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

(Mark one) FORM 10-Q

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

For Quarter Ended June 30, 1998

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 X No

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

Owens-Illinois, Inc. $.01 par value common stock - 155,346,462 shares at July 31, 1998.

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 included in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
Three months ended June 30, 1998 and 1997
(Millions of dollars, except share and per share amounts)

	1998	1997
Revenues:		
Net sales	$1,385.0	$1,224.5
Royalties and net technical assistance	7.1	5.3
Equity earnings	4.5	.5
Interest	8.6	6.8
Other	27.1	20.6
	1,432.3	1,257.7
Costs and expenses:		
Manufacturing, shipping, and delivery	1,031.6	929.7
Research and development	8.9	6.9
Engineering	8.4	7.8
Selling and administrative	64.7	59.4
Interest	99.1	81.4
Other	35.1	23.9
	1,247.8	1,109.1
Earnings before items below	184.5	148.6
Provision for income taxes	62.0	50.8
Minority share owners' interests in earnings of subsidiaries	7.5	10.9
Earnings before extraordinary items	115.0	86.9
Extraordinary charges from early extinguishment of debt, net of applicable income taxes	(14.1)	(84.5)
Net earnings	$ 100.9	$ 2.4
Basic earnings per share of common stock:		
Earnings before extraordinary items	$ 0.76	$ 0.66
Extraordinary charges	(0.10)	(0.64)
Net earnings	$ 0.66	$ 0.02
Weighted average shares outstanding (thousands)	148,278	131,483
Diluted earnings per share of common stock:		
Earnings before extraordinary items	$ 0.75	$ 0.65
Extraordinary charges	(0.09)	(0.63)
Net earnings	$ 0.66	$ 0.02
Weighted diluted average shares (thousands)	153,942	133,504

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
Six months ended June 30, 1998 and 1997
(Millions of dollars, except share and per share amounts)

	1998	1997
Revenues:		
Net sales	$2,483.5	$2,280.8
Royalties and net technical assistance	13.2	11.7
Equity earnings	9.2	9.3
Interest	14.5	14.6
Other	70.1	57.5
	2,590.5	2,373.9
Costs and expenses:		
Manufacturing, shipping, and delivery	1,892.7	1,774.6
Research and development	16.6	14.7
Engineering	16.4	15.2
Selling and administrative	127.1	110.4
Interest	164.3	167.3
Other	71.8	58.7
	2,288.9	2,140.9
Earnings before items below	301.6	233.0
Provision for income taxes	90.8	74.2
Minority share owners' interests in earnings of subsidiaries	15.4	17.3
Earnings before extraordinary items	195.4	141.5
Extraordinary charges from early extinguishment of debt, net of applicable income taxes	(14.1)	(84.5)
Net earnings	$ 181.3	$ 57.0
Basic earnings per share of common stock:		
Earnings before extraordinary items	$ 1.33	$ 1.11
Extraordinary charges	(0.10)	(0.67)
Net earnings	$ 1.23	$ 0.44
Weighted average shares outstanding (thousands)	144,470	126,674
Diluted earnings per share of common stock:		
Earnings before extraordinary items	$ 1.32	$ 1.10
Extraordinary charges	(0.10)	(0.66)
Net earnings	$ 1.22	$ 0.44
Weighted diluted average shares (thousands)	148,195	129,013

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 1998, December 31, 1997, and June 30, 1997
(Millions of dollars)

Assets	June 30, 1998	Dec. 31, 1997	June 30, 1997
Current assets:			
Cash, including time deposits	$ 322.5	$ 218.2	$ 239.2
Short-term investments, at cost which approximates market	23.0	16.1	66.6
Receivables, less allowances for losses and discounts ($44.0 at June 30, 1998, $52.9 at December 31, 1997, and $36.6 at June 30, 1997)	878.3	681.6	727.8
Inventories	815.6	592.4	621.6
Prepaid expenses	165.2	140.0	126.0
Total current assets	2,204.6	1,648.3	1,781.2
Investments and other assets:			
Investments and advances	142.0	87.7	128.2
Repair parts inventories	254.2	227.2	224.9
Prepaid pension	666.9	635.3	653.6
Insurance for asbestos-related costs	222.6	239.3	255.3
Deposits, receivables, and other assets	364.6	307.0	269.9
Net assets held for sale	535.0		
Excess of purchase cost over net assets acquired, net of accumulated amortization ($348.0 at June 30, 1998, $328.3 at December 31, 1997, and $312.7 at June 30, 1997)	3,148.2	1,294.9	1,318.5
Total investments and other assets	5,333.5	2,791.4	2,850.4
Property, plant, and equipment, at cost	5,168.4	4,105.1	3,797.6
Less accumulated depreciation	1,807.1	1,699.7	1,603.5
Net property, plant, and equipment	3,361.3	2,405.4	2,194.1
Total assets	$10,899.4	$6,845.1	$6,825.7

CONDENSED CONSOLIDATED BALANCE SHEETS -- continued

	June 30, 1998	Dec. 31, 1997	June 30, 1997
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	$ 238.4	$ 176.9	$ 188.2
Current portion of asbestos-related liabilities	70.0	85.0	110.0
Accounts payable and other liabilities	944.6	781.9	783.7
Total current liabilities	1,253.0	1,043.8	1,081.9
Long-term debt	5,694.1	3,146.7	3,107.5
Deferred taxes	305.9	229.2	203.1
Nonpension postretirement benefits	343.5	354.8	360.2
Other liabilities	464.1	482.2	606.4
Commitments and contingencies			
Minority share owners' interests	288.4	246.5	236.8
Share owners' equity:			
Convertible preferred stock	452.5		
Exchangeable preferred stock	20.1	20.4	21.4
Common stock, par value $.01 per share (155,317,512 shares outstanding at June 30, 1998; 140,526,195 at December 31, 1997, and 140,188,376 at June 30, 1997)	1.5	1.4	1.4
Capital in excess of par value	2,180.2	1,558.4	1,547.2
Retained earnings (deficit)	91.0	(90.3)	(201.2)
Accumulated other comprehensive income	(194.9)	(148.0)	(139.0)
Total share owners' equity	2,550.4	1,341.9	1,229.8
Total liabilities and share owners' equity	$10,899.4	$6,845.1	$6,825.7

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED CASH FLOWS
Six months ended June 30, 1998 and 1997
(Millions of dollars)

	1998	1997
Cash flows from operating activities:		
Earnings before extraordinary items	$ 195.4	$ 141.5
Non-cash charges (credits):		
Depreciation	166.5	134.8
Amortization of deferred costs	41.5	29.8
Other	(29.0)	5.2
Change in non-current operating assets	(12.0)	(36.7)
Asbestos-related payments	(42.0)	(48.8)
Asbestos-related insurance proceeds	16.7	16.1
Reduction of non-current liabilities	(2.7)	(2.7)
Change in components of working capital	(159.5)	(122.4)
Cash provided by operating activities	174.9	116.8
Cash flows from investing activities:		
Additions to property, plant, and equipment	(242.4)	(157.7)
Acquisitions, net of cash acquired	(3,523.1)	(104.7)
Net cash proceeds from divestitures	37.7	49.7
Cash utilized in investing activities	(3,727.8)	(212.7)
Cash flows from financing activities:		
Additions to long-term debt	5,154.0	1,127.6
Repayments of long-term debt	(2,561.5)	(1,332.7)
Payment of finance fees and debt retirement costs	(61.5)	(137.8)
Increase in short-term loans	52.5	25.2
Issuance of common stock	639.7	498.6
Issuance of convertible preferred stock	439.6	
Cash provided by financing activities	3,662.8	180.9
Effect of exchange rate fluctuations on cash	(5.6)	(6.7)
Increase in cash	104.3	78.3
Cash at beginning of period	218.2	160.9
Cash at end of period	$ 322.5	$ 239.2

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. Acquisition of Worldwide Packaging Businesses of BTR plc

On April 30, 1998, the Company completed the acquisition of the worldwide glass and plastics packaging businesses of BTR plc in an all cash transaction valued at approximately $3.6 billion (the "Acquisition"). In the Acquisition, the Company acquired BTR's glass container operations in the Asia-Pacific region (i.e. Australia, New Zealand, China and Indonesia) and its plastics packaging operations in the United States, South America, Australia, Europe and Asia ("BTR Packaging"), as well as BTR's United Kingdom glass container manufacturer ("Rockware Glass"). Pursuant to an agreement with the Commission of the European Communities, the Company has committed to sell Rockware Glass (the "Rockware Sale"). The Acquisition was initially financed through additional borrowings under the Company's Second Amended and Restated Credit Agreement (see Note 6), which was amended on April 30, 1998, to provide, among other things, additional borrowing capacity for the Acquisition. On May 20, 1998, the $2.2 billion of proceeds received from the offerings of the Company's common stock, preferred stock, and debt securities were used to repay a portion of the Term Loan outstanding under the Second Amended and Restated Credit Agreement (see Note 6).

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 Sheet at June 30, 1998, is preliminary. The accompanying Condensed Consolidated Results of Operations for the three and six month periods ended June 30, 1998, include two months of BTR Packaging operations.

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

Net working capital acquired	$ 249
Property, plant and equipment	937
Net assets held for sale	535
Other non-current assets	104
Excess of purchase cost over net assets acquired	1,897
	3,722
Long-term liabilities	(122)
Aggregate purchase cost	$3,600

2. Pro Forma Information - Acquisition of BTR Packaging

Had the acquisition of BTR Packaging described in Note 1 and the related financing, including the public offerings, described in Note 6 occurred on January 1, 1998 and 1997, 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 Adjustments	Financing Adjustments	Pro Forma As Adjusted
Net sales	$2,483.5	$384.1		$2,867.6
Net earnings	$195.4	$ 32.8	$(31.1)	$197.1
Basic net earnings per share of common stock	$1.33			$1.20
Basic weighted average shares outstanding (thousands)	144,470			155,190
Diluted net earnings per share of common stock	$1.32			$1.19
Diluted weighted average shares (thousands)	148,195			165,569

	Six Months ended June 30, 1997			
	As Reported	BTR Packaging Adjustments	Financing Adjustments	Pro Forma As Adjusted
Net sales	$2,280.8	$627.1		$2,907.9
Net earnings	$141.5	$ 77.1	$(49.3)	$169.3
Basic net earnings per share of common stock	$1.11			$1.12
Basic weighted average shares outstanding (thousands)	126,674			141,154
Diluted net earnings per share of common stock	$1.10			$1.11
Diluted weighted average shares (thousands)	129,013			152,082

Certain of the glass container and plastics packaging products produced by BTR Packaging are subject to seasonal demand. Shipments of glass container products have typically been greater in the fourth and first quarters of the year compared to the second and third quarters. Shipments of plastics packaging products have typically been greater in the second and third quarters of the year compared to the first and fourth quarters. Net sales of BTR Packaging for the full year 1997 were approximately $1.2 billion.

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 dates indicated, or to project results of operations for any future period.

3. Net Assets Held For Sale

In connection with the Acquisition discussed in Note 1, the Company has committed to sell Rockware Glass. The Company is in the process of negotiating the sale of Rockware Glass. The accompanying Condensed Consolidated Results of Operations for the three and six month periods ended June 30, 1998, exclude Rockware Glass and related financing costs. Proceeds from the sale will be used to reduce amounts outstanding under the Second Amended and Restated Credit Agreement, including repayment of the remainder of the Term Loan.

4. Earnings Per Share

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

	Three months ended June 30,	
	1998	1997
Numerator:		
Earnings before extraordinary items	$115.0	$86.9
Preferred stock dividends:		
Convertible	(2.4)	
Exchangeable	(.3)	(.3)
	(2.7)	(.3)
Numerator for basic earnings per share - income available to common share owners	112.3	86.6
Effect of dilutive securities - preferred stock dividends	2.7	.3
Numerator for diluted earnings per share - income available to common share owners after assumed exchanges and conversions of preferred stock	$115.0	$86.9
Denominator:		
Denominator for basic earnings per share - weighted average shares	148,278,037	131,482,610
Effect of dilutive securities:		
Stock options	1,147,374	1,046,590
Exchangeable preferred stock	646,958	974,829
Convertible preferred stock	3,869,929	
Dilutive potential common shares	5,664,261	2,021,419
Denominator for diluted earnings per share - adjusted weighted average shares and assumed exchanges and conversions of preferred stock	153,942,298	133,504,029
Basic earnings per share	$0.76	$0.66
Diluted earnings per share	$0.75	$0.65

	Six months ended June 30,	
	1998	1997
Numerator:		
Earnings before extraordinary items	$195.4	$141.5
Preferred stock dividends:		
Convertible	(2.4)	
Exchangeable	(.7)	(.7)
	(3.1)	(.7)
Numerator for basic earnings per share - income available to common share owners	192.3	140.8
Effect of dilutive securities - preferred stock dividends	3.1	.7
Numerator for diluted earnings per share - income available to common share owners after assumed exchanges and conversions of preferred stock	$195.4	$141.5
Denominator:		
Denominator for basic earnings per share - weighted average shares	144,470,231	126,674,425
Effect of dilutive securities:		
Stock options	1,114,612	1,277,328
Exchangeable preferred stock	674,954	1,061,583
Convertible preferred stock	1,934,965	
Dilutive potential common shares	3,724,531	2,338,911
Denominator for diluted earnings per share - adjusted weighted average shares and assumed exchanges and conversions of preferred stock	148,194,762	129,013,336
Basic earnings per share	$1.33	$1.11
Diluted earnings per share	$1.32	$1.10

Earnings per share are computed independently for each period presented. Due primarily to the issuance of 14,479,522 shares and 16,936,100 shares of common stock in the second quarters of 1998 and 1997, respectively, and the resultant effect on average shares outstanding, per share amounts calculated on a year-to-date basis may not equal the sums of such amounts calculated separately for each quarter.

5. Inventories

Major classes of inventory are as follows:

	June 30, 1998	Dec. 31, 1997	June 30, 1997
Finished goods	$591.9	$447.3	$470.1
Work in process	35.7	9.4	8.1
Raw materials	119.4	92.5	84.8
Operating supplies	68.6	43.2	58.6
	$815.6	$592.4	$621.6

6. Long-Term Debt

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

	June 30, 1998	Dec. 31, 1997	June 30, 1997
Bank Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$1,820.0	$2,125.0	$1,510.0
Offshore Loans:			
1.39 billion Australian dollars	902.7		
333 million British pounds	556.1		
194 billion Italian lira	110.6		
Term Loan	342.0		
Bid Rate Loans	60.0	50.0	150.0
Senior Notes:			
7.85%, due 2004	300.0	300.0	300.0
7.15%, due 2005	350.0		
8.10%, due 2007	300.0	300.0	300.0
7.35%, due 2008	250.0		
Senior Debentures:			
7.50%, due 2010	250.0		
7.80%, due 2018	250.0		
Senior Subordinated Notes:			
10%, due 2002			250.0
9-3/4%, due 2004			200.0
9.95%, due 2004			100.0
Other	285.2	441.8	351.0
	5,776.6	3,216.8	3,161.0
Less amounts due within one year	82.5	70.1	53.5
Long-term debt	$5,694.1	$3,146.7	$3,107.5

On April 30, 1998, in connection with the Acquisition, the Company amended its former bank credit agreement by entering into a 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 up to $7.0 billion in credit facilities and consists of (i) a $2.5 billion term loan to

the Company (the "Term Loan") due on October 30, 1999 and (ii) a $4.5 billion revolving credit facility (the "Revolving Credit Facility") available to the Company, which includes a $1.75 billion fronted offshore loan revolving facility (the "Offshore Facility") available, subject to certain sublimits, to certain of the Company's foreign subsidiaries and denominated in certain foreign currencies. 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, 1998, the Company had unused credit available under the Bank Credit Agreement of $972.0 million.

Borrowings under the Revolving Loans commitment and the Term Loan 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 and Term Loan 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 and Term Loan at June 30, 1998, was 6.17%. The weighted average interest rate on borrowings outstanding under the Offshore Facility at June 30, 1998, was 6.38%. While no compensating balances are required by the Agreement, the Company must pay a facility fee on the Revolving Credit Facility and Term Loan commitments. The facility fee, currently .250%, is limited to a range of .125% and .500%, based on changes in the Company's Consolidated Leverage Ratio.

Borrowings outstanding under the Bank Credit Agreement are currently unsecured. Guarantee and pledge provisions under the Bank Credit Agreement are linked to the Company's Consolidated Leverage Ratio. Such provisions will not be executed provided the Company maintains a specified Consolidated Leverage Ratio through June 30, 1999. 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.

On March 6, 1998, the Company filed a Registration Statement on Form S-3 (the "Registration Statement") with the Securities and Exchange Commission registering an aggregate of $4.0 billion of debt and equity securities. The Registration Statement was declared effective by the Securities and Exchange Commission on April 20, 1998. On May 20, 1998, pursuant to the Registration Statement, the Company completed the public offerings of: (1) 15,690,000 shares of common stock at a public offering price of $41.8125 per share; (2) 9,050,000 shares of $2.375 convertible preferred stock at a public offering price of $50.00 per share; (3) $350 million aggregate principal amount of 7.15% Senior Notes due May 15, 2005; (4) $250 million aggregate principal amount of 7.35% Senior Notes due May 15, 2008; (5) $250 million aggregate principal amount of 7.50% Senior Debentures due May 15, 2010; and (6) $250 million aggregate principal amount of 7.80% Senior Debentures due May 15, 2018 (collectively the "Offerings"). The Company repaid $2.2 billion of the Term Loan on May 20, 1998, with proceeds received from the Offerings. The Company intends to repay the remainder of the Term Loan with a portion of the proceeds from the Rockware Sale (see Note 3).

7. Extraordinary Charges from Early Extinguishment of Debt

During the second quarter of 1998, the Company used proceeds from the Offerings to repay a portion of the Term Loan due October 30, 1999. 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.

During the second quarter of 1997, the Company used proceeds from the May 1997 sale of shares of common stock and the issuance of debt securities pursuant to public offerings to retire approximately $1.4 billion of higher cost debt. As a result, the Company recorded extraordinary charges for the write-off of unamortized deferred finance fees and redemption premiums totaling $136.9 million, net of applicable income taxes of $52.4 million.

8. Convertible Preferred Stock

In conjunction with the Offerings, on May 20, 1998, the Company issued 9,050,000 shares of convertible preferred stock at a public offering price of $50.00 per share (see Note 6). Annual cumulative dividends of $2.375 per share accruing from the date of issuance are payable in cash quarterly commencing August 15, 1998. The convertible preferred stock is convertible at the option of the holder at any time, unless previously redeemed, into shares of common stock of the Company at an initial conversion rate of 0.9491 shares of common stock for each share of convertible stock, subject to adjustment in certain events. The convertible preferred stock may not be redeemed prior to May 15, 2001. At any time on or after such date, the convertible preferred stock may be redeemed only in shares of common stock of the Company at the option of the Company at predetermined redemption prices plus accrued and unpaid dividends, if any, to the redemption date.

Holders of the convertible preferred stock have no voting rights, except as required by applicable law and except that among other things, whenever accrued and unpaid dividends on the convertible preferred stock are equal to

or exceed the equivalent of six quarterly dividends payable on the convertible preferred stock such holders will be entitled to elect two directors to the Company's board of directors until the dividend arrearage has been paid or amounts have been set apart for such payment. In addition, certain changes that would be materially adverse to the rights of holders of the convertible preferred stock cannot be made without the vote of holders of two-thirds of the outstanding convertible preferred stock. The convertible preferred stock is senior to the common stock and the exchangeable preferred stock with respect to dividends and liquidation events.

9. Cash Flow Information

Interest paid in cash aggregated $149.6 million and $163.1 million for the six months ended June 30, 1998 and June 30, 1997, respectively. Income taxes paid in cash totaled $19.4 million and $43.7 million for the six months ended June 30, 1998 and June 30, 1997, respectively.

10. Contingencies

The Company is one of a number of defendants (typically 10 to 20) in a substantial number of lawsuits filed in numerous state and federal courts by persons alleging bodily injury (including death) as a result of exposure to dust from asbestos fibers. From 1948 to 1958, one of the Company's former business units commercially produced and sold a high-temperature, clay-based insulating material containing asbestos. The insulation material was used in limited industrial applications such as shipyards, power plants and chemical plants. During its ten years in the high-temperature insulation business, the Company's aggregate sales of insulation material containing asbestos were less than $40 million. The Company exited the insulation business in April 1958. The traditional asbestos personal injury lawsuits and claims relating to such production and sale of asbestos material typically allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and punitive damages in various amounts (herein referred to as "asbestos claims"). As of June 30, 1998 the Company estimates that it is a named defendant in asbestos claims involving approximately 14,000 plaintiffs and claimants.

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

The Company's indemnity payments may also be affected by co-defendant bankruptcy and class action filings. Since 1982 a number of former producers of asbestos-containing products have filed for reorganization under Chapter 11 of the United States Bankruptcy Code ("Co-Defendant Bankruptcies"). Pending lawsuits are generally stayed as to these entities, but continue against the Company and other defendants. The precise impact on the Company of these Co-Defendant Bankruptcies is not determinable. However, the Company believes that the Co-Defendant Bankruptcies probably have adversely affected, and may adversely affect in the future, the Company's share of the total liability to plaintiffs in previously settled or otherwise determined lawsuits and claims.

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

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

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

Following the settlements described above, a settlement agreement (the "OIL Settlement") was reached with OIL. The OIL Settlement, which was endorsed by

three mediators and approved by OIL's independent directors, called for the payment of remaining non-settled reinsurance at 78.5% of applicable reinsurance limits, increasing to 81% on approximately March 1, 1996 and accruing interest thereafter at 10% per annum.

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

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

Subsequent to the entry of the Consent Judgment Order in the United Insurance case described above, OIL gave notice of the OIL Settlement to all nonsettling reinsurers affected by the United Insurance case, informing all such reinsurers of the terms of the OIL Settlement and demanding timely payment from such reinsurers pursuant to such terms.

Since the date of the OIL settlement, 17 previously nonsettling reinsurers have made the payments called for under the OIL Settlement or otherwise settled their obligations thereunder. Other nonsettling solvent reinsurers, all of which are parties to the Employers Mutual case described above, have not, however, made the payments called for under the OIL Settlement.

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

In January 1998, this same court granted OIL partial summary judgment barring the nonsettling OIL reinsurers' fraud claims. The nonsettling OIL reinsurers have petitioned for interlocutory appeal of this grant of partial summary judgment, but this petition has been rejected by the Appellate Division.

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 $308.9 million. Of the total amount confirmed to date, $287.4 million had been received through June 30, 1998; and the balance of approximately $21.5 million will be received throughout 1998 and the next several years. The remainder of the insurance asset of approximately $201.1 million relates principally to the reinsurers who have not yet paid, and continue to contest, their reinsurance obligations under the OIL Settlement. This $201.1 million asset valuation at June 30, 1998 also reflects 1994 and 1995 reductions of $100 million and $40 million, respectively, in the insurance asset valuation of $650 million established in 1993, which had been made to reflect settlement activity and litigation developments in the United Insurance case.

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

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

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

Other litigation is pending against the Company, in many cases involving ordinary and routine claims incidental to the business of the Company and in others presenting allegations that are nonroutine and involve compensatory, punitive or treble damage claims as well as other types of relief. The ultimate legal and financial liability of the Company in respect to the lawsuits and proceedings referred to above, in addition to other pending litigation, cannot be estimated with certainty. However, the Company believes, based on its examination and review of such matters and experience to date, that such ultimate liability will not be material in relation to the Company's Consolidated Financial Statements.

11. New Accounting Standards

As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS No. 130"). FAS No. 130 establishes new rules for the reporting and display of comprehensive income and its components. The Company's components of comprehensive income are net earnings and foreign currency translation adjustments. Total comprehensive income (loss) for the three month periods ended June 30, 1998 and 1997 amounted to $101.2 million and $(.5) million, respectively. Total comprehensive income for the six month periods ended June 30, 1998 and 1997 amounted to $134.4 million and $.3 million, respectively.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS No. 131"), which is effective for financial statements for periods beginning after December 15, 1997. FAS No. 131 need not, however, be applied to interim financial statements in the initial year of its application. FAS No. 131 establishes revised standards for determining an entity's operating segments and the type and level of financial information to be presented related to such operating segments. The impact of FAS No. 131 on the Company's disclosures of operating segment information has not been determined.

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("FAS No. 132"), which is effective for financial statements for fiscal years beginning after December 15, 1997. FAS No. 132 establishes revised standards for disclosures about pensions and other postretirement benefits. The impact of FAS No. 132 on the Company's disclosures of pension and other postretirement benefits has not been determined.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"), which is effective for financial statements for all fiscal quarters of fiscal years beginning after June 15, 1999. FAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivative instruments be recognized as either assets or liabilities in the statement of financial position and that such instruments be measured at fair value. The impact of FAS No. 133 on the Company's reporting and disclosure of derivative instruments has not been determined.

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

Results of Operations - Second Quarter 1998 compared with Second Quarter 1997

The Company recorded earnings before extraordinary items of $115.0 million for the second quarter of 1998 compared to $86.9 million for the second quarter of 1997, an increase of $28.1 million, or 32.3%. The second quarter of 1998 includes amounts relating to the April 30, 1998, acquisition of the glass and plastics packaging businesses of BTR plc (see Note 1 to the financial statements). Consolidated segment operating profit for the second quarter of 1998 was $270.5 million, an increase of $47.8 million, or 21.5%, compared to the same period in 1997. The increase is principally attributable to higher operating profit for both the Glass Containers segment and the Plastics Packaging segment. Interest expense, net of interest income, increased $15.9 million from the 1997 period due in part to the financings related to the acquisition of the BTR glass and plastics packaging businesses. The increase in interest expense resulting from the acquisition was partially offset by lower borrowing costs resulting from the 1997 refinancing of higher cost debt, which began in May 1997. Net earnings of $100.9 million and $2.4 million for the second quarters of 1998 and 1997, respectively, reflect $14.1 million and $84.5 million, respectively, of extraordinary charges from the early extinguishment of debt.

Capsule segment results (in millions of dollars) for the second quarter of 1998 and 1997 were as follows:

	Net sales (Unaffiliated customers)		Operating Profit	
	1998	1997	1998	1997
Glass Containers	$ 976.7	$ 931.1	$ 189.1	$ 165.0
Plastics Packaging	408.0	293.0	79.6	57.5
Eliminations and other retained costs	.3	.4	1.8	.2
Consolidated total	$1,385.0	$1,224.5	$ 270.5	$ 222.7

Consolidated net sales for the second quarter of 1998 increased $160.5 million, or 13.1%, over the prior year. Net sales of the Glass Containers segment increased $45.6 million, or 4.9%, from 1997. The combined U.S. dollar sales of the segment's foreign affiliates increased over the prior year, reflecting the Asia-Pacific glass container businesses recently acquired from BTR (which contributed approximately $88 million to second quarter 1998 U.S. dollar sales), and increased unit shipments in Poland and Venezuela, which were partially offset by soft market conditions in Brazil and Colombia. Domestically, glass container unit volume nearly equaled prior year, reflecting increased shipments of iced tea and juice bottles, offset by lower shipments of beer and certain food containers. Net sales of the Plastics Packaging segment increased $115.0 million, or 39.2%, over 1997, reflecting the plastics businesses recently acquired from BTR (which contributed

approximately $115 million to second quarter 1998 U.S. dollar sales), and increased unit shipments of closures. The Plastics Packaging segment net sales comparison to prior year was adversely affected by the first quarter 1998 termination of a license agreement under which the Company had produced plastic multipack carriers for beverage cans and the effects of lower resin costs on pass-through arrangements with customers.

Consolidated operating profit for the second quarter of 1998 increased $47.8 million, or 21.5%, to $270.5 million from second quarter 1997 operating profit of $222.7 million. The operating profit of the Glass Containers segment increased $24.1 million to $189.1 million, compared to $165.0 million in the second quarter of 1997. The combined U.S. dollar operating profit of the segment's foreign affiliates increased from the second quarter of 1997. The Asia-Pacific glass container businesses recently acquired from BTR contributed approximately $16 million to second quarter 1998 U.S. dollar operating profit.

Improved results at the segment's affiliates in Italy, Venezuela, and the United Kingdom were offset by soft market conditions in Brazil and Colombia. Domestically, operating profit of the Glass Containers segment increased from the second quarter of 1997 due to an improved cost structure. The operating profit of the Plastics Packaging segment increased $22.1 million, or 38.4%, compared to the second quarter of 1997. The plastics businesses recently acquired from BTR contributed approximately $22 million to second quarter 1998 operating profit. Higher shipments of closures were offset by lower shipments of labels and carriers, including the plastic multipack carriers for beverage cans. Other retained costs for the second quarter of 1998 were lower principally due to higher net financial services income.

First Six Months 1998 compared with First Six Months 1997

For the first six months of 1998, the Company recorded earnings before extraordinary items of $195.4 million compared to $141.5 million for the first six months of 1997. Excluding the effects of the unusual items for both 1998 and 1997 discussed below, the Company's first six months of 1998 earnings before extraordinary items of $179.0 million increased $45.1 million, or 33.7%, over first six months of 1997 earnings before extraordinary items of $133.9 million. The first six months of 1998 includes amounts relating to the April 30, 1998, acquisition of the glass and plastics packaging businesses of BTR plc (see Note 1 to the financial statements). Consolidated segment operating profit, excluding both the 1998 and 1997 unusual items, was $440.0 million for the first six months of 1998, an increase of $65.8 million, or 17.6%, compared to $374.2 for the same 1997 period. The increase is attributable to higher operating profit for both the Glass Containers segment and the Plastics Packaging segment, along with lower retained costs. The Company's estimated effective tax rate for the first six months of 1998, excluding the effects of the adjustment to Italy's net deferred tax liabilities discussed below, was 35.1%. This compares with 34.1% for the full year 1997, excluding the effect of the gain on the 1997 sale of the remaining 49% interest in Kimble Glass discussed below. Net earnings of $181.3 million and $57.0 million for the first six months of 1998 and 1997, respectively, reflect $14.1 million and $84.5 million, respectively, of extraordinary charges from the early extinguishment of debt.

Capsule segment results (in millions of dollars) for the first six months of 1998 and 1997 were as follows:

	Net sales (Unaffiliated customers)		Operating Profit	
	1998	1997	1998 (a)	1997
Glass Containers	$1,789.1	$1,706.7	$ 300.6	$ 266.1
Plastics Packaging	693.7	573.4	146.9	109.2
Eliminations and other retained costs (b)	.7	.7	(5.3)	1.1
Consolidated total	$2,483.5	$2,280.8	$ 442.2	$ 376.4

(a) Operating profit for 1998 includes: (1) a net gain of $18.5 million related to the termination of a licensing agreement, including 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) operating profit as follows: Glass Containers, $(7.8) million; Plastics Packaging, $18.5 million; and other retained costs, $(8.5) million. These items were recorded in the first quarter of 1998.

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

Consolidated net sales for the first six months of 1998 increased $202.7 million, or 8.9%, over the prior year. Net sales of the Glass Containers segment increased $82.4 million, or 4.8%, over 1997. The combined U.S. dollar sales of the segment's foreign affiliates increased over the prior year, reflecting the Asia-Pacific glass container businesses recently acquired from BTR (which contributed approximately $88 million to first six months 1998 U.S. dollar sales), the February 1997 acquisition of AVIR S.p.A., the largest manufacturer of glass containers in Italy, and increased unit shipments in Poland and Venezuela, all of which were partially offset by soft market conditions in Brazil and Colombia. Domestically, glass container unit shipments of containers for the beer, tea and juice, and liquor and wine industries more than offset lower shipments of certain food containers in comparison to the prior year period. Net sales of the Plastics Packaging segment increased $120.3 million, or 21.0%, over 1997, reflecting the plastics businesses recently acquired from BTR (which contributed approximately $115 million to first six months 1998 U.S. dollar sales), and increased unit shipments of closures. The Plastics Packaging segment net sales comparison to prior year was adversely affected by the first quarter 1998 termination of a license agreement under which the Company had produced plastic multipack carriers for beverage cans and the effects of lower resin costs on pass-through arrangements with customers.

Consolidated operating profit for the first six months of 1998, excluding the 1998 and 1997 unusual items, increased $65.8 million, or 17.6%, to $440.0 million from first six months 1997 operating profit of $374.2 million. The operating profit of the Glass Containers segment, excluding the 1998 unusual items, increased $42.3 million to $308.4 million, compared to $266.1 million in the first six months of 1997. The Asia-Pacific glass container businesses recently acquired from BTR contributed approximately $16 million to first six months 1998 U.S. dollar operating profit. Improved results at the segment's affiliates in Italy and Venezuela were partially offset by soft market conditions in Brazil and Colombia, which adversely affected results of affiliates located in those countries. Domestically, operating profit increased from the first six months of 1997 as a result of increased unit shipments and an improved cost structure. The operating profit of the Plastics Packaging segment, excluding the 1998 unusual items, increased $19.2 million, or 17.6%, compared to the first six months of 1997. The plastics businesses recently acquired from BTR contributed approximately $22 million to first six months 1998 operating profit. Higher shipments of closures and improved manufacturing performance were offset by lower shipments of labels and carriers, including the plastic multipack carriers for beverage cans. Other retained costs, excluding the 1998 and 1997 unusual items discussed below, were $3.2 million income for the first six months of 1998 compared to $1.1 million expense for the first six months of 1997, reflecting higher net financial services income.

The first six months 1998 results include the following unusual items recorded in the first quarter of 1998: (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 net gain of $18.5 million ($11.4 million aftertax) related to the termination of a license agreement, including 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 for severance costs at certain international affiliates. The first six months 1997 results include the following unusual items recorded in the first quarter of 1997: (1) a gain of $16.3 million ($16.3 million aftertax) on the sale of the Company's remaining 49% interest in Kimble Glass, and (2) charges of $14.1 million ($8.7 million aftertax) principally for guarantees of certain lease obligations of a previously divested business.

Capital Resources and Liquidity

The Company's total debt at June 30, 1998 was $5.93 billion, compared to $3.32 billion at December 31, 1997 and $3.30 billion at June 30, 1997.

At June 30, 1998, the Company had available credit totaling $4.8 billion under its recently amended agreement with a group of banks ("Bank Credit Agreement") expiring in December 2001, of which $972.0 million had not been utilized. At December 31, 1997, total commitments under the Company's previous credit facility were $3.0 billion of which $741.0 million had not been utilized. The increased commitment, utilization and corresponding higher debt balances at June 30, 1998, resulted in large part from borrowings for the acquisition of

the worldwide glass and plastics packaging businesses of BTR plc. Utilization was also higher as a result of borrowings for capital expenditures, partially offset by cash provided by operations. Cash provided by operating activities was $174.9 million for the first six months of 1998 compared to $116.8 million for the first six months of 1997.

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. As discussed in Note 3, the Company plans to use the proceeds received from the sale of Rockware Glass to reduce amounts outstanding under the Bank Credit Agreement, including repayment of the remaining $342.0 million Term Loan, which is due on October 30, 1999. 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.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

In connection with the April 30, 1998, acquisition of the worldwide glass and plastics packaging businesses of BTR, the Bank Credit Agreement was amended to provide, among other things, a $1.75 billion offshore loan revolving 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 at June 30, 1998, see Note 6 to the financial statements.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

(a) Contingencies. Note 10 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 13, 1998. Each of the four 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
Robert J. Dineen	122,804,370	993,713	-	-
James H. Greene, Jr.	115,211,986	8,586,097	-	-
George R. Roberts	122,495,536	1,302,547	-	-
Thomas L. Young	122,682,931	1,115,152	-	-

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

(a) Exhibits:

Exhibit 10.1 Amended and Restated Owens-Illinois Supplemental Retirement Benefit Plan.

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

Exhibit 23 Consent of McCarter & English, LLP.

Exhibit 27 Financial Data Schedule.

(b) Reports on Form 8-K:

(1) On April 16, 1998, the Registrant filed a Form 8-K which included the information required under Items 7(a), 7(b) and 7(c) with regard to financial statements and exhibits of the worldwide glass and plastics packaging businesses of BTR plc.

(2) On April 23, 1998, the Registrant filed a Form 8-K which included a press release dated April 23, 1998 announcing first quarter 1998 results.

(3) On May 7, 1998, the Registrant filed a Form 8-K which included a press release dated April 30, 1998 announcing the completion of the acquisition of the worldwide glass and plastics packaging businesses of BTR plc.

(4) On May 26, 1998, the Registrant filed a Form 8-K which included the following documents:

(a) Underwriting Agreement, dated as of May 14, 1998, among Owens-Illinois, Inc., Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, First Chicago Capital Markets, Inc., Goldman, Sachs & Co., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Brothers Inc and Scotia Capital Markets (USA) Inc.

(b) Underwriting Agreement, dated as of May 14, 1998, among Owens-Illinois, Inc., Morgan Stanley & Co. Incorporated, BancAmerica Robertson Stephens, Credit Suisse First Boston Corporation, Goldman, Sachs & Co., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Brothers Inc and Scotia Capital Markets (USA) Inc.

(c) Underwriting Agreement, dated as of May 14, 1998, among Owens-Illinois, Inc., Morgan Stanley & Co. Incorporated, BancAmerica Robertson Stephens, Credit Suisse First Boston Corporation, Goldman, Sachs & Co., Lehman Brothers Inc., Nationsbanc Montgomery Securities LLC and Salomon Brothers Inc.

(d) Underwriting Agreement, dated as of May 14, 1998, among Owens-Illinois, Inc., Morgan Stanley & Co. Incorporated, BT Alex. Brown Incorporated, Credit Suisse First Boston Corporation, Goldman, Sachs & Co., Lehman Brothers Inc., Nationsbanc Montgomery Securities LLC and Salomon Brothers Inc.

(e) Underwriting Agreement, dated as of May 14, 1998, among Owens-Illinois, Inc., Smith Barney Inc., BT Alex. Brown Incorporated, Credit Suisse First Boston Corporation, Goldman, Sachs & Co., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated.

(f) Underwriting Agreement, dated as of May 14, 1998, among Owens-Illinois, Inc., Smith Barney Inc., BT Alex. Brown Incorporated, Goldman, Sachs & Co. and Lehman Brothers Inc.

(g) Indenture, dated as of May 20, 1998, between Owens-Illinois, Inc. and The Bank of New York, as Trustee.

(h) Officers' Certificate, dated May 20, 1998, establishing the terms of the 7.15% Senior Notes due 2005.

(i) Officers' Certificate, dated May 20, 1998, establishing the terms of the 7.35% Senior Notes due 2008.

(j) Officers' Certificate, dated May 20, 1998, establishing the terms of the 7.50% Senior Notes due 2010.

(k) Officers' Certificate, dated May 20, 1998, establishing the terms of the 7.80% Senior Notes due 2018.

(l) Form of 7.15% Senior Note due 2005.

(m) Form of 7.35% Senior Note due 2008.

(n) Form of 7.50% Senior Note due 2010.

(o) Form of 7.80% Senior Note due 2018.

(p) Certificate of Designation of Convertible Preferred Stock.

(q) Form of Convertible Preferred Stock Certificate.

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 14, 1998

By /s/ David G. Van Hooser

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

INDEX TO EXHIBITS

10.1 Amended and Restated Owens-Illinois Supplemental Retirement Benefit Plan.

10.2 Second Amendment to Owens-Illinois, Inc. Corporate Officers Deferred Compensation Plan.

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27 Financial Data Schedule.

Exhibit 10.1

AMENDED AND RESTATED OWENS-ILLINOIS SUPPLEMENTAL RETIREMENT BENEFIT PLAN

ARTICLE I

Purpose, History, and Structure

Section 1.01 - The purpose of the Owens-Illinois Supplemental Retirement Benefit Plan (the "Plan") is to provide certain retirement and related benefits to certain Eligible Employees of Owens-Illinois, Inc. and its subsidiary and affiliated corporations (the "Company") whose benefits under the Owens-Illinois Salary Retirement Plan (the "Salary Plan") are or may be subject to certain limitations, as hereinafter described.

Section 1.02 - The Plan was originally adopted and approved by the Board effective as of October 1, 1991. Pursuant to authority reserved and/or duly delegated to the Board and its Compensation Committee, the Plan has been amended by the First and Second Amendments thereto effective, respectively, as of December 1, 1993 and March 1, 1996. Pursuant to such authority, the Board's Compensation Committee has determined to further amend and restate the Plan in the form of this Amended and Restated Owens-Illinois Supplemental Retirement Benefit Plan, effective as of January 1, 1998. The word "Plan" as hereinafter used refers to this Amended and Restated Owens-Illinois Supplemental Retirement Benefit Plan except as the context may otherwise clearly require and except that no person whose retirement or other termination of employment with the Company occurred before January 1, 1998 shall have any right or claim under the Plan except as in effect on the date of such retirement or other termination of employment.

Section 1.03 - The Plan provides "Supplemental Benefits", described in Section 3.01 hereof, and "Excess Benefits", described in Section 3.02 hereof.

ARTICLE II

Definitions

Section 2.01 - Unless otherwise expressly defined in this Plan, each word or term which is defined in the Salary Plan shall have the same meaning when used in this Plan.

Section 2.02 - As used in this Plan, the term "Board" means the Board of Directors of Owens-Illinois, Inc. or the Compensation Committee or other committee of said Board of Directors to which all or any of its powers or duties under the Plan may be delegated.

Section 2.03 - As used in this Plan, the term "Eligible Employee" means an Employee or former Employee of the Company with respect to whom one or more benefits are or will become payable under this Plan.

Section 2.04 - As used in this Plan, the term "Executive Compensation Committee" means a committee comprised of the Company's Chief Financial Officer, the Company's General Counsel, and the Company's Director of Compensation and Benefits. In the event of a vacancy in any one or more of such offices or positions within the Company, any corresponding vacancy on the Executive Compensation Committee shall be filled by the officer or employee of the Company who succeeds to the duties of such vacant office or position or by another officer or employee of the Company designated by the Board.

Section 2.05 - As used in this Plan, the term "Specified Rate" means an annual interest rate equal from time to time to the average annual yield on domestic corporate bonds of Moody's A-rated companies (as most recently reported in the Survey of Current Business published by the United States Department of Commerce or a successor publication) or such other annual interest rate as the Board may at any time and from time to time specify prospectively for purposes of the Plan; provided, however, that no such action taken by the Board after the date on which notice of an installment payment election (or of the modification of any such previous election) is given pursuant to Section 4.03(c) hereof shall operate to reduce the rate of interest on the unpaid balance of the benefit payable pursuant to such election (or modification) to less than the rate which would have been in effect hereunder in the absence of such action by the Board.

ARTICLE III

Supplemental and Excess Benefits

Section 3.01 - Supplemental Benefits under the Plan are benefits unavailable under the Salary Plan by reason of the application of:

(a) Section 401(a)(17) of the Internal Revenue Code of 1986, as amended (the "Code"), imposing limitations on the amounts of annual compensation that may be taken into account under a qualified pension plan;

(b) The Salary Plan's definition of the term "Credited Earnings", to the extent it excludes from Credited Earnings and/or Average Annual Earnings:

(1) compensation under any plan or arrangement maintained by the Company at any time whereby an employee's actual receipt of compensation may be deferred until after the year in which it is earned, to be taken into account for purposes of this Plan for the year in which earned; and/or

(2) any amount paid to an Eligible Employee under the Amended and Restated Owens-Illinois, Inc. Performance Award Plan ("PAP"), as from time to time in effect, with respect to an "Award Period" (as defined in PAP) which ends on or after December 31, 1998, and the final year of which precedes or coincides with the year in which such Eligible Employee's retirement date occurs, to be taken into account for purposes of this Plan for the final year of such Award Period; and/or

(c) The Tenth and/or Thirteenth Amendments to the Fifth Amended and Restated Salary Plan, whereby, effective January 1, 1989, the Salary Plan's

retirement benefit formulas were modified and the accrued benefits and/or rate of future benefit accruals of certain Eligible Employees were thereby curtailed.

Section 3.02 - Excess Benefits under the Plan are benefits unavailable under the Salary Plan by reason of the application of Section 415 of the Code, imposing limitations on the amount of benefits that may be provided under a qualified pension plan.

ARTICLE IV

Retirement and Survivor Benefits

Section 4.01 - Each Eligible Employee shall be entitled to a normal, postponed, early, or vested deferred retirement benefit under this Plan in an amount equal to the excess of (i) the amount of the comparable benefit to which he or she would be entitled under the Salary Plan at the time of his or her retirement or other termination of employment if the limitations, exclusions, and curtailments referred to in Sections 3.01 and 3.02 hereof were not applicable to the Salary Plan, over (ii) the amount of any such comparable benefit actually payable under the Salary Plan.

Section 4.02 - Upon the death of an Eligible Employee, except to the extent otherwise provided under or pursuant to Section 4.03(e) hereof, a survivor or death benefit shall be payable to the spouse or other Beneficiary of such Eligible Employee in an amount equal to the excess of (i) the amount of comparable benefit which would have been payable under the Salary Plan at the time of his or her death if the limitations, exclusions, and curtailments referred to in Sections 3.01 and 3.02 hereof were not applicable to the Salary Plan, over (ii) the amount of any such comparable benefit actually payable under the Salary Plan.

Section 4.03 - (a) The date (hereinafter referred to as the "payment date") on which payment of any retirement, survivor, or death benefit will be made or commenced under this Plan shall be substantially the same, allowing for differences in administrative procedures, as the date on which payment of such benefit would have been made or commenced under the Salary Plan. The person or persons to whom any such benefit is payable under this Plan shall, except to the extent otherwise provided under or pursuant to Section 4.03(e) hereof, be identical to the person or persons to whom such benefit would have been payable under the Salary Plan. All elections, designations, and determinations with respect to the time at which and person or persons to whom benefits are to be paid under this Plan, but not including any election under Section 4.03(b)(4) hereof as to the form of payment or any designation of a beneficiary or beneficiaries under Section 4.03(e) hereof, shall be made as and when made under the Salary Plan.

(b) The form in which any retirement, survivor, or death benefit is payable under this Plan shall be as follows:

(1) If the retirement, death, or other termination of employment of the Eligible Employee with respect to whom any such benefit is payable

occurred before January 1, 1989, the form of payment under this Plan shall be as permitted or required by the Pre-1989 Owens-Illinois, Inc. Excess Benefit Plan and Supplemental Benefit Plan as both such Plans (the "Pre-1989 Plans") were restated effective January 1, 1989;

(2) If the retirement, death, or other termination of employment of the Eligible Employee with respect to whom any such benefit is payable occurred on or after January 1, 1989 but before September 1, 1990, the form of payment under this Plan shall be as permitted or required by the Owens-Illinois, Inc. Excess Benefit Plan and Supplemental Benefit Plan, both of which Plans (the "1989 Plans") became effective January 1, 1989;

(3) If the retirement, death, or other termination of employment of the Eligible Employee with respect to whom any such benefit is payable occurred on or after September 1, 1990 but before March 1, 1996, such benefit shall be paid in a lump-sum amount equal to the present value of such benefit, determined in accordance with the Salary Plan, on its payment date; or

(4) If the retirement, death, or other termination of employment of the Eligible Employee with respect to whom any such benefit is payable occurs on or after March 1, 1996, such benefit shall be paid in a lump-sum amount equal to the present value of such benefit, determined in accordance with the Salary Plan, on its payment date unless an election of an installment form of payment is in effect on such payment date in accordance with Section 4.03(c) hereof, in which event such benefit shall be paid in the installment form so elected.

(c) An Eligible Employee to whom Section 4.03(b)(4) hereof applies may elect, by written notice to and, if required as hereinafter provided, with the consent of the Executive Compensation Committee, to have the lump-sum present value of such benefit on its payment date paid in any specified number, not to exceed 15, of substantially equal annual installments commencing on or after such payment date, together with interest on the unpaid balance thereof at the Specified Rate, compounded monthly. Any such Eligible Employee who has made such an election may, before the payment date of such benefit, revoke or modify such election by subsequent written notice to and, if required as hereinafter provided, with the consent of the Executive Compensation Committee. An Eligible Employee's election under this Section 4.03(c), and any subsequent revocation or modification thereof, will be effective without the consent of the Executive Compensation Committee if made at least 12 months before the payment date of such benefit and in no event later than September 30 of the preceding calendar year. If made thereafter, then such election (or any revocation or modification thereof) will be subject to the consent of the Executive Compensation Committee pursuant to Section 4.03(d) hereof, except that an Eligible Employee's initial election under this Section 4.03(c) will be effective without the consent of the Executive Compensation Committee if made no later than one month after the later of (i) the date of adoption of the Second Amendment to the Plan or (ii) the effective date of such Amendment.

(d) The Executive Compensation Committee shall grant or deny its consent to an election under Section 4.03(c) hereof, if required, or to a revocation or modification of any such election, if required, as soon as

administratively practicable after its receipt of written notice thereof and shall promptly notify the Eligible Employee of its action with respect thereto. In granting or denying such consent the Executive Compensation Committee shall consider and take into account the form in which benefits are payable with respect to the Eligible Employee under the Salary Plan and under any other applicable Company plan or arrangement; the interests of the Eligible Employee and of other Eligible Employees; the effect of such election (or of such revocation or modification of a previous election) on the Company's current and projected future financial condition in the context of other similar elections under this Plan and all other Company plans or arrangements for the benefit of its employees; and such other factors and circumstances as the Executive Compensation Committee, in its discretion, deems relevant. All actions of the Executive Compensation Committee shall be taken by majority vote at a meeting or by majority approval in writing in lieu of a meeting and shall be final and binding on all parties interested therein.

(e) In the event of the death of an Eligible Employee with respect to whom an installment payment election is in effect under Section 4.03(c) hereof after his payment date but before all of the installments so elected plus interest have been paid to him in full, all of the remaining unpaid installments, including accrued interest to the date of payment, shall be paid, as and when due under such election, to the beneficiary or beneficiaries named by such Eligible Employee in a written designation filed with the Executive Compensation Committee (or, in the absence of such a designation, to his estate).

Section 4.04 - To the extent necessary to effectuate the purpose and intent of this Plan, the terms and provisions of the Salary Plan (as from time to time in effect), the Pre-1989 Plans, and the 1989 Plans (copies of which shall be attached as, respectively, Exhibits A, B, and C hereto) are hereby incorporated herein by reference.

ARTICLE V

Amendment and Termination

Section 5.01 - Subject to Sections 5.02, 5.03, and 5.04 hereof, the Board may at any time and from time to time, in its sole discretion, amend, suspend, or terminate the Plan in whole or in part.

Section 5.02 - No action taken by the Board pursuant to Section 5.01 hereof may adversely affect the accrued Supplemental or Excess Benefits of any Eligible Employee under the Plan, as of the date of such action, without the consent of such Eligible Employee.

Section 5.03 - If the Plan shall be terminated, actually or constructively, the accrued Supplemental and Excess Benefits of all Eligible Employees thereunder as of the date of such actual or constructive termination shall thereupon become fixed, fully vested, and nonforfeitable. For purposes of determining the amount of such accrued Supplemental and/or Excess Benefits, each Eligible Employee's benefit under the Salary Plan shall be his or her Accrued Benefit, payable upon retirement at age 65, thereunder. Each benefit

which becomes fixed, fully vested, and nonforfeitable pursuant to this Section 5.03 shall be paid on its payment date, as provided in Section 4.03(a) hereof, in a lump-sum amount equal to the present value of such benefit on such payment date unless an election of an installment form of payment, in accordance with Section 4.03(c) hereof, was in effect on the date of such actual or constructive termination of the Plan and remains in effect, without subsequent modification, on such payment date, in which event such benefit shall be paid in the installment form so elected.

Section 5.04 - In the event of any transfer or sale of a majority of the stock or of substantially all of the assets and business of the Company, or of a merger or consolidation of the Company into or with another corporation or business entity, this Plan shall continue in full force and effect thereafter, subject to amendment, suspension, or termination in accordance with Sections 5.01, 5.02, and 5.03 hereof by action of the transferee, purchaser, or successor entity.

ARTICLE VI

Administrative and Miscellaneous Provisions

Section 6.01 - The Board shall have and may exercise, in the administration of this Plan, all of the authority and responsibility conferred on the Committee under the Salary Plan.

Section 6.02 - Nothing in the Plan shall confer on any employee of the Company any right to continue in the employ of the Company or limit in any way the right of the Company to terminate such employee's employment at any time.

Section 6.03 - Rights of Eligible Employees under the Plan shall not be assignable or transferable, or subject to encumbrance or charge of any nature, otherwise than by designation of beneficiary to take effect at date of death or as otherwise provided in the Salary Plan.

Section 6.04 - The Plan became effective October 1, 1991; this Amended and Restated Plan is effective as of January 1, 1998.

IN WITNESS WHEREOF, the Board has caused this Amended and Restated Plan to be executed by a duly authorized officer of the Company this 29th day of May, 1998.

Owens-Illinois, Inc.

By /s/ Thomas L. Young
Executive Vice President

Attest:

/s/ James W. Baehren
Assistant Secretary

Exhibit 10.2

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

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

1. Section 5 of the Plan is amended by the addition thereto of the following new subsection 5.5:

> "5.5. Notwithstanding the foregoing provisions of this Section 5, any officer or employee of Continental PET Technologies, Inc. ("CPT") who continues to be an employee of CPT immediately after the closing (the "Closing") of the acquisition (the "CPT Acquisition") of CPT by O-I pursuant to that certain Share Disposition Agreement entered into as of March 1, 1998, among BTR plc ("BTR"), the Selling Companies (as defined in the Share Disposition Agreement), O-I and the Purchasing Companies (as defined in the Share Disposition Agreement), may elect prior to the Closing, by written notice (a "Deferral Election") to the CEO, to defer his receipt, subject to the provisions of the Plan, of all or any part of the amounts which would be payable to him by BTR in consideration of the cash-out of his stock options (the "Options") under the CPT 1991 Stock Option Plan. Any such Deferral Election must be delivered to the Chief Executive Officer of CPT, who shall deliver it to the CEO, no later than five days prior to the Closing and shall be irrevocable. Any officer or employee of CPT who makes a valid Deferral Election under this Section 5.5 shall constitute, solely for purposes of the amounts so deferred under such election, an Officer under the Plan immediately after the Closing of the CPT Acquisition and any amounts deferred under this Section 5.5 shall be credited to the Officer's Account in the Plan and shall be subject to all terms and conditions of the Plan, as it may be amended from time to time. Upon the Closing of the CPT Acquisition, any Options with respect to which an Officer has made a Deferral Election under this Section 5.5 shall automatically terminate and be of no further force or effect."

2. Section 7 of the Plan is amended by the addition thereto of the following new subsection 7.6:

> "7.6. Notwithstanding Section 7.1 above, any amounts deferred by any Officer pursuant to Section 5.5 of the Plan shall become payable upon termination of the Officer's employment with the Company for any reason, unless the Officer elects to have such

amounts payable upon a date selected by the Officer in his Deferral Election which date is more than three years after the date of the Closing of the CPT Acquisition, in which case such amounts shall become payable on such date. Amounts so payable shall be paid to the Officer in cash in a lump sum or, if and to the extent the Officer has so elected in writing:

(a) at the time specified in his Deferral Elections; or

(b) thereafter, but only with the consent of the Executive Compensation Committee pursuant to Section 7.5 hereof,

in such number, not to exceed 15, of equal annual installments as the Officer has so elected plus interest on the unpaid balance at the rate from time to time called for under Section 6.1 of the Plan.

3. This Second Amendment shall be effective as of April 1, 1998. In all other respects the Plan shall remain in full force and effect as originally adopted effective December 31, 1993 and as amended by the First Amendment thereto dated as of January 15, 1996.

IN WITNESS WHEREOF, the Committee has caused this Second Amendment to be executed by a duly authorized officer of the Company as of the 1st day of April 1998.

OWENS-ILLINOIS, INC.

By: /s/ Thomas L. Young
Executive Vice President

Attest:

/s/ James W. Baehren
Assistant Secretary

EXHIBIT 23

CONSENT OF MCCARTER & ENGLISH, LLP

August 14, 1998

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, 1998, of the reference to our firm under the caption "Legal Proceedings."

Very truly yours,

/s/McCarter & English, LLP

McCarter & English, LLP

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This schedule contains summary financial information extracted from the
June 30, 1998 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.

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JUN-30-1998
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1.22