Majority Rule

The Committee shall act by a majority of its members in office. The Committee may act either by vote at a meeting or by a memorandum or other written instrument signed by a majority of the Committee.

Section 9.4 - Compensation; Professional Assistance; Good Faith Actions

Members of the Committee shall receive such compensation for their services as members as may be determined by the Board. All expenses and liabilities incurred by members of the Committee in connection with the administration of the Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Committee, the Company and its Officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Optionees, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Options, Restricted Stock and Phantom Stock Units awarded hereunder, and all members of the Committee shall be fully protected by the Company in respect to any such action, determination or interpretation.

ARTICLE X

OTHER PROVISIONS

Section 10.1 - Options Not Transferable

No Award or interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Optionee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that nothing in this Section 10.1 shall prevent any transfer of a Transferable Option in accordance with its terms or any transfer by will or by the applicable laws of descent and distribution.

Section 10.2 - Amendment, Suspension or Termination of the Plan

The Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee. However, without approval of the Company's stockholders given within twelve months before or after the action by the Committee, no action of the Committee may, except as provided in Section 2.3, increase any limit imposed in Section 2.1 on the maximum number of shares which may be issued on exercise of Options or the vesting of Phantom Stock Units or awarded as Restricted Stock, modify the Award Limit, materially modify the eligibility requirements of Section 3.1, 7.1 or 8.1, reduce the minimum Option price requirements of Section 4.2, extend the limit imposed in this Section 10.2 on the period during which Awards may be granted or amend or modify the Plan in a manner requiring stockholder approval under Rule 16b-3 or Section 162(m) of the Code. Neither the amendment, suspension nor termination of the Plan shall, without the consent of the holder of an Award alter or impair any rights or obligations under any Award theretofore granted. No Award may be granted during any period of suspension nor after termination of the Plan, and in no event may any Award be granted under this Plan after the first to occur of the following events:

(a) The expiration of ten years from the date the Plan is adopted by the Board; or

(b) The expiration of ten years from the date the Plan is approved by the Company's stockholders under Section 10.4.

Section 10.3 - Adjustments in Outstanding Awards

In the event that the outstanding shares of Common Stock subject to Awards are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, or 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 Common 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 Committee shall make appropriate adjustments in the number and kind of shares as to which all outstanding Awards, or portions thereof then unexercised or unvested, shall be exercisable or granted upon any Awards, to the end that after such event the Award holder's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in an outstanding Award shall be made without change in the total price applicable to the Award or the unexercised portion of an Option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices) and with any necessary corresponding adjustment in Award price per share; provided, however, that, in the case of Incentive Stock Options, each such adjustment shall be made in such manner as not to constitute a "modification" within the meaning of Section 424(h)(3) of the Code. Any such adjustment made by the Committee shall be final and binding upon all holders of Awards, the Company and all other interested persons.

Section 10.4 - Approval of Plan by Stockholders

This Plan will be submitted for the approval of the Company's stockholders within twelve months after the date of the Board's initial adoption of the Plan. Awards may be granted prior to such stockholder approval; provided, however, that such Awards shall not be exercisable prior to the time when the Plan is approved by the stockholders; provided, further, that if such approval has not been obtained at the end of said twelve-month period, all Awards previously granted under the Plan shall thereupon be cancelled and become null and void, provided that the Company will return to the holder of the cancelled Award any purchase price previously paid therefor. The Company shall take such actions with respect to the Plan as may be necessary to satisfy the requirements of Rule 16b-3(b).

Section 10.5 - Effect of Plan Upon Other Option and Compensation Plans

The adoption of this Plan shall not affect any other compensation or incentive plans in effect for the Company, any Parent Corporation or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company, any Parent Corporation or any Subsidiary (a) to establish any other forms of incentives or compensation for employees of the Company, any Parent Corporation or any Subsidiary or (b) to grant or assume options or restricted stock otherwise than under this Plan in connection with any proper corporate purpose, including, but not by way of limitation, the grant or assumption of options or restricted stock in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, firm or association.

Section 10.6 - Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

Section 10.7 - Conformity to Securities Laws

The Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation Rule 16b-3. Notwithstanding anything herein to the contrary, the Plan shall be administered, and Awards shall be granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and Awards granted hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

* * * *

I hereby certify that the 1997 Equity Participation Plan was duly adopted by the Board of Directors of Owens-Illinois, Inc. on March 27, 1997 and that the foregoing Amended and Restated 1997 Equity Participation Plan was adopted by the Compensation Committee of the Board of Directors of Owens-Illinois, Inc. on April 7, 1999.

Executed as of the 7th day of April, 1999.

/s/ James W. Baehren

Secretary

Corporate Seal

* * * *

I hereby certify that the foregoing Plan was duly approved by the stockholders of Owens-Illinois, Inc. on May 14, 1997.

Executed as of the 7th day of April, 1999.

/s/ James W. Baehren

Secretary

OWENS-ILLINOIS
1997 EQUITY PARTICIPATION PLAN
RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT, dated May 17, 1999 is made by and between Owens-Illinois, Inc., a Delaware corporation (the "Company") and _____, an employee of the Company or a Parent Corporation or a Subsidiary (the "Employee"):

WHEREAS, the Company has established the Owens-Illinois 1997 Equity Participation Plan (the "Plan"); and

WHEREAS, the Plan provides for the issuance of shares of the Company's Common Stock , subject to certain restrictions thereon and to other conditions stated herein; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has determined it would be to the advantage and best interest of the Company and its stockholders to issue the shares of Restricted Stock provided for herein to the Employee in partial consideration of services rendered, or to be rendered, to the Company and/or its subsidiaries; and

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.

DEFINITIONS

Whenever the following terms are used in this Agreement, they shall have the meaning specified below, unless the context clearly indicates to the contrary. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan. The masculine pronoun shall include the feminine and neuter and the singular the plural, where the context so indicates.

Section 1.1. Cause

"Cause" shall mean dishonesty, disloyalty, misconduct, insubordination, failure to reasonably devote working time to assigned duties, failure or refusal to comply with any reasonable rule, regulation, standard or policy which from time to time may be established by the Company, including, without limitation, those policies set forth in the Owens-Illinois Policy Manual in effect from time to time, and failure to fully cooperate with any investigation of an alleged violation of any such rule, regulation, standard or policy.

Section 1.2. Common Stock

"Common Stock" shall mean the common stock of the Company, \$.01 par value.

Section 1.3. Competing Business

"Competing Business" shall mean any person, corporation or other entity engaged in the United States of America or in any other country in which the Company manufactures or sells its products, in the manufacture or sale of glass containers, plastic containers, plastic closures, plastic prescription containers, labels, or multipack plastic carriers for beverage bottles, or any other products manufactured or sold by the Company within the last two (2) years prior to the Employee's Termination of Employment.

Section 1.4. Exchange Act

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

Section 1.5. Fair Market Value

"Fair Market Value" of a share of the Company's stock as of a given date shall be: (i) the closing price of a share of the Company's stock on the principal exchange on which shares of the Company's stock are then trading, if any, on the day previous to such date, or, if shares were not traded on the day previous to such date, then on the next preceding trading day during which a sale occurred; or (ii) if such stock is not traded on an exchange but is quoted on NASDAQ or a successor quotation system, (1) the last sales price (if the stock is then listed as a National Market Issue under the NASD National Market System) or (2) the mean between the closing representative bid and asked prices (in all other cases) for the stock on the day previous to such date as reported by NASDAQ or such successor quotation system; or (iii) if such stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the mean between the closing bid and asked prices for the stock, on the day previous to such date, as determined in good faith by the Committee; or (iv) if the Company's stock is not publicly traded, the fair market value established by the Committee acting in good faith.

Section 1.6. Parent Corporation

"Parent Corporation" shall mean any corporation in an unbroken chain of corporations ending with the Company if each of the corporations other than the Company then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Section 1.7. Plan

"Plan" shall mean the Company's 1997 Equity Participation Plan.

Section 1.8. Restrictions

"Restrictions" shall mean the reacquisition and transferability restrictions imposed upon Restricted Stock under this Agreement.

Section 1.9. Restricted Stock

"Restricted Stock" shall mean Common Stock issued under this Agreement and subject to the Restrictions imposed hereunder.

Section 1.10. Rule 16b-3

"Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

Section 1.11. Secretary

"Secretary" shall mean the Secretary of the Company.

Section 1.12. Securities Act

"Securities Act" shall mean the Securities Act of 1933, as amended.

Section 1.13. Subsidiary

"Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. "Subsidiary" shall also mean any partnership in which the Company and or any Subsidiary owns more than fifty (50%) percent of the capital or profits interests.

Section 1.14. Termination of Employment

"Termination of Employment" shall mean the time when the employee-employer relationship between the Employee and the Company, a Parent Corporation or a Subsidiary is terminated for any reason, with or without Cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding (a) terminations where there is a simultaneous reemployment or continuing employment of the Employee by the Company, a Parent Corporation or any Subsidiary, (b) terminations where the Employee continues a relationship (e.g., as a director or as a consultant) with the Company, a Parent Corporation or a Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for good cause, and all questions of whether a particular leave of absence constitutes a Termination of Employment. Notwithstanding any other provision of this Agreement, the Company or any Subsidiary has the absolute and unrestricted right to terminate the Employee's employment at any time for any reason whatsoever, with or without Cause.

ARTICLE II.

ISSUANCE OF RESTRICTED STOCK

Section 2.1. Issuance of Restricted Stock

In consideration of the services rendered or to be rendered to the Company, a Parent Corporation or a Subsidiary and for other good and valuable consideration which the Committee has determined to be equal to the par value of its Common Stock, on the date hereof the Company issues to the Employee _____ shares of its Common Stock, upon the terms and conditions set forth in this Agreement.

Section 2.2. No Right to Continued Employment

Nothing in this Agreement or in the Plan shall confer upon the Employee any right to continue in the employee of the Company, any Parent Corporation or any Subsidiary or shall interfere with or restrict in any way the rights of the Company, any Parent Corporation or any Subsidiary, which are hereby expressly reserved, to discharge the Employee at any time for any reasons whatsoever, with or without Cause.

ARTICLE III.

RESTRICTIONS

Section 3.1. Reacquisition of Restricted Stock

Until vested, all shares of Restricted Stock issued to the Employee pursuant to this Agreement are subject to reacquisition by the Company immediately upon a Termination of Employment other than from death or total disability (as determined by the Committee in accordance with Company plans and policies), in which event all shares of Restricted Stock shall immediately fully vest and all Restrictions with respect to such shares of Restricted Stock shall immediately expire. Following any reacquisition by the Company pursuant to this Section 3.1, the Company shall promptly pay to the Employee an amount equal to the product of \$.01 times the number of shares of Restricted Stock reacquired.

Section 3.2. Lapse of Restrictions.

The Restricted Stock shall fully vest, and all Restrictions thereon shall immediately expire upon the later to occur of (a) the third anniversary of this Agreement, and (b) normal retirement (as determined by the Committee in accordance with Company plans and policies), early retirement with the consent of the Chief Executive Officer of the Company (or, in the case of the Chief Executive Officer of the Company, with the consent of the Committee), or a Termination of Employment that is not initiated by, and not voluntary on the part of the Employee, other than for Cause. Upon the vesting of the shares and subject to Section 5.3, the Company shall cause new certificates to be issued with respect to such vested shares and delivered to the Employee or his legal representative, free from the legend provided for in Section 3.3 and any

of the other Restrictions. Such vested shares shall cease to be considered Restricted Stock subject to the terms and conditions of this Agreement.

Section 3.3. Legend.

Certificates representing shares of Restricted Stock issued pursuant to this Agreement shall, until all restrictions lapse and new certificates are issued pursuant to Section 3.2, bear the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING REQUIREMENTS AND MAY BE SUBJECT TO REACQUISITION BY THE COMPANY UNDER THE TERMS OF THAT CERTAIN RESTRICTED STOCK AGREEMENT BY AND BETWEEN OWENS-ILLINOIS, INC. (THE "COMPANY") AND THE HOLDER OF THE SECURITIES. PRIOR TO VESTING OF OWNERSHIP IN THE SECURITIES, THEY MAY NOT BE DIRECTLY OR INDIRECTLY, OFFERED, TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNDER ANY CIRCUMSTANCES. COPIES OF THE ABOVE REFERENCED AGREEMENT ARE ON FILE AT THE OFFICES OF THE COMPANY AT ONE SEAGATE, TOLEDO, OHIO 43604.

Section 3.4. Merger, Consolidation, Acquisition, Liquidation or Dissolution

Notwithstanding any other provision of this Agreement, upon the merger or consolidation of the Company into another corporation, the acquisition by another corporation or person (excluding any employee benefit plan of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company) of all or substantially all of the Company's assets or 51% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company, the Committee shall then provide by resolution adopted prior to such event that, at some time prior to the effective date of such event, all shares of Restricted Stock not previously reacquired pursuant to Section 3.1 shall fully vest and all Restrictions with respect to such shares of Restricted Stock shall immediately expire.

Section 3.5. Restrictions on New Shares

In the event that the outstanding shares of the Company's Common Stock are hereafter changed into or exchanged for a different number of kind of shares or other securities of the Company or of another corporation pursuant to a merger of the Company into another corporation, or the exchange of all or substantially all of the assets of the Company for the securities of another corporation, or the acquisition by another corporation or person (excluding any employee benefit plan of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company) of 51% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company, or a stock split-up or stock dividend, such new, additional or different shares or securities which are held or received by the Employee in his capacity as a holder of Restricted Stock shall be considered to be Restricted Stock and shall be subject to all of the Restrictions, unless the Committee provides, pursuant to Section 3.4 for the accelerated vesting

and expiration of the Restrictions on the shares of Restricted Stock underlying the distribution of the new, additional or different shares or securities.

ARTICLE IV.

NON-COMPETITION/NON-SOLICITATION

Section 4.1. Covenant Not to Compete

Employee covenants and agrees that prior to Employee's Termination of Employment and for a period of three (3) years following the Employee's Termination of Employment, Employee shall not, in the United States of America or in any other country in which the Company manufactures or sells its products, engage, directly or indirectly, whether as principal or as agent, officer, director, employee, consultant, shareholder or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business.

Section 4.2. Non-Solicitation of Customers

Employee agrees that prior to his Termination of Employment he shall not, directly or indirectly, solicit the business of, or do business with, any customer or prospective customer of the Company for any business purpose other than for the benefit of the Company. Employee further agrees that for three (3) years following Employee's Termination of Employment, including without limitation termination by the Company for Cause or without Cause, Employee shall not, directly or indirectly, solicit the business of, or do business with, any customers or prospective customers of the Company.

Section 4.3. Non-Solicitation of Employees

Employee agrees that prior to his Termination of Employment and for three (3) years following Employee's Termination of Employment, including without limitation termination by the Company for Cause or without Cause, Employee shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee of the Company to leave the employment of the Company for any reason whatsoever, or hire any employee of the Company except into the employment of the Company.

Section 4.4. Exception

Notwithstanding anything contained in this Agreement to the contrary, the restrictions set forth in Section 4.1 above shall lapse and be of no further effect in the event of a Termination of Employment that is not initiated by, and not voluntary on the part of the Employee, other than for Cause.

ARTICLE V.

MISCELLANEOUS

Section 5.1. Administration

The Committee shall have the power to interpret the Plan and this Agreement, and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith, to interpret, amend or revoke any such rules. All action taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon the Employee, the Company and all other interested persons. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan or this Agreement except with respect to matters which under Rule 16b-3, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. No member of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Restricted Stock, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

Section 5.2. Restricted Stock Not Transferable

No Restricted Stock or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Employee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), any attempted disposition thereof shall be null and void and of no effect; provided however, that this Section 5.2 shall not prevent transfers by will or by the applicable laws of descent and distribution.

Section 5.3. Conditions to Issuance of Stock Certificates

The Company shall not be required to issue or deliver any certificate or certificates for shares of stock pursuant to this Agreement prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed; and

(b) The completion of any registration or other qualification of such shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Committee shall, in its sole discretion, deem necessary or advisable; and

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable; and

(d) Subject to Section 5.10 the payment by the Employee of all amounts which, under federal, state or local tax law, the Company (or other employer corporation) is required to withhold upon issuance of Restricted Stock and/or the lapse or removal of any of the Restrictions; and

(e) The lapse of such reasonable period of time as the Committee may from time to time establish for reasons of administrative convenience.

Section 5.4. Escrow

The Secretary or such other escrow holder as the Committee may appoint shall retain physical custody of the certificates representing Restricted Stock, including shares of Restricted Stock issued pursuant to Section 3.5, until all of the Restrictions expire or shall have been removed; provided, however, that in no event shall the Employee retain physical custody of any certificates representing Restricted Stock issued to him.

Section 5.5. Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 5.5, either party may hereafter designate a different address for notices to be given to him. Any notice which is required to be given to the Employee shall, if the Employee is then deceased, be given to the Employee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 5.5. Any notice shall be deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 5.6. Rights as Stockholder

Upon delivery of the shares of Restricted Stock to the escrow holder pursuant to Section 5.4, the Employee shall have all the rights of a stockholder with respect to said shares, subject to the restrictions herein (including the provisions of Section 5.10), including the right to vote the shares and to receive all dividends or other distributions paid or made with respect to the shares.

Section 5.7. Titles

Titles are provided her in for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section 5.8. Conformity to Securities Laws

The Employee acknowledges that the Plan and this Agreement is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including, without limitation,

the applicable exemptive conditions of Rule 16b-3. Notwithstanding anything herein to the contrary, this Agreement shall be administered, and the Restricted Stock shall be issued only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, this Agreement and the Restricted Stock issued hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

Section 5.9. Amendments

This Agreement and the Plan may be amended without the consent of the Employee provided that such amendment would not impair any rights of the Employee under this Agreement. No amendment of this Agreement shall, without the consent of the Employee, impair any rights of the Employee under this Agreement.

Section 5.10. Tax Withholding

The Company's obligation : (i) to issue or deliver to the Employee any certificate or certificates for unrestricted shares of stock; or (ii) to pay to the Employee any dividends or make any distributions with respect to the Restricted Stock, is expressly conditioned upon receipt from the Employee, on or prior to the date reasonably specified by the Company of:

(f) Full payment (in cash or by check) of any amount that must be withheld by the Company for federal, state and/or local tax purposes; or

(g) Subject to the Committee's consent and Section 5.10(c), full payment by delivery to the Company of unrestricted shares of the Company's Common Stock previously owned by the Employee duly endorsed for transfer to the company by the Employee with an aggregate Fair Market Value (determined, as applicable, as of the date of the lapse of the restrictions or vesting or as of the date of the distribution) equal to the amount that must be withheld by the Company for federal, state and/or local tax purposes; or

(h) With respect to the withholding obligation for shares of Restricted Stock that become unrestricted shares as of a certain date (the "Vesting Date"), subject to the committee's consent, full payment by retention by the Company of a portion of such shares of Restricted Stock which become unrestricted or vested with an aggregated Fair Market Value (determined on the Vesting Date) equal to the amount that must be withheld by the Company for federal, state and/or local tax purposes; or

(i) Subject to the Committee's consent, an combination of payments provided for in the foregoing subsections (a), (b) or (c).

Section 5.11. Governing Law

This Agreement shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

IN WITNESS HEREOF, this Agreement has been executed and delivered by the parties hereto.

OWENS-ILLINOIS, INC.

By

Its:Executive Vice President

EMPLOYEE

Address

Employee's Taxpayer
Identification Number:

OWENS-ILLINOIS
1997 EQUITY PARTICIPATION PLAN
PHANTOM STOCK AGREEMENT

THIS PHANTOM STOCK AGREEMENT, dated May 17, 1999 is made by and between Owens-Illinois, Inc., a Delaware corporation (the "Company") and _____, an employee of the Company or a Parent Corporation or a Subsidiary (the "Employee"):

WHEREAS, the Company has established the Owens-Illinois Phantom Stock Plan (the "Plan"); and

WHEREAS, the Plan provides for the issuance of phantom stock units, subject to certain vesting conditions thereon and to other conditions stated herein; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has determined it would be to the advantage and best interest of the Company and its stockholders to issue the Units provided for herein to the Employee in partial consideration of services rendered, or to be rendered, to the Company and/or its subsidiaries; and

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.

DEFINITIONS

Whenever the following terms are used in this Agreement, they shall have the meaning specified below, unless the context clearly indicates to the contrary. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan. The masculine pronoun shall include the feminine and neuter and the singular the plural, where the context so indicates.

Section 1.1. Cause

"Cause" shall mean dishonesty, disloyalty, misconduct, insubordination, failure to reasonably devote working time to assigned duties, failure or refusal to comply with any reasonable rule, regulation, standard or policy which from time to time may be established by the Company, including, without limitation, those policies set forth in the Owens-Illinois Policy Manual in effect from time to time, and failure to fully cooperate with any investigation of an alleged violation of any such rule, regulation, standard or policy.

Section 1.2. Common Stock

"Common Stock" shall mean the common stock of the Company, \$.01 par value.

Section 1.3. Competing Business

"Competing Business" shall mean any person, corporation or other entity engaged in Australia or in any other country in which the Company manufactures or sells its products, in the manufacture or sale of glass containers, plastic containers, plastic closures, plastic prescription containers, labels, or multipack plastic carriers for beverage bottles, or any other products manufactured or sold by the Company within the last two (2) years prior to the Employee's Termination of Employment.

Section 1.4. Exchange Act

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

Section 1.5. Fair Market Value

"Fair Market Value" of a share of the Company's stock as of a given date shall be: (i) the closing price of a share of the Company's stock on the principal exchange on which shares of the Company's stock are then trading, if any, on the day previous to such date, or, if shares were not traded on the day previous to such date, then on the next preceding trading day during which a sale occurred; or (ii) if such stock is not traded on an exchange but is quoted on NASDAQ or a successor quotation system, (1) the last sales price (if the stock is then listed as a National Market Issue under the NASD National Market System) or (2) the mean between the closing representative bid and asked prices (in all other cases) for the stock on the day previous to such date as reported by NASDAQ or such successor quotation system; or (iii) if such stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the mean between the closing bid and asked prices for the stock, on the day previous to such date, as determined in good faith by the Committee; or (iv) if the Company's stock is not publicly traded, the fair market value established by the Committee acting in good faith.

Section 1.6. Parent Corporation

"Parent Corporation" shall mean any corporation in an unbroken chain of corporations ending with the Company if each of the corporations other than the Company then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Section 1.7. Plan

"Plan" shall mean the Company's Phantom Stock Plan.

Section 1.8. Rule 16b-3

"Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

Section 1.9. Secretary

"Secretary" shall mean the Secretary of the Company.

Section 1.10. Securities Act

"Securities Act" shall mean the Securities Act of 1933, as amended.

Section 1.11. Subsidiary

"Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. "Subsidiary" shall also mean any partnership in which the Company and or any Subsidiary owns more than fifty (50%) percent of the capital or profits interests.

Section 1.12. Termination of Employment

"Termination of Employment" shall mean the time when the employee-employer relationship between the Employee and the Company, a Parent Corporation or a Subsidiary is terminated for any reason, with or without Cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding (a) terminations where there is a simultaneous reemployment or continuing employment of the Employee by the Company, a Parent Corporation or any Subsidiary, (b) terminations where the Employee continues a relationship (e.g., as a director or as a consultant) with the Company, a Parent Corporation or a Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for good cause, and all questions of whether a particular leave of absence constitutes a Termination of Employment. Notwithstanding any other provision of this Agreement, the Company or any Subsidiary has the absolute and unrestricted right to terminate the Employee's employment at any time for any reason whatsoever, with or without Cause.

ARTICLE II.

ISSUANCE OF UNITS

Section 2.1. Issuance of Units

In consideration of the services rendered or to be rendered to the Company, a Parent Corporation or a Subsidiary and for other good and valuable consideration which the Committee has determined to be equal to the par value of its Common Stock, on the date hereof the Company awards to the Employee _____ Units of Phantom Stock (the "Units"), upon the terms and conditions set forth in this Agreement.

Section 2.2. No Right to Continued Employment

Nothing in this Agreement or in the Plan shall confer upon the Employee any right to continue in the employee of the Company, any Parent Corporation or any Subsidiary or shall interfere with or restrict in any way the rights of the Company, any Parent Corporation or any Subsidiary, which are hereby expressly reserved, to discharge the Employee at any time for any reasons whatsoever, with or without Cause.

ARTICLE III.

VESTING EXERCISE

Section 3.1. Termination of Units

Until vested, all Units issued to the Employee pursuant to this Agreement are subject to termination by the Company immediately upon a Termination of Employment other than from death or total disability (as determined by the Committee in accordance with Company plans and policies), in which event all Units shall immediately fully vest.

Section 3.2. Vesting of Units

The Units shall fully vest upon the later to occur of (a) the third anniversary of this Agreement, and (b) normal retirement (as determined by the Committee in accordance with Company plans and policies), early retirement with the consent of the Chief Executive Officer of the Company (or, in the case of the Chief Executive Officer of the Company, with the consent of the Committee), or a Termination of Employment that is not initiated by, and not voluntary on the part of the Employee, other than for Cause. Subject to the terms of the Plan, the Employee may exercise his right to receive payment on a vested Unit or Units by delivering written notice to the Company. The notice should identify the Unit or Units to be exercised. The Employee's right to receive payment on a vested Unit shall permanently expire three (3) months after the date on which the Unit vests. Payment by the Company shall be made in shares of Common Stock. The Company shall issue one share of Common Stock to the Employee for each vested Unit exercised by the Employee.

Section 3.3. Merger, Consolidation, Acquisition, Liquidation or Dissolution

Notwithstanding any other provision of this Agreement, upon the merger or consolidation of the Company into another corporation, the acquisition by another corporation or person (excluding any employee benefit plan of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company) of all or substantially all of the Company's assets or 51% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company, the Committee shall then provide by resolution adopted prior to such event that, at some time prior to the effective date of such event, all outstanding Units not previously terminated pursuant to Section 3.1 shall fully vest.

Section 3.4. Adjustments

In the event of any change in the number of outstanding shares of Common Stock as a result of a stock dividend or stock split, the Company shall make a corresponding and proportionate adjustment in the number of Units credited to the Employee. If the outstanding shares of Common Stock are changed into or exchanged for a different number or kind of securities of the Company other than by reason of a stock dividend or stock split, the Committee shall determine a similar appropriate adjustment, and the same shall be made in the number of Units then credited to the Employee.

ARTICLE IV.

NON-COMPETITION/NON-SOLICITATION

Section 4.1. Covenant Not to Compete

Employee covenants and agrees that prior to Employee's Termination of Employment and for a period of three (3) years following the Employee's Termination of Employment, Employee shall not, in Australia or in any other country in which the Company manufactures or sells its products, engage, directly or indirectly, whether as principal or as agent, officer, director, employee, consultant, shareholder or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business.

Section 4.2. Non-Solicitation of Customers

Employee agrees that prior to his Termination of Employment he shall not, directly or indirectly, solicit the business of, or do business with, any customer or prospective customer of the Company for any business purpose other than for the benefit of the Company. Employee further agrees that for three (3) years following Employee's Termination of Employment, including without limitation termination by the Company for Cause or without Cause, Employee shall not, directly or indirectly, solicit the business of, or do business with, any customers or prospective customers of the Company.

Section 4.3. Non-Solicitation of Employees

Employee agrees that prior to his Termination of Employment and for three (3) years following Employee's Termination of Employment, including without limitation termination by the Company for Cause or without Cause, Employee shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee of the Company to leave the employment of the Company for any reason whatsoever, or hire any employee of the Company except into the employment of the Company.

Section 4.4. Exception

Notwithstanding anything contained in this Agreement to the contrary, the restrictions set forth in Section 4.1 above shall lapse and be of no further effect in the event of a Termination of Employment that is not initiated by, and not voluntary on the part of the Employee, other than for Cause.

ARTICLE V.

MISCELLANEOUS

Section 5.1. Administration

The Committee shall have the power to interpret the Plan and this Agreement, and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith, to interpret, amend or revoke any such rules. All action taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon the Employee, the Company and all other interested persons. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan or this Agreement except with respect to matters which under Rule 16b-3, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. No member of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Units, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

Section 5.2. Units Not Transferable

No Unit or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Employee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), any attempted disposition thereof shall be null and void and of no effect; provided however, that this Section 5.2 shall not prevent transfers by will or by the applicable laws of descent and distribution.

Section 5.3. Conditions to Issuance of Stock Certificates

The Company shall not be required to issue or deliver any certificate or certificates for shares of stock pursuant to this Agreement prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed; and

(b) The completion of any registration or other qualification of such shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Committee shall, in its sole discretion, deem necessary or advisable; and

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable; and

(d) Subject to Section 5.9 the payment by the Employee of all amounts which, under federal, state or local tax law, the Company (or other employer corporation) is required to withhold upon issuance of the exercise of a Unit; and

(e) The lapse of such reasonable period of time as the Committee may from time to time establish for reasons of administrative convenience.

Section 5.4. Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 5.4, either party may hereafter designate a different address for notices to be given to him. Any notice which is required to be given to the Employee shall, if the Employee is then deceased, be given to the Employee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 5.4. Any notice shall be deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States or Australian Postal Service.

Section 5.5. Dividends

At such times as dividends are paid on the outstanding Common Stock, the Company shall calculate an equivalent dividend (the "Dividend Equivalent") to be paid on each Unit. The Company shall pay such Dividend Equivalents to the Employee in the currency in which the Employee's regular compensation is customarily paid as soon as administratively feasible after the dividend is paid on the Common Stock.

Section 5.6. Titles

Titles are provided her in for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section 5.7. Conformity to Securities Laws

The Employee acknowledges that the Plan and this Agreement is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including, without limitation, the applicable exemptive conditions of Rule 16b-3. Notwithstanding anything herein to the contrary, this Agreement shall be administered only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

Section 5.8. Amendments

This Agreement and the Plan may be amended without the consent of the Employee provided that such amendment would not impair any rights of the Employee under this Agreement. No amendment of this Agreement shall, without the consent of the Employee, impair any rights of the Employee under this Agreement.

Section 5.9. Tax Withholding

The Company's obligation : (i) to issue or deliver to the Employee any certificate or certificates for unrestricted shares of stock; or (ii) to pay to the Employee any dividends or make any distributions with respect to the Units, is expressly conditioned upon receipt from the Employee, on or prior to the date reasonably specified by the Company of:

(a) Full payment (in cash or by check) of any amount that must be withheld by the Company for federal, state and/or local tax purposes; or

(b) Subject to the Committee's consent, full payment by delivery to the Company of unrestricted shares of the Company's Common Stock previously owned by the Employee duly endorsed for transfer to the company by the Employee with an aggregate Fair Market Value (determined, as applicable, as of the date of vesting or as of the date of the distribution) equal to the amount that must be withheld by the Company for federal, state and/or local tax purposes; or

(c) Subject to the Committee's consent, an combination of payments provided for in the foregoing subsections (a) or (b).

Section 5.10. Governing Law

This Agreement shall be administered, interpreted and enforced under the internal laws of the State of Delaware, U.S.A., without regard to conflicts of laws thereof.

IN WITNESS HEREOF, this Agreement has been executed and delivered by the parties hereto.

OWENS-ILLINOIS, INC.

By

Its: Executive Vice President

EMPLOYEE

Address

Employee's Taxpayer
Identification Number:

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

	Six Months ended June 30,		
	1999	1998	Pro Forma As Adjusted For BTR Packaging Acquisition 1998
	-----	-----	-----
Earnings before income taxes, and minority share owners' interests	\$307.7	\$301.6	\$348.8
Less: Equity earnings	(9.0)	(9.2)	(10.1)
Add: Total fixed charges deducted from earnings	223.0	177.2	232.6
Proportional share of pre-tax earnings (loss) of 50% owned associates.	4.4	3.3	4.6
Dividends received from less than 50% owned associates	6.7	2.1	2.1
	-----	-----	-----
Earnings available for payment of fixed charges.	\$532.8	\$475.0	\$578.0
	=====	=====	=====
Fixed charges (including the Company's proportional share of 50% owned associates):			
Interest expense.	\$204.6	\$161.1	\$211.4
Portion of operating lease rental deemed to be interest	14.0	12.9	14.6
Amortization of deferred financing costs and debt discount expense.	4.4	3.2	6.6
	-----	-----	-----
Total fixed charges deducted from earnings and fixed charges.	\$223.0	\$177.2	\$232.6
Preferred stock dividends (increased to assumed pre-tax amount).	18.2	4.4	16.4
	-----	-----	-----
Combined fixed charges and preferred stock dividends.	\$241.2	\$181.6	\$249.0
	=====	=====	=====
Ratio of earnings to fixed charges	2.4	2.7	2.5
Ratio of earnings to combined fixed charges and preferred stock dividends.	2.2	2.6	2.3

EXHIBIT 23
CONSENT OF MCCARTER & ENGLISH, LLP

August 13, 1999

Ladies and Gentlemen:

We consent to the incorporation by reference in this Quarterly Report on Form 10-Q of Owens-Illinois, Inc. for the quarter ended June 30, 1999, of the reference to our firm under the caption "Legal Proceedings."

Very truly yours,

/s/McCarter & English, LLP

McCarter & English, LLP

This schedule contains summary financial information extracted from the June 30, 1999 condensed consolidated balance sheet, and the condensed consolidated results of operations for the six-month period then ended and is qualified in its entirety by reference to such financial statements.

6-MOS	
	DEC-31-1999
	JUN-30-1999
	301,300,000
	0
	894,600,000
	51,100,000
	861,500,000
	2,237,000,000
	5,419,800,000
	2,055,200,000
	10,837,600,000
1,256,800,000	
	5,588,500,000
	0
	465,400,000
	1,600,000
	2,053,600,000
10,837,600,000	
	2,730,100,000
	2,868,900,000
	2,068,200,000
	2,068,200,000
	0
	0
	209,000,000
	307,700,000
	118,400,000
180,200,000	
	0
	0
	0
	180,200,000
	1.09
	1.08