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

FORM 10-Q

(Mark one)

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

For Quarter Ended June 30, 2006

or

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

Yes o No x

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 – 153,500,629 shares at June 30, 2006.

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. All adjustments are of a normal recurring nature. Because the following unaudited condensed consolidated financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005.

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

	Three months ended June 30, 2006	Three months ended June 30, 2005
Revenues:		
Net sales	$ 1,945.5	$ 1,852.7
Royalties and net technical assistance	3.9	3.9
Equity earnings	8.2	7.0
Interest	4.8	3.5
Other	3.2	5.7
	1,965.6	1,872.8
Costs and expenses:		
Manufacturing, shipping, and delivery	1,585.6	1,474.9
Research and development	7.0	6.2
Engineering	9.3	9.5
Selling and administrative	134.6	119.0
Interest	130.4	116.6
Other	9.0	6.6
	1,875.9	1,732.8
Earnings before items below	89.7	140.0
Provision for income taxes	37.2	45.5
Minority share owners' interests in earnings of subsidiaries	9.9	8.3
Net earnings	$ 42.6	$ 86.2
Basic net earnings per share of common stock	$ 0.25	$ 0.54
Weighted average shares outstanding (thousands)	151,975	150,804
Diluted net earnings per share of common stock	$ 0.24	$ 0.53
Weighted diluted average shares (thousands)	153,960	153,141

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

	Six months ended June 30, 2006	Six months ended June 30, 2005
Revenues:		
Net sales	$ 3,633.8	$ 3,516.0
Royalties and net technical assistance	7.8	8.3
Equity earnings	13.7	11.3
Interest	9.8	7.7
Other	13.6	37.9
	3,678.7	3,581.2
Costs and expenses:		
Manufacturing, shipping, and delivery	2,970.6	2,763.4
Research and development	14.5	12.4
Engineering	18.0	19.7
Selling and administrative	263.9	236.2
Interest	249.8	235.1
Other	15.5	13.4
	3,532.3	3,280.2
Earnings before items below	146.4	301.0
Provision for income taxes	60.5	81.9
Minority share owners' interests in earnings of subsidiaries	19.0	15.4
Net earnings	$ 66.9	$ 203.7
Basic net earnings per share of common stock	$ 0.37	$ 1.28
Weighted average shares outstanding (thousands)	151,828	150,443
Diluted net earnings per share of common stock	$ 0.36	$ 1.26
Weighted diluted average shares (thousands)	154,002	152,783

See accompanying notes.

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

	June 30, 2006	Dec. 31, 2005	June 30, 2005
Assets			
Current assets:			
Cash, including time deposits	$ 244.7	$ 246.6	$ 180.1
Short-term investments, at cost which approximates market	71.1	51.9	31.7
Receivables, less allowances for losses and discounts ($46.7 at June 30, 2006, $47.4 at December 31, 2005, and $45.1 at June 30, 2005)	1,262.5	1,006.2	965.5
Inventories	1,017.3	940.4	1,057.8
Prepaid expenses	32.9	37.2	124.4
Total current assets	2,628.5	2,282.3	2,359.5
Investments and other assets:			
Equity investments	100.0	114.9	108.1
Repair parts inventories	166.1	170.3	180.4
Prepaid pension	990.8	988.1	974.8
Deposits, receivables, and other assets	445.9	444.5	466.5
Goodwill	2,432.8	2,369.2	2,903.2
Total other assets	4,135.6	4,087.0	4,633.0
Property, plant, and equipment, at cost	6,323.7	6,146.0	6,115.7
Less accumulated depreciation	3,197.4	2,993.5	2,886.6
Net property, plant, and equipment	3,126.3	3,152.5	3,229.1
Total assets	$ 9,890.4	$ 9,521.8	$ 10,221.6

	June 30, 2006	Dec. 31, 2005	June 30, 2005
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	$ 687.4	$ 278.3	$ 66.0
Current portion of asbestos-related liabilities	152.0	158.0	162.0
Accounts payable and other liabilities	1,422.1	1,385.6	1,286.2
Total current liabilities	2,261.5	1,821.9	1,514.2
Long-term debt	4,888.4	5,018.7	5,314.8
Deferred taxes	192.8	186.0	162.2
Pension benefits	309.7	311.4	301.6
Nonpension postretirement benefits	282.6	277.1	276.4
Other liabilities	405.0	429.2	449.9
Asbestos-related liabilities	497.4	572.1	517.9
Commitments and contingencies			
Minority share owners' interests	186.5	181.5	169.8
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

Common stock, par value $.01 per share 250,000,000 shares authorized, 165,617,053 shares issued and outstanding, less 12,116,424 treasury shares at June 30, 2006 (165,216,558 issued and outstanding, less 12,305,308 treasury shares at December 31, 2005 and 164,849,483 issued and outstanding, less 12,453,597 treasury shares at June 30, 2005)	1.7	1.7	1.6
Capital in excess of par value	2,311.8	2,297.0	2,284.5
Treasury stock, at cost	(232.4)	(236.0)	(238.8)
Retained earnings (deficit)	(1,499.2)	(1,555.4)	(782.4)
Accumulated other comprehensive loss	(167.9)	(235.9)	(202.6)
Total share owners' equity	866.5	723.9	1,514.8
Total liabilities and share owners' equity	$ 9,890.4	$ 9,521.8	$ 10,221.6

See accompanying notes.

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

	Six months ended June 30,	
	2006	2005
Cash flows from operating activities:		
Net earnings	$ 66.9	$ 203.7
Non-cash charges (credits):		
Depreciation	234.4	240.9
Amortization of intangibles and other deferred items	14.1	13.1
Amortization of finance fees	7.8	8.4
Deferred tax provision	2.4	24.3
Gain on sale of certain real property		(28.1)
Mark to market effect of certain natural gas hedge contracts	5.1	(21.4)
Other	15.8	(36.9)
Change in non-current operating assets	(11.9)	(7.7)
Asbestos-related payments	(80.7)	(86.3)
Change in non-current liabilities	(41.7)	(43.0)
Change in components of working capital	(307.9)	(318.8)
Cash utilized in operating activities	(95.7)	(51.8)
Cash flows from investing activities:		
Additions to property, plant, and equipment	(124.3)	(185.5)
Net cash proceeds from divestitures and asset sales	7.6	150.4
Cash utilized in investing activities	(116.7)	(35.1)
Cash flows from financing activities:		
Additions to long-term debt	916.2	441.6
Repayments of long-term debt	(782.8)	(403.7)
Increase in short-term loans	103.1	24.1
Net payments for debt-related hedging activity	(11.6)	(70.0)
Payment of finance fees	(12.3)	(0.8)
Convertible preferred stock dividends	(10.7)	(10.7)
Issuance of common stock and other	4.0	21.7
Cash provided byfinancing activities	205.9	2.2
Effect of exchange rate fluctuations on cash	4.6	(13.1)
Decrease in cash	(1.9)	(97.8)
Cash at beginning of period	246.6	277.9
Cash at end of period	$ 244.7	$ 180.1

See accompanying notes.

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

1. Earnings Per Share

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

	Three months ended June 30,	
	2006	2005

Numerator:				
Net earnings	$	42.6	$	86.2
Convertible preferred stock dividends		(5.4)		(5.4)
Numerator for basic earnings per share - income available to common share owners	$	37.2	$	80.8
Denominator:				
Denominator for basic earnings per share - weighted average shares outstanding		151,974,818		150,803,630
Effect of dilutive securities:				
Stock options and other		1,984,805		2,337,355
Denominator for diluted earnings per share - adjusted weighted average shares outstanding		153,959,623		153,140,985
Basic earnings per share	$	0.25	$	0.54
Diluted earnings per share	$	0.24	$	0.53

The convertible preferred stock was not included in the computation of diluted earnings per share for the three months ended June 30, 2006 and 2005 since the result would have been antidilutive. Options to purchase 4,106,938 and 2,215,350 weighted average shares of common stock that were outstanding during the three months ended June 30, 2006 and 2005, respectively, were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

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

	Six months ended June 30, 2006		2005	
Numerator:				
Net earnings	$	66.9	$	203.7
Convertible preferred stock dividends		(10.7)		(10.7)
Numerator for basic earnings per share - income available to common share owners	$	56.2	$	193.0
Denominator:				
Denominator for basic earnings per share - weighted average shares outstanding		151,828,265		150,443,492
Effect of dilutive securities:				
Stock options and other		2,173,376		2,339,272
Denominator for diluted earnings per share - adjusted weighted average shares outstanding		154,001,641		152,782,764
Basic earnings per share	$	0.37	$	1.28
Diluted earnings per share	$	0.36	$	1.26

The convertible preferred stock was not included in the computation of diluted earnings per share for the six months ended June 30, 2006 and 2005 since the result would have been antidilutive. Options to purchase 3,907,075 and 2,911,614 weighted average shares of common stock that were outstanding during the six months ended June 30, 2006 and 2005, respectively, were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

2. Stock Options and Other Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board issued FAS No. 123R, "Share-Based Payment," which requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the required service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the required service.

The Company adopted the provisions of FAS No. 123R effective January 1, 2006 using the modified-prospective method of adoption, which requires recognition of compensation cost in the financial statements beginning on the date of adoption. As a result of adoption, pretax earnings for the six months ended June 30, 2006 were reduced by $4.2 million ($3.9 million after tax) for additional compensation expense related to stock options. Basic and diluted earnings per share for the six months ended June 30, 2006 were reduced by $0.03. The adoption of FAS No. 123R had no effect on cash flows.

Prior to the adoption of FAS No.123R, the Company accounted for stock options under the disclosure-only provisions (intrinsic value method) of FAS No. 123, "Accounting for Stock-Based

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

	Three months ended June 30, 2005	Six months ended June 30, 2005
Net earnings:		
As reported	$ 86.2	$ 203.7
Compensation cost determined under fair value based method for stock option awards, net of $2.6 million and $3.0 million of related tax effects for the three and six month periods, respectively.	(3.6)	(4.3)
Pro forma	$ 82.6	$ 199.4
Basic earnings per share:		
As reported	$ 0.54	$ 1.28
Pro forma	0.51	1.25
Diluted earnings per share:		
As reported	0.53	1.26
Pro forma	0.50	1.24

The Company has five nonqualified plans under which it has granted stock options, restricted shares and performance vested restricted share units: (1) the Stock Option Plan for Key Employees of Owens-Illinois, Inc.; (2) the Stock Option Plan for Directors of Owens-Illinois, Inc.; (3) the 1997 Equity Participation Plan of Owens-Illinois, Inc.; (4) the 2004 Equity Incentive Plan for Directors of Owens-Illinois, Inc.; and (5) the 2005 Equity Incentive Plan of Owens-Illinois, Inc. Total compensation cost for all grants of options, shares and units under all of these plans was $9.6 million for the six months ended June 30, 2006.

Stock Options

For options granted prior to March 22, 2005, no options may be exercised in whole or in part during the first year after the date granted. In general, subject to accelerated exercisability provisions related to the performance of the Company's common stock or change of control, 50% of the options become exercisable on the fifth anniversary of the date of the option grant, with the remaining 50% becoming exercisable on the sixth anniversary date of the option grant. In general, options expire following termination of employment or the day after the tenth anniversary date of the option grant.

For options granted after March 21, 2005, no options may be exercised in whole or in part during the first year after the date granted. In general, subject to change in control, these options become exercisable 25% per year beginning on the first anniversary. In general, options expire following termination of employment or the seventh anniversary of the option grant.

All options have been granted at prices equal to the market price of the Company's common stock on the date granted. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2006	2005
Expected life of options	4.75 years	5 years
Expected stock price volatility	50.0%	73.9%
Risk-free interest rate	4.6%	2.7%
Expected dividend yield	0.0%	0.0%

The fair value of options granted before March 22, 2005, is amortized ratably over five years or a shorter period if the grant becomes subject to accelerated exercisability provisions related to the performance of the Company's common stock. The fair value of options granted after March 21, 2005, is amortized ratably over the vesting period for each separately vesting 25% portion of the award.

Stock option activity is as follows:

	Number of Shares (thousands)	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2006	6,900	$ 22.05		
Granted	818	18.24		
Exercised	(322)	12.34		
Forfeited or expired	(410)	26.42		
Options outstanding at June 30, 2006	6,986	21.79	4.0	$ 13.8
Options vested or expected to vest at June 30, 2006	6,895	$ 21.79	4.0	$ 13.7
Options exercisable at June 30, 2006	5,485	$ 22.21	3.3	$ 13.6

Certain additional information related to stock options is as follows for the periods indicated:

	Six months ended June 30, 2006	Six months ended June 30, 2005

Weighted average grant-date fair value of options granted (per share)	$ 8.69	$ 15.01
Aggregate intrinsic value of options exercised	$ 2.0	$ 14.6
Aggregate cash received from options exercised	$ 4.0	$ 15.6

Restricted Shares

Shares granted to employees prior to March 22, 2005, generally vest after three years or upon retirement, whichever is later. Shares granted after March 21, 2005, vest 25% per year beginning on the first anniversary and unvested shares are forfeited upon termination of employment, unless certain retirement criteria are met. Shares granted to directors vest on the third anniversary of the share grant or the end of the director's then current term on the board, whichever is later.

The fair value of the shares is equal to the market price of the shares on the date of the grant. The fair value of restricted shares granted before March 22, 2005, is amortized ratably over the vesting period. The fair value of restricted shares granted after March 21, 2005, is amortized ratably over the vesting period for each separately vesting 25% portion of the grant.

Restricted share activity is as follows:

	Number of Restricted Shares (thousands)	Weighted Average Grant-Date Fair Value (per share)
Nonvested at January 1, 2006	1,017	$ 15.29
Granted	118	18.23
Vested	(250)	13.09
Forfeited	(10)	14.28
Nonvested at June 30, 2006	875	16.32
Awards granted during the six months ending June 30, 2005		$ 24.30

	Six months ended June 30, 2006	2005
Total grant-date fair value of shares vested	$ 3.3	$ 2.3

Performance Vested Restricted Share Units

Restricted share units vest on January 1 of the third year following the year in which they are granted. Holders of vested units receive 0.5 to 1.5 shares of the Company's common stock for each unit, depending upon the attainment of consolidated performance goals established by the Compensation Committee of the Company's Board of Directors. If minimum goals are not met, no shares will be issued. Granted but unvested restricted share units are forfeited upon termination of employment, unless certain retirement criteria are met.

The fair value of each restricted share unit is equal to the product of the fair value of the Company's common stock on the date of grant and the estimated number of shares into which the restricted share unit will be converted. The fair value of restricted share units is amortized ratably over the vesting period. Should the estimated number of shares into which the restricted

share unit will be converted change, an adjustment will be recorded to recognize the accumulated difference in amortization between the revised and previous estimates.

Performance vested restricted share unit activity is as follows:

	Number of Restricted Shares Units (thousands)	Weighted Average Grant-Date Fair Value (per share)
Nonvested at January 1, 2006	228	$ 24.22
Granted	457	18.24
Vested	—	—
Forfeited	(4)	22.01
Nonvested at June 30, 2006	681	20.22
Awards granted during the six months ending June 30, 2005		$ 24.17

As of June 30, 2006, there was $26.2 million of total unrecognized compensation cost related to all nonvested stock options, restricted shares and performance vested restricted share units. That cost is expected to be recognized over a weighted average period of approximately four years.

3. Long-Term Debt

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

	June 30, 2006	Dec. 31, 2005	June 30, 2005
Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans	$ 251.6	$ —	$ —
Term Loans:			
Term Loan A (A$300.0 million at June 30, 2006)	222.4		
Term Loan B	50.0		
Term Loan C (C$138.0 million at June 30, 2006)	124.4		
Term Loan D (€200.0 million at June 30, 2006)	254.4		
Third Amended and Restated Secured Credit Agreement:			
Revolving Credit Facility:			
Revolving Loans			252.1
Term Loans:			
A1 Term Loan		223.9	223.9
B1 Term Loan		220.8	220.8
C1 Term Loan		185.6	185.6
C2 Term Loan		54.9	55.9
Accounts receivable securitization:			
European program	181.9	231.8	
Asia Pacific program	98.4	80.6	74.6
Senior Secured Notes:			
8.875%, due 2009	1,000.0	1,000.0	1,000.0
7.75%, due 2011	450.0	450.0	450.0
8.75%, due 2012	625.0	625.0	625.0
Senior Notes:			
8.10%, due 2007	294.6	294.8	297.0
7.35%, due 2008	241.9	244.0	247.6
8.25%, due 2013	418.1	433.3	447.1
6.75%, due 2014	400.0	400.0	400.0
6.75%, due 2014 (€225 million at June 30, 2006)	286.2	267.0	272.0
Senior Debentures:			
7.50%, due 2010	238.2	243.9	250.5
7.80%, due 2018	250.0	250.0	250.0
Senior Subordinated Notes:			
9.25%, due 2009 (€0.4 million at June 30, 2006)	0.5	0.5	0.5
Other	51.0	64.6	87.7
Total long-term debt	5,438.6	5,270.7	5,340.3
Less amounts due within one year	550.2	252.0	25.5
Long-term debt	$ 4,888.4	$ 5,018.7	$ 5,314.8

On June 14, 2006, the Company's subsidiary borrowers entered into the Secured Credit Agreement (the "Agreement"). Proceeds from the Agreement were used to repay all outstanding amounts under the previous credit agreement. At June 30, 2006, the Agreement included a $900.0 million revolving credit facility, a A$300.0 million A term loan, and a C$138.0 million C term loan, each of which has a final maturity date of June 15, 2012. It also included a $200.0 million B term loan and a €200 million D term loan each of which have a final maturity date of June 14, 2013. The Agreement also permits the Company, at its option, to refinance certain of its outstanding notes and debentures prior to their scheduled maturity. The Company recorded $10.2 million of additional interest charges for the write-off of unamortized finance fees related to the early payment of the previous credit agreement.

At June 30, 2006, the Company's subsidiary borrowers had unused credit of $562.2 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at June 30, 2006 was 6.06%.

During the fourth quarter of 2005, the Company expanded the capacity of its European accounts receivable securitization program from €200 million to €320 million to include operations in Italy and the United Kingdom. The accounts receivable securitization program provides lower costs of financing than traditional bank debt. The terms of this expansion resulted in changing from off-balance sheet to on-balance sheet accounting for the program by consolidating both the trade accounts receivable in the program and the secured indebtedness of the same amount. During the first and second quarters of 2006, cash received from customers in payment of the trade accounts receivable that were in the program at the date of its consolidation amounted to approximately $122.8 million and $4.5 million, respectively. These receipts are included in determining the changes in components of consolidated working capital as presented in the reconciliation of cash flows from operating activities in the accompanying Condensed Consolidated Statement of Cash Flows.

The interest rate on the accounts receivable securitization program is a variable rate and also includes a margin of 1.35% for the European program and 0.85% for the Asia Pacific program. The weighted average interest rate on borrowings under the European program was 4.0% at June 30, 2006. The weighted average interest rate on borrowings under the Asia Pacific program was 6.9% at June 30, 2006. These programs have maturity dates ranging from October of 2006 through September of 2008.

During July of 2006, a subsidiary of the Company used borrowings under the Agreement to repurchase $150.0 million principal amount of the 8.875% Senior Secured Notes due 2009. During the third quarter, the Company expects to record approximately $7.3 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees.

4. Supplemental Cash Flow Information

	Six months ended June 30, 2006	Six months ended June 30, 2005
Interest paid in cash	$ 217.8	$ 228.9
Income taxes paid in cash	38.5	65.8

5. Comprehensive Income

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

	Three months ended June 30, 2006	Three months ended June 30, 2005
Net earnings	$ 42.6	$ 86.2
Foreign currency translation adjustments	80.2	(131.5)
Change in minimum pension liability, net of tax	—	—
Change in fair value of derivative instruments, net of tax	(9.1)	6.1
Total comprehensive income (loss)	$ 113.7	$ (39.2)

	Six months ended June 30, 2006	Six months ended June 30, 2005
Net earnings	$ 66.9	$ 203.7
Foreign currency translation adjustments	110.5	(254.1)
Change in minimum pension liability, net of tax	—	—
Change in fair value of derivative instruments, net of tax	(42.5)	5.8
Total comprehensive income (loss)	$ 134.9	$ (44.6)

6. Inventories

Major classes of inventory are as follows:

	June 30, 2006	Dec. 31, 2005	June 30, 2005
Finished goods	$ 848.7	$ 779.6	$ 890.2
Work in process	4.5	3.5	4.9
Raw materials	94.6	91.1	93.8
Operating supplies	69.5	66.2	68.9
	$ 1,017.3	$ 940.4	$ 1,057.8

7. Contingencies

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

As of June 30, 2006, the Company has determined that it is a named defendant in asbestos lawsuits and claims involving approximately 24,000 plaintiffs and claimants. Based on an

analysis of the claims and lawsuits pending as of December 31, 2005, approximately 89% of plaintiffs and claimants either do not specify the monetary damages sought, or in the case of court filings, claim an amount sufficient to invoke the jurisdictional minimum of the trial court. Approximately 10% of plaintiffs specifically plead damages of $15 million or less, and 1% of plaintiffs specifically plead damages greater than $15 million but less than $100 million. Fewer than 1% of plaintiffs specifically plead damages $100 million or greater but less than $123 million.

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

In addition to the pending claims set forth above, the Company has claims-handling agreements in place with many plaintiffs' counsel throughout the country. These agreements require evaluation and negotiation regarding whether particular claimants qualify under the criteria established by such agreements. The criteria for such claims include verification of a compensable illness and a reasonable probability of exposure to a product manufactured by the Company's former business unit during its manufacturing period ending in 1958. Some plaintiffs' counsel have historically withheld claims under these agreements for later presentation while focusing their attention on active litigation in the tort system. The Company believes that as of June 30, 2006 there are approximately 21,500 claims against other defendants and which are likely to be asserted some time in the future against the Company. These claims are not included in the totals set forth above. The Company further believes that the bankruptcies of additional co-defendants, as discussed below, resulted in an acceleration of the presentation and disposition of a number of these previously withheld preexisting claims under such agreements, which claims would otherwise have been presented and disposed of over the next several years. This acceleration resulted in a significant increase in the dispositions and cash payments during the period 2001-2002; however, the resolution of the accumulated yet previously unpresented cases continues to affect the annual dispositions and cash payments.

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

Since receiving its first asbestos claim, the Company as of June 30, 2006, has disposed of the asbestos claims of approximately 338,000 plaintiffs and claimants at an average indemnity payment per claim of approximately $6,400. Certain of these dispositions have included deferred amounts payable over a number of years. Deferred amounts payable totaled approximately $88 million at June 30, 2006 ($91 million at December 31, 2005) and are included in the foregoing average indemnity payment per claim. The Company's indemnity payments for these claims have varied on a per claim basis, and are expected to continue to

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

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot be estimated with certainty. Beginning with the initial liability of $975 million established in 1993, the Company has accrued a total of approximately $2.99 billion through 2005, before insurance recoveries, for its asbestos-related liability. The Company's ability to reasonably estimate its liability has been significantly affected by the volatility of asbestos-related litigation in the United States, the expanding list of non-traditional defendants that have been sued in this litigation and found liable for substantial damage awards, the continued use of litigation screenings to generate new lawsuits, the large number of claims asserted or filed by parties who claim prior exposure to asbestos materials but have no present physical impairment as a result of such exposure, and the growing number of co-defendants that have filed for bankruptcy.

The Company has continued to monitor trends which may affect its ultimate liability and has continued to analyze the developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company. The Company expects that the total asbestos-related cash payments will be moderately lower in 2006 compared to 2005 and will continue to decline thereafter as the preexisting but presently unasserted claims withheld under the claims handling agreements are presented to the Company and as the number of potential future claimants continues to decrease. The material components of the Company's accrued liability are based on amounts estimated by the Company in connection with its annual comprehensive review and consist of the following: (i) the reasonably probable contingent liability for asbestos claims already asserted against the Company, (ii) the conti ngent liability for preexisting but unasserted asbestos claims for prior periods arising under its administrative claims-handling agreements with various plaintiffs' counsel, (iii) the contingent liability for asbestos claims not yet asserted against the Company, but which the Company believes it is reasonably probable will be asserted in the next several years, to the degree that an estimation as to future claims is possible, and (iv) the legal defense costs likely to be incurred in connection with the foregoing types of claims.

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

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

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

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

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

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

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

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

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

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

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

The ultimate legal and financial liability of the Company with respect to the lawsuits and proceedings referred to above, in addition to other pending litigation, cannot be estimated with certainty. The Company's reported results of operations for 2005 were materially affected by the $135.0 million fourth quarter charge and asbestos-related payments continue to be substantial. Any future additional charge would likewise materially affect the Company's results of operations for the period in which it is recorded. Also, the continued use of significant amounts of cash for asbestos-related costs has affected and will continue to affect the Company's cost of borrowing and its ability to pursue global or domestic acquisitions. However, the Company believes that its operating cash flows and other sources of liquidity will be sufficient to pay its obligations for asbestos-related costs and to fund its working capital and capital expenditure requirements on a short-term and long-term basis.

8. Segment Information

The Company operates in the rigid packaging industry. The Company has two reportable product segments within the rigid packaging industry: (1) Glass Containers and (2) Plastics Packaging. The Glass Containers segment includes operations in Europe, the Americas, and the Asia Pacific region. The Plastics Packaging segment has operations mainly in North America and consists of healthcare containers, prescription containers and closures.

The Company's measure of profit for its reportable segments is Segment Operating Profit, which consists of consolidated earnings before interest income, interest expense, provision for

income taxes and minority share owners' interests in earnings of subsidiaries and excludes amounts related to certain items that management considers not representative of ongoing operations. The Company's management uses Segment Operating Profit, in combination with selected cash flow information, to evaluate performance and to allocate resources.

Segment Operating Profit for product segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. For the Company's U.S. pension plans, net periodic pension cost (credit) has been allocated to product segments.

Financial information for the three month periods ended June 30, 2006 and 2005 regarding the Company's product segments is as follows:

	Glass Containers	Plastics Packaging	Total Product Segments	Eliminations and Other Retained Items	Consolidated Totals
Net sales:					
2006	$ 1,744.8	$ 200.7	$ 1,945.5		$ 1,945.5
2005	1,641.2	211.5	1,852.7		1,852.7
Segment Operating Profit:					
2006	$ 220.2	$ 28.0	$ 248.2	$ (31.3)	$ 216.9
2005	245.6	33.8	279.4	(19.3)	260.1
Items excluded from Segment Operating Profit:					
June 30, 2006:					
Mark to market gain (loss) on natural gas hedge contracts	$ (1.6)		$ (1.6)		$ (1.6)
June 30, 2005:					
Mark to market gain (loss) on natural gas hedge contracts	(7.0)		(7.0)		(7.0)

The reconciliation of Segment Operating Profit to earnings before income taxes and minority share owners' interests in earnings of subsidiaries for the three month periods ended June 30, 2006 and 2005 is as follows:

	2006	2005

Segment Operating Profit for reportable segments	$ 248.2	$ 279.4
Items excluded from Segment Operating Profit	(1.6)	(7.0)
Eliminations and other retained items	(31.3)	(19.3)
Interest expense	(130.4)	(116.6)
Interest income	4.8	3.5
Total	$ 89.7	$ 140.0

Financial information for the six month periods ended June 30, 2006 and 2005 regarding the Company's product segments is as follows:

	Glass Containers	Plastics Packaging	Total Product Segments	Eliminations and Other Retained Items	Consolidated Totals
Net sales:					
2006	$ 3,233.5	$ 400.3	$ 3,633.8		$ 3,633.8
2005	3,104.3	411.7	3,516.0		3,516.0
Segment Operating Profit:					
2006	$ 386.4	$ 59.7	$ 446.1	$ (54.6)	$ 391.5
2005	447.9	64.7	512.6	(33.7)	478.9
Items excluded from Segment Operating Profit:					
June 30, 2006:					
Mark to market gain (loss) on natural gas hedge contracts	$ (5.1)		$ (5.1)		$ (5.1)
June 30, 2005:					
Mark to market gain (loss) on natural gas hedge contracts	21.4		21.4		21.4
Gain on sale of Corsico, Italy glass container facility	28.1		28.1		28.1

The reconciliation of Segment Operating Profit to earnings before income taxes and minority share owners' interests in earnings of subsidiaries for the six month periods ended June 30, 2006 and 2005 is as follows:

	2006	2005
Segment Operating Profit for reportable segments	$ 446.1	$ 512.6
Items excluded from Segment Operating Profit	(5.1)	49.5
Eliminations and other retained items	(54.6)	(33.7)
Interest expense	(249.8)	(235.1)
Interest income	9.8	7.7
Total	$ 146.4	$ 301.0

	Glass Containers	Plastics Packaging	Total Product Segments	Eliminations and Other Retained	Consolidated Totals
Total assets:					
June 30, 2006	$ 8,004.2	$ 730.6	$ 8,734.8	$ 1,155.6	$ 9,890.4
December 31, 2005	7,575.7	754.0	8,329.7	1,192.1	9,521.8
June 30, 2005	8,115.9	778.3	8,894.2	1,327.4	10,221.6

9. Other Revenue and Costs and Expenses

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

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

10. Derivative Instruments

Hedges of Debt

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

The Company recognizes the above derivatives on the balance sheet at fair value. Accordingly, the changes in the value of the swaps are recognized in current earnings and are expected to substantially offset any exchange rate gains or losses on the related nonfunctional currency borrowings. For the three and six months ended June 30, 2006, the amount not offset was not material.

Foreign Currency Exchange Contracts Designated as Cash Flow Hedges

The Company has entered into a series of foreign currency exchange contracts in Europe to swap €18.8 million into $23.6 million U.S. dollars related to anticipated fuel oil purchases for the last half of 2006. A portion of European fuel oil purchases fluctuates based on U.S. dollars. The swap mitigates foreign currency exchange rate risk relating to approximately 93% of the anticipated 2006 fuel oil purchases in western Europe. Changes in the fair value of this contract are recognized in current earnings.

Interest Rate Swaps Designated as Fair Value Hedges

In the fourth quarter of 2003 and the first quarter of 2004, the Company entered into a series of interest rate swap agreements with a total notional amount of $1.25 billion that mature from

2007 through 2013. The swaps were executed in order to: (i) convert a portion of the senior notes and senior debentures fixed-rate debt into floating-rate debt; (ii) maintain a capital structure containing appropriate amounts of fixed and floating-rate debt; and (iii) reduce net interest payments and expense in the near-term.

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

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

The following selected information relates to fair value swaps at June 30, 2006 (based on a projected U.S. LIBOR rate of 5.6376%):

	Amount Hedged	Receive Rate	Average Spread	Asset (Liability) Recorded
Senior Notes due 2007	$ 300.0	8.10%	4.5%	$ (5.4)
Senior Notes due 2008	250.0	7.35%	3.5%	(8.1)
Senior Debentures due 2010	250.0	7.50%	3.2%	(11.8)
Senior Notes due 2013	450.0	8.25%	3.7%	(32.0)
Total	$ 1,250.0			$ (57.3)

Commodity Hedges

The Company enters into commodity futures contracts related to forecasted natural gas requirements, the objectives of which are to limit the effects of fluctuations in the future market price paid for natural gas and the related volatility in cash flows. The Company continually evaluates the natural gas market with respect to its forecasted usage requirements over the next six to eighteen months and periodically enters into commodity futures contracts in order to hedge a portion of its usage requirements over that period. At June 30, 2006, the Company had entered into commodity futures contracts for approximately 88% (approximately 10,270,000 MM BTUs) of its expected North American natural gas usage for the remaining two quarters of 2006 and approximately 39% (approximately 9,000,000 MM BTUs) for the full year of 2007.

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

The above futures contracts are accounted for as cash flow hedges at June 30, 2006.

At June 30, 2006, an unrecognized loss of $18.5 million (pretax and after tax), related to the domestic commodity futures contracts, was included in OCI. The ineffectiveness related to these natural gas hedges for the three and six months ended June 30, 2006 was not material.

Other Hedges

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

Balance Sheet Classification

The Company records the fair values of derivative financial instruments on the balance sheet as follows: (1) receivables if the instrument has a positive fair value and maturity within one year, (2) deposits, receivables, and other assets if the instrument has a positive fair value and maturity after one year, (3) accounts payable and other accrued liabilities if the instrument has a negative fair value and maturity within one year, and (4) other liabilities if the instrument has a negative fair value and maturity after one year.

11. Restructuring Accruals

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

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

The restructuring accrual recorded in the second quarter of 2005 was in addition to the initial estimated accrual of €63.8 recorded in 2004. Selected information related to the restructuring accrual is as follows, with 2006 activity translated from Euros into dollars at the June 30, 2006 exchange rate:

Total restructuring accrual (€110.9 million)	$134.1
Net cash paid, principally severance and related benefits	(41.0)
Other, principally translation	(12.2)
Remaining European restructuring accrual as of December 31, 2005	80.9
Net cash paid, principally severance and related benefits	(14.0)
Other, principally translation	1.6
Remaining European restructuring accrual as of March 31, 2006	68.5
Net cash paid, principally severance and related benefits	(8.0)
Other, principally translation	2.4
Remaining European restructuring accrual as of June 30, 2006	$ 62.9

12. Pensions

The components of the net periodic pension cost for the three months ended June 30, 2006 and 2005 were as follows:

	2006	2005
Service cost	$ 16.8	$ 13.1
Interest cost	51.3	50.2
Expected asset return	(74.5)	(74.2)
Amortization:		
Prior service cost (credit)		(0.2)
Loss	15.1	12.0
Net amortization	15.1	11.8
Net periodic pension cost	$ 8.7	$ 0.9

The components of the net periodic pension cost for the six months ended June 30, 2006 and 2005 were as follows:

	2006	2005
Service cost	$ 33.2	$ 26.3
Interest cost	101.8	100.9
Expected asset return	(148.0)	(149.0)
Amortization:		
Prior service cost (credit)		(0.2)
Loss	29.9	24.0
Net amortization	29.9	23.8
Net periodic pension cost	$ 16.9	$ 2.0

As of June 30, 2006, $41.0 million of contributions have been made. The Company expects its contributions for the full year of 2006 to be $66.3 million.

13. Postretirement Benefits Other Than Pensions

The components of the net postretirement benefit cost for the three months ended June 30, 2006 and 2005 were as follows:

	2006	2005
Service cost	$ 1.2	$ 1.2
Interest cost	4.4	4.6
Amortization:		
Prior service credit	(1.0)	(1.1)
Loss	1.2	1.4
Net amortization	0.2	0.3
Net postretirement benefit cost	$ 5.8	$ 6.1

The components of the net postretirement benefit cost for the six months ended June 30, 2006 and 2005 were as follows:

	2006	2005
Service cost	$ 2.4	$ 2.3
Interest cost	8.8	9.2
Amortization:		
Prior service credit	(2.1)	(2.1)
Loss	2.4	2.8
Net amortization	0.3	0.7
Net postretirement benefit cost	$ 11.5	$ 12.2

14. New Accounting Standards

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes" ("FIN 48"). This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS No. 109, "Accounting for Income Taxes". FIN 48 defines criteria that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements and also includes requirements for measuring the amount of the benefit to be recognized in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006, therefore the Company will adopt its provisions effective as of January 1, 2007. The Company has not yet determined the impact of adopting FIN 48.

15. Financial Information for Subsidiary Guarantors and Non-Guarantors

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

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

	June 30, 2006				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$ —	$ —	$ 1,262.5	$ —	$ 1,262.5
Inventories			1,017.3		1,017.3
Other current assets			348.7		348.7
Total current assets	—	—	2,628.5	—	2,628.5
Investments in and advances to subsidiaries	2,565.9	1,515.9		(4,081.8)	—
Goodwill			2,432.8		2,432.8
Other non-current assets			1,702.8		1,702.8
Total other assets	2,565.9	1,515.9	4,135.6	(4,081.8)	4,135.6
Property, plant and equipment, net			3,126.3		3,126.3
Total assets	$ 2,565.9	$ 1,515.9	$ 9,890.4	$ (4,081.8)	$ 9,890.4
Current liabilities :					
Accounts payable and accrued liabilities	$ —	$ —	$ 1,422.1	$ —	$ 1,422.1

Current portion of asbestos liability	152.0				152.0
Short-term loans and long-term debt due within one year	300.0		687.4	(300.0)	687.4
Total current liabilities	452.0	—	2,109.5	(300.0)	2,261.5
Long-term debt	756.8		4,881.6	(750.0)	4,888.4
Asbestos-related liabilities	497.4				497.4
Other non-current liabilities and minority interests	(6.8)		1,383.4		1,376.6
Capital structure	866.5	1,515.9	1,515.9	(3,031.8)	866.5
Total liabilities and share owners' equity	$ 2,565.9	$ 1,515.9	$ 9,890.4	$ (4,081.8)	$ 9,890.4

	December 31, 2005				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$ —	$ —	$ 1,006.2	$ —	$ 1,006.2
Inventories			940.4		940.4
Other current assets			335.7		335.7
Total current assets	—	—	2,282.3	—	2,282.3
Investments in and advances to subsidiaries	2,247.7	1,197.7		(3,445.4)	—
Goodwill			2,369.2		2,369.2
Other non-current assets	1.2		1,716.6		1,717.8
Total other assets	2,248.9	1,197.7	4,085.8	(3,445.4)	4,087.0
Property, plant and equipment, net			3,152.5		3,152.5
Total assets	$ 2,248.9	$ 1,197.7	$ 9,520.6	$ (3,445.4)	$ 9,521.8
Current liabilities :					
Accounts payable and accrued liabilities	$ —	$ —	$ 1,385.6	$ —	$ 1,385.6
Current portion of asbestos liability	158.0				158.0
Short-term loans and long-term debt due within one year			278.3		278.3
Total current liabilities	158.0	—	1,663.9	—	1,821.9
Long-term debt	1,046.7		5,022.0	(1,050.0)	5,018.7
Asbestos-related liabilities	572.1				572.1
Other non-current liabilities and minority interests	(251.8)		1,637.0		1,385.2
Capital structure	723.9	1,197.7	1,197.7	(2,395.4)	723.9
Total liabilities and share owners' equity	$ 2,248.9	$ 1,197.7	$ 9,520.6	$ (3,445.4)	$ 9,521.8

	June 30, 2005				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets:					
Accounts receivable	$ —	$ —	$ 965.5	$ —	$ 965.5
Inventories			1,057.8		1,057.8
Other current assets	56.7		279.5		336.2
Total current assets	56.7	—	2,302.8	—	2,359.5
Investments in and advances to subsidiaries	3,004.8	1,954.8		(4,959.6)	—
Goodwill			2,903.2		2,903.2
Other non-current assets	101.2		1,628.6		1,729.8
Total other assets	3,106.0	1,954.8	4,531.8	(4,959.6)	4,633.0
Property, plant and equipment, net			3,229.1		3,229.1
Total assets	$ 3,162.7	$ 1,954.8	$ 10,063.7	$ (4,959.6)	$ 10,221.6
Current liabilities :					
Accounts payable and accrued liabilities	$ —	$ —	$ 1,286.2	$ —	$ 1,286.2
Current portion of asbestos liability	162.0				162.0
Short-term loans and long-term debt due within one year			66.0		66.0
Total current liabilities	162.0	—	1,352.2	—	1,514.2

Long-term debt	1,053.0		5,311.8	(1,050.0)	5,314.8
Asbestos-related liabilities	517.9				517.9
Other non-current liabilities and minority interests	(85.0)		1,444.9		1,359.9
Capital structure	1,514.8	1,954.8	1,951.8	(3,906.6)	1,514.8
Total liabilities and share owners' equity	$ 3,162.7	$ 1,954.8	$ 10,060.7	$ (4,956.6)	$ 10,221.6

	Three months ended June 30, 2006				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$ —	$ —	$ 1,945.5	$ —	$ 1,945.5
External interest income			4.8		4.8
Intercompany interest income	20.6	20.6		(41.2)	—
Equity earnings from subsidiaries	42.6	42.6		(85.2)	—
Other equity earnings			8.2		8.2
Other revenue			7.1		7.1
Total revenue	63.2	63.2	1,965.6	(126.4)	1,965.6
Manufacturing, shipping, and delivery			1,585.6		1,585.6
Research, engineering, selling, administrative, and other			159.9		159.9
External interest expense	20.6		109.8		130.4
Intercompany interest expense		20.6	20.6	(41.2)	—
Total costs and expense	20.6	20.6	1,875.9	(41.2)	1,875.9
Earnings from operations before items below	42.6	42.6	89.7	(85.2)	89.7
Provision for income taxes			37.2		37.2
Minority share owners' interests in earnings of subsidiaries			9.9		9.9
Net earnings	$ 42.6	$ 42.6	$ 42.6	$ (85.2)	$ 42.6

	Three months ended June 30, 2005				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$ —	$ —	$ 1,852.7	$ —	$ 1,852.7
External interest income			3.5		3.5
Intercompany interest income	21.6	21.6		(43.2)	—
Equity earnings from subsidiaries	86.2	86.2		(172.4)	—
Other equity earnings			7.0		7.0
Other revenue			9.6		9.6
Total revenue	107.8	107.8	1,872.8	(215.6)	1,872.8
Manufacturing, shipping, and delivery			1,474.9		1,474.9
Research, engineering, selling, administrative, and other			141.3		141.3
External interest expense	21.6		95.0		116.6
Intercompany interest expense		21.6	21.6	(43.2)	—
Total costs and expense	21.6	21.6	1,732.8	(43.2)	1,732.8
Earnings from operations before items below	86.2	86.2	140.0	(172.4)	140.0
Provision for income taxes			45.5		45.5
Minority share owners' interests in earnings of subsidiaries			8.3		8.3
Net earnings	$ 86.2	$ 86.2	$ 86.2	$ (172.4)	$ 86.2

	Six months ended June 30, 2006
	Non-

	Parent	Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$ —	$ —	$ 3,633.8	$ —	$ 3,633.8
External interest income			9.8		9.8
Intercompany interest income	41.2	41.2		(82.4)	—
Equity earnings from subsidiaries	66.9	66.9		(133.8)	—
Other equity earnings			13.7		13.7
Other revenue			21.4		21.4
Total revenue	108.1	108.1	3,678.7	(216.2)	3,678.7
Manufacturing, shipping, and delivery			2,970.6		2,970.6
Research, engineering, selling, administrative, and other			311.9		311.9
External interest expense	41.2		208.6		249.8
Intercompany interest expense		41.2	41.2	(82.4)	—
Total costs and expense	41.2	41.2	3,532.3	(82.4)	3,532.3
Earnings from operations before items below	66.9	66.9	146.4	(133.8)	146.4
Provision for income taxes			60.5		60.5
Minority share owners' interests in earnings of subsidiaries			19.0		19.0
Net earnings	$ 66.9	$ 66.9	$ 66.9	$ (133.8)	$ 66.9

	Six months ended June 30, 2005				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Results of Operations					
Net sales	$ —	$ —	$ 3,516.0	$ —	$ 3,516.0
External interest income			7.7		7.7
Intercompany interest income	43.8	43.8		(87.6)	—
Equity earnings from subsidiaries	203.7	203.7		(407.4)	—
Other equity earnings			11.3		11.3
Other revenue			46.2		46.2
Total revenue	247.5	247.5	3,581.2	(495.0)	3,581.2
Manufacturing, shipping, and delivery			2,763.4		2,763.4
Research, engineering, selling, administrative, and other			281.7		281.7
External interest expense	43.8		191.3		235.1
Intercompany interest expense		43.8	43.8	(87.6)	—
Total costs and expense	43.8	43.8	3,280.2	(87.6)	3,280.2
Earnings from operations before items below	203.7	203.7	301.0	(407.4)	301.0
Provision for income taxes			81.9		81.9
Minority share owners' interests in earnings of subsidiaries			15.4		15.4
Net earnings	$ 203.7	$ 203.7	$ 203.7	$ (407.4)	$ 203.7

	Six months ended June 30, 2006				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows					
Cash used in operating activities	$ (79.5)	$ —	$ (16.2)	$ —	$ (95.7)
Cash used in investing activities			(116.7)		(116.7)
Cash provided by financing activities	79.5		126.4		205.9
Effect of exchange rate change on cash			4.6		4.6
Net change in cash	—	—	(1.9)	—	(1.9)
Cash at beginning of period			246.6		246.6
Cash at end of period	$ —	$ —	$ 244.7	$ —	$ 244.7

	Six months ended June 30, 2005				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated

Cash Flows					
Cash provided by (used in) operating activities	$ (85.8)	$ —	$ 34.0	$ —	$ (51.8)
Cash used in investing activities			(35.1)		(35.1)
Cash provided by (used in) financing activities	85.8		(83.6)		2.2
Effect of exchange rate change on cash			(13.1)		(13.1)
Net change in cash	—	—	(97.8)	—	(97.8)
Cash at beginning of period			277.9		277.9
Cash at end of period	$ —	$ —	$ 180.1	$ —	$ 180.1

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

Executive Overview

Quarters ended June 30, 2006 and 2005

Net sales of the Glass Containers segment were $103.6 million higher than the prior year principally resulting from improved pricing and favorable foreign currency exchange rates.

Net sales of the Plastics Packaging segment were $10.8 million lower than the prior year principally resulting from the absence of sales from a portion of the plastics business in the Asia Pacific region which was divested in December of 2005, and unfavorable product mix, partially offset by resin cost pass-throughs.

Segment Operating Profit of the Glass Containers segment was $25.4 million lower than the prior year. The benefits of higher selling prices, improved productivity, and fixed cost savings were more than offset by inflationary cost increases.

Segment Operating Profit of the Plastics Packaging segment for the second quarter of 2006 was $28.0 million compared with Segment Operating Profit of $33.8 million in the second quarter of 2005. Higher production, increased shipments, and improved manufacturing efficiencies were more than offset by the impact of the exit from the Asia Pacific plastics business.

Interest expense for the second quarter of 2006 was $130.4 million compared to $116.6 million in the second quarter of 2005. Included in the 2006 interest expense was $10.2 million for the write-off of unamortized finance fees related to the June 2006 refinancing of the Company's previous credit agreement.

Net earnings in 2006 were $42.6 million, or $0.24 per share (diluted), down from earnings of $86.2 million, or $0.53 per share (diluted) in 2005. Earnings in both periods included items that management considers not representative of ongoing operations. These items decreased net earnings in 2006 by $11.4 million, or $0.07 per share, and decreased net earnings in 2005 by $4.0 million, or $0.03 per share.

Capital spending for property, plant and equipment was $70.9 million compared to $109.2 million in the prior year.

Six months ended June 30, 2006 and 2005

Net sales of the Glass Containers segment were $129.2 million higher than the prior year principally resulting from increased unit shipments and improved pricing, partially offset by unfavorable foreign currency exchange rates.

Net sales of the Plastics Packaging segment were $11.4 million lower than the prior year principally resulting from the absence of sales from a portion of the plastics business in the Asia Pacific region which was divested in December of 2005, partially offset by resin cost pass-throughs and increased volume.

Segment Operating Profit of the Glass Containers segment was $61.5 million lower than the prior year. The benefits of higher selling prices, improved productivity, and increased unit shipments were more than offset by inflationary cost increases.

Segment Operating Profit of the Plastics Packaging segment for 2006 was $59.7 million compared with Segment Operating Profit of $64.7 million in 2005. The decrease resulted principally from the exit from the Asia Pacific plastics business and inflationary cost increases, partially offset by improved productivity, sales volume, and cost control.

Interest expense for the first six months of 2006 was $249.8 million compared to $235.1 million in the first six months of 2005. Included in the 2006 interest expense was $10.2 million for the write-off of unamortized finance fees related to the June 2006 refinancing of the of the Company's previous credit agreement.

Net earnings in 2006 were $66.9 million, or $0.36 per share (diluted), down from earnings of $203.7 million, or $1.28 per share (diluted) in 2005. Earnings in both periods included items that management considers not representative of ongoing operations. These items decreased net earnings in 2006 by $14.7 million, or $0.09 per share, and increased net earnings in 2005 by $41.1 million, or $0.26 per share.

Cash payments for asbestos-related costs were $80.7 million for 2006 compared to $86.3 million for 2005.

Capital spending for property, plant and equipment was $124.3 million compared to $185.5 million in the prior year.

Results of Operations – Second Quarter 2006 compared with Second Quarter 2005

Net Sales

The Company's net sales by segment for the second quarter of 2006 and 2005 are presented in the following table. For further information, see Segment Information included in Note 8 to the Condensed Consolidated Financial Statements.

	2006	2005
	(dollars in millions)	
Glass Containers	$ 1,744.8	$ 1,641.2
Plastics Packaging	200.7	211.5
Segment and consolidated net sales	$ 1,945.5	$ 1,852.7

Consolidated net sales for the second quarter of 2006 increased $92.8 million, or 5.0%, to $1,945.5 million from $1,852.7 million in the second quarter of 2005.

Net sales of the Glass Containers segment increased $103.6 million, or 6.3%, over the second quarter of 2005. Shipments of beer containers increased in 2006 compared to 2005, nearly offsetting reductions in most other product lines. Equipment sales to licensees were also higher in 2006. Also contributing to the increase were generally higher selling prices.

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

Net sales - 2005		$ 1,641.2
Net effect of volume	$ 19.8	
Net effect of price and mix	71.3	
Effects of changing foreign currency rates	20.7	
Other	(8.2)	
Total net effect on sales		103.6
Net sales - 2006		$ 1,744.8

Net sales of the Plastics Packaging segment decreased $10.8 million from the second quarter of 2005. Increased volume and the effect of resin cost pass-throughs were more than offset by unfavorable product mix and the absence of sales from a portion of the plastics business in the Asia Pacific region which was divested in December of 2005.

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

Net sales - 2005		$ 211.5
Effect of increased resin cost pass-throughs	$ 5.5	
Net effect of volume	1.5	
Divestiture	(13.0)	
Net effect of price and mix	(4.7)	
Effects of changing foreign currency rates	(0.1)	
Total net effect on sales		(10.8)
Net sales - 2006		$ 200.7

Segment Operating Profit

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

Operating Profit for product segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. For the Company's U.S. pension plans, net periodic pension cost has been allocated to product segments. For further information, see Segment Information included in Note 8 to the Condensed Consolidated Financial Statements.

	2006	2005
	(dollars in millions)	
Glass Containers	$ 220.2	$ 245.6
Plastics Packaging	28.0	33.8
Eliminations and other retained items	(31.3)	(19.3)

Segment Operating Profit of the Glass Containers segment for the second quarter of 2006 decreased $25.4 million, or 10.3%, to $220.2 million, compared with Segment Operating Profit of $245.6 million in the second quarter of 2005.

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

Segment Operating Profit - 2005		$ 245.6
Net effect of price and mix	$ 66.7	
Fixed cost savings from capacity rationalization	9.0	
Productivity and production volume and cost savings	8.4	
Higher energy costs	(43.4)	
Other inflationary cost increases	(36.9)	
Prior year impact of depreciation adjustment	(6.5)	
Pension expense	(6.6)	
European integration costs	(6.2)	
Increased operating expenses	(4.4)	
Effects of changing foreign currency rates	(1.3)	
Decreased unit sales volumes	(0.7)	
Other	(3.5)	
Total net effect on Segment Operating Profit		(25.4)
Segment Operating Profit -2006		$ 220.2

Segment Operating Profit of the Plastics Packaging segment for the second quarter of 2006 was $28.0 million compared with Segment Operating Profit of $33.8 million in the second quarter of 2005.

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

Segment Operating Profit - 2005		$ 33.8
Improved productivity, production volume and cost savings	$ 3.5	
Increased sales volume	2.0	
Divestiture	(7.0)	
Other inflationary cost increases	(2.8)	
Pension expense	(0.8)	
Higher energy costs	(0.5)	
Net effect of price and mix	(0.3)	
Other	0.1	
Total net effect on Segment Operating Profit		(5.8)
Segment Operating Profit -2006		$ 28.0

Eliminations and other retained items for the second quarter of 2006 were unfavorable by $12.0 million compared to the second quarter of 2005. The change is due mainly to higher retained self insurance costs, expense for stock options, and the non-recurrence of a favorable adjustment in 2005 to the Company's accruals for self-insured risks.

Interest Expense

Interest expense for the second quarter of 2006 was $130.4 million compared to $116.6 million in the second quarter of 2005. Included in the 2006 interest expense was $10.2 million for the write-off of unamortized finance fees related to the June 2006 refinancing of the Company's previous credit agreement. Also contributing to the increase were higher average debt balances, partially offset by lower average interest rates.

Minority Share Owners' Interest in Earnings of Subsidiaries

Minority share owners' interest in earnings of subsidiaries for the second quarter of 2006 was $9.9 million compared to $8.3 million for the second quarter of 2005. The increase is primarily attributed to higher earnings from the Company's operations in Brazil and Venezuela.

Results of Operations – First six months of 2006 compared with first six months of 2005

Net Sales

The Company's net sales by segment for the first six months of 2006 and 2005 are presented in the following table. For further information, see Segment Information included in Note 8 to the Condensed Consolidated Financial Statements.

	2006	2005
	(dollars in millions)	
Glass Containers	$ 3,233.5	$ 3,104.3
Plastics Packaging	400.3	411.7
Segment and consolidated net sales	$ 3,633.8	$ 3,516.0

Consolidated net sales for the first six months of 2006 increased $117.8 million, or 3.4%, to $3,633.8 million from $3,516.0 million in the second quarter of 2005.

Net sales of the Glass Containers segment increased $129.2 million, or 4.2%, over the first six months of 2005. Shipments of beer and beverage containers increased in 2006 compared to 2005. Also contributing to the increase were generally higher selling prices. Partially offsetting these increases were unfavorable currency exchange rates in Europe and the Asia Pacific region.

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

Net sales - 2005		$ 3,104.3
Net effect of volume	$ 54.2	
Net effect of price and mix	120.3	
Effects of changing foreign currency rates	(29.1)	
Other	(16.2)	
Total net effect on sales		129.2
Net sales - 2006		$ 3,233.5

Net sales of the Plastics Packaging segment decreased $11.4 million from the first six months of 2005. Increased volume and the effect of resin cost pass-throughs were more than offset by unfavorable product mix and the absence of sales from a portion of the plastics business in the Asia Pacific region which was divested in December of 2005.

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

Net sales - 2005		$ 411.7
Net effect of volume	$ 7.6	
Effect of increased resin cost pass-throughs	11.0	
Divestiture	(21.1)	
Net effect of price and mix	(8.2)	
Effects of changing foreign currency rates	(0.7)	
Total net effect on sales		(11.4)
Net sales - 2006		$ 400.3

Segment Operating Profit

Operating Profit for product segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided. For the Company's U.S. pension plans, net periodic pension cost has been allocated to product segments. For further information, see Segment Information included in Note 8 to the Condensed Consolidated Financial Statements.

	2006	2005
	(dollars in millions)	
Glass Containers	$ 386.4	$ 447.9
Plastics Packaging	59.7	64.7
Eliminations and other retained items	(54.6)	(33.7)

Segment Operating Profit of the Glass Containers segment for the first six months of 2006 decreased $61.5 million, or 13.7%, to $386.4 million, compared with Segment Operating Profit of $447.9 million in the first six months of 2005.

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

Segment Operating Profit - 2005		$ 447.9
Net effect of price and mix	$ 118.9	
Improved productivity, production volume and cost savings	23.1	
Fixed cost savings from capacity rationalization	17.7	
Increased unit sales volumes	12.0	
Higher energy costs	(94.9)	
Other inflationary cost increases	(76.6)	
Effects of changing foreign currency rates	(14.5)	
Pension expense	(12.4)	
European integration costs	(14.1)	
Prior year impact of depreciation adjustment	(6.5)	
Increased operating expenses	(4.4)	
Other	(9.8)	
Total net effect on Segment Operating Profit		(61.5)
Segment Operating Profit -2006		$ 386.4

Segment Operating Profit of the Plastics Packaging segment for the first six months of 2006 was $59.7 million compared with Segment Operating Profit of $64.7 million in the first six months of 2005.

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

Segment Operating Profit - 2005		$ 64.7
Improved productivity, production volume and cost savings	$ 6.6	
Increased sales volume	2.0	
Divestiture	(8.2)	
Other inflationary cost increases	(2.8)	
Net effect of price and mix	(0.1)	
Higher energy costs	(1.1)	
Pension expense	(1.7)	
Other	0.3	
Total net effect on Segment Operating Profit		(5.0)
Segment Operating Profit -2006		$ 59.7

Eliminations and other retained items for the first six months of 2006 were unfavorable by $20.9 million compared to the first six months of 2005. The change is due mainly to higher retained self insurance costs, expense for stock options, and the non-recurrence of favorable adjustments in 2005 to the Company's accruals for self-insured risks.

Interest Expense

Interest expense for the first six months of 2006 was $249.8 million compared to $235.1 million in the first six months of 2005. Included in the 2006 interest expense was $10.2 million for the write-off of unamortized finance fees related to the June 2006 refinancing of the Company's previous credit agreement. Also contributing to the increase were higher average debt balances, partially offset by lower average interest rates.

Provision for Income Taxes

The Company's effective tax rate for the six months ended June 30, 2006 was 41.3%, compared with 27.2% for the first six months of 2005. Excluding the effects of separately taxed items excluded from Segment Operating Profit in both periods, the write-off of unamortized finance fees in 2006 and other discrete items, the Company's effective tax rate for the six months ended 2006 was 37.8% compared with 29.2% for the first six months of 2005 and 29.9% for the full year 2005. The 2006 rate is higher principally because the Company is not recording tax benefits on its losses in the United States.

Minority Share Owners' Interest in Earnings of Subsidiaries

Minority share owners' interest in earnings of subsidiaries for the first six months of 2006 was $19.0 million compared to $15.4 million for the first six months of 2005. The increase is primarily attributed to higher earnings from the Company's operations in Brazil and Venezuela.

Capital Resources and Liquidity

The Company's total debt at June 30, 2006 was $5.58 billion, compared to $5.30 billion at December 31, 2005 and $5.38 billion at June 30, 2005. Total debt at June 30, 2005 excludes $228.5 million related to the Company's European accounts receivable securitization program.

On June 14, 2006, the Company's subsidiary borrowers entered into the Secured Credit Agreement (the "Agreement"). Proceeds from the Agreement were used to repay all outstanding amounts under the previous credit agreement. At June 30, 2006, the Agreement included a $900.0 million revolving credit facility, a A$300.0 million A term loan, and a C$138.0 million C term loan, each of which has a final maturity date of June 15, 2012. It also included a $200.0 million B term loan and a €200 million D term loan each of which have a final maturity date of June 14, 2013. The Agreement also permits the Company, at its option, to refinance certain of its outstanding notes and debentures prior to their scheduled maturity. The Company recorded $10.2 million of additional interest charges for the write-off of unamortized finance fees related to the early payment of the previous credit agreement.

At June 30, 2006, the Company's subsidiary borrowers had unused credit of $562.2 million available under the Agreement.

The weighted average interest rate on borrowings outstanding under the Agreement at June 30, 2006 was 6.06%.

During the fourth quarter of 2005, the Company expanded the capacity of its European accounts receivable securitization program from €200 million to €320 million to include operations in Italy and the United Kingdom. The accounts receivable securitization program provides lower costs of financing than traditional bank debt. The terms of this expansion resulted in changing from off-balance sheet to on-balance sheet accounting for the program by consolidating both the trade accounts receivable in the program and the secured indebtedness of the same amount. During the first and second quarters of 2006, cash received from customers in payment of the trade accounts receivable that were in the program at the date of its consolidation amounted to approximately $122.8 million and $4.5 million, respectively. These receipts are included in determining the changes in components of consolidated working capital as presented in the reconciliation of cash flows from operating activities in the accompanying Condensed Consolidated Statement of Cash Flows.

The interest rate on the accounts receivable securitization program is a variable rate and also includes a margin of 1.35% for the European program and 0.85% for the Asia Pacific program. The weighted average interest rate on borrowings under the European program was 4.0% at June 30, 2006. The weighted average interest rate on borrowings under the Asia Pacific program was 6.9% at June 30, 2006. These programs have maturity dates ranging from October of 2006 through September of 2008.

During July of 2006, a subsidiary of the Company used borrowings under the Agreement to repurchase $150.0 million principal amount of the 8.875% Senior Secured Notes due 2009. During the third quarter, the Company expects to record approximately $7.3 million of additional interest charges for note repurchase premiums and the related write-off of unamortized finance fees.

Cash utilized in operating activities in the first six months of 2006 was $95.7 million compared to $51.8 million in the prior year. Software acquisition and development costs and payments of approximately $22.0 million for European restructuring activities required more cash in 2006 than in 2005.

Capital spending for property, plant and equipment was $124.3 million compared to $185.5 million in the prior year. In addition, the Company capitalized $9.1 million under capital lease obligations with the related financing recorded as long term debt.

The Company anticipates that cash flow from its operations and from utilization of credit available under the Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service and other obligations on a short-term and long-term basis. The Company expects that its total asbestos-related payments for the full year 2006 will be moderately lower than 2005. Based on the Company's expectations regarding future payments for lawsuits and claims and also based on the Company's expected operating cash flow, the Company believes that the payment of any deferred amounts of previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company's liquidity on a short-term or long-term basis.

Critical Accounting Estimates

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

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

Pension Benefit Plans

Significant Estimates - The determination of pension obligations and the related pension expense or credits to operations involves significant estimates. The most significant estimates are the discount rate used to calculate the actuarial present value of benefit obligations and the expected long-term rate of return on assets used in calculating the pension charges or credits for the year. The Company uses discount rates based on yields of highly rated fixed income debt securities at the end of the year. At December 31, 2005, the weighted average discount rate for all plans was 5.3%. The Company uses an expected long-term rate of return on assets that is based on both past performance of the various plans' assets and estimated future performance of the assets. Due to the nature of the plans' assets and the volatility of debt and equity markets, results may vary significantly from year to year. For example, actual returns in the Company's two largest plans were negative in each of the years 2000-2002. The returns exceeded 20% in 2003, 18% in 2004 and 10% in 2005. The Company refers to average historical returns over longer periods (up to 10 years) in determining its expected rates of return because short-term fluctuations in market values do not reflect the rates of return the Company expects to achieve based upon its long-term investing strategy. For 2006, the Company's estimated weighted average expected long-term rate of return on pension assets is 8.1% compared to 8.4% for the year ended December 31, 2005. The Company recorded pension expense totaling approximately $16.9 million and $2.0 million for the first six months of 2006 and 2005, respectively, from its principal defined benefit pension plans. The increase in net pension expense resulted from lower return rates, the use of an updated mortality table reflecting longer lifetimes, and higher amortization. Depending on currency translation rates, the Company expects to record approximately $34.4 million of pension expense for the full year of 2006, compared with expense of $4.0 million for 2005.

Future effects on reported results of operations depend on economic conditions and investment performance. For example, a one-half percentage point change in the actuarial assumption regarding the expected return on assets would result in a change of approximately $18 million in pretax pension expense for the full year 2006. In addition, changes in external factors, including the fair values of plan assets and the discount rates used to calculate plan liabilities, could result in possible future balance sheet recognition of additional minimum pension liabilities.

Minimum Liability - If the Accumulated Benefit Obligation ("ABO") of any of the Company's principal pension plans in the U.S. and Australia exceeds the fair value of its assets at the next measurement date of December 31, 2006, the Company will be required to write off the related prepaid pension asset and record a liability equal to the excess of the ABO over the fair value of the asset of such plan at the next measurement date of December 31, 2006. The non-cash charge would result in a decrease in the Accumulated Other Comprehensive Income component of share owners' equity that would significantly reduce net worth. Amounts related to the Company's U.S. and Australian plans as of December 31, 2005 were as follows (millions of dollars):

	U.S. Salary Plans	U.S. Hourly Plans	Australian Plans	Total
Fair value of assets	$ 832.4	$ 1,730.4	$ 107.4	$ 2,670.2
Accumulated benefit obligations	766.2	1,441.2	79.3	2,286.7
Excess	$ 66.2	$ 289.2	$ 28.1	$ 383.5
Prepaid pension asset	$ 327.2	$ 643.8	$ 17.1	$ 988.1

The Company is unable to predict discount rates or asset values at the next measurement date of December 31, 2006. However, if asset values and discount rates decline from their December 31, 2005 levels, the ABO of the U.S. salary plan may exceed the plan's assets at the measurement date. In that event, the plan's prepaid asset would be written off resulting in a pre-tax charge to other comprehensive income in the range of $310 million to $320 million.

Proposed Accounting Standard - On March 31, 2006, the Financial Accounting Standards Board ("FASB") issued a Proposed Statement of Financial Accounting Standards entitled "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." Under the most significant provision of the proposed standard, the Company would be required to adjust the assets and liabilities related to its defined benefit plans so that the amounts reflected on the balance sheet represented the overfunded or underfunded status of the plans. These funded status amounts would be measured as the difference between the fair value of plan assets and benefit obligations as of the balance sheet date. For pension plans, the fair value of plan assets would be compared to the Projected Benefit Obligation ("PBO"). The PBO is typically larger than the ABO, described above, because it includes estimated future benefit increases that apply to prior service. In the Company's case, the required adjustments would result in a non-cash charge to the Accumulated Other Comprehensive Income component of share owners' equity. The proposal to recognize funded status at the balance sheet date would replace the minimum liability recognition requirements described above.

At its July 2006 meeting, the FASB concluded that the proposed standard would be effective for public companies for years ending after December 31, 2006. If the FASB ultimately adopts the proposed standard in its present form, the Company would be required to write off a significant portion of its prepaid pension asset at December 31, 2006, and significantly reduce its reported net worth. The Company is unable to project the amount of such write off because it will be determined by the fair value of plan assets at December 31, 2006 and the PBO at that date. The PBO is subject to wide variation based on a number of actuarial assumptions, principally the discount rate in effect at December 31, 2006.

Funding and Credit Compliance - - Even if the fair values of the U.S. plans' assets are less than ABO at December 31, 2006, the Company believes it will not be required to make cash contributions to the U.S. plans for at least several years. The covenants under the Company's Secured Credit Agreement would not be affected by a reduction in the Company's net worth if a significant non-cash charge was taken to write off the prepaid pension assets.

Contingencies and Litigation

The Company believes that its ultimate asbestos-related liability (i.e., its indemnity payments or other claim disposition costs plus related legal fees) cannot be estimated with certainty. The Company's ability to reasonably estimate its liability has been significantly affected by the volatility of asbestos-related litigation in the United States, the expanding list of non-traditional defendants that have been sued in this litigation, the continued use of litigation screenings to

generate new lawsuits, the large number of claims asserted or filed by parties who claim prior exposure to asbestos materials but have no present physical impairment as a result of such exposure, and the growing number of co-defendants that have filed for bankruptcy. The Company believes that the bankruptcies of additional co-defendants have resulted in an acceleration of the presentation and disposition of a number of claims, which would otherwise have been presented and disposed of over the next several years. The Company continues to monitor trends which may affect its ultimate liability and continues to analyze the developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company.

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

In the fourth quarter of 2005, the Company recorded a charge of $135.0 million ($86.0 million after tax) to increase its accrued liability for asbestos-related costs. This amount was reduced from the 2004 charge of $152.6 million. The factors and developments that particularly affected the determination of this increase in the accrual included the following: (i) the 10% decline in yearly cash outlays; (ii) the slight decline in serious disease filings against the Company and the significant decline in the non-malignancy filings; (iii) the Company's successful litigation record during the year; and (iv) legislative developments in several states.

The Company's estimates are based on a number of factors as described further in Note 7 to the Consolidated Financial Statements.

Goodwill

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

During the fourth quarter of 2005, the Company completed its annual testing and determined that impairment existed in the goodwill of its Asia Pacific Glass business unit. Following a review of the unit's identifiable assets, the Company recorded an impairment charge of $494.0 million to reduce the reported value of its goodwill.

If the Company's projected future cash flows were substantially lower, or if the assumed weighted average cost of capital were substantially higher, the testing performed as of October 1, 2005, may have indicated an impairment of one or more of the Company's other reporting

units and, as a result, the related goodwill would also have been impaired. However, based on the Company's testing as of that date, modest changes in the projected future cash flows or cost of capital would not have created impairment in any other reporting unit.

The Company will monitor conditions throughout 2006 that might significantly affect the projections and variables used in the impairment test to determine if a review prior to October 1 may be appropriate. If the results of impairment testing confirm that a write down of goodwill is necessary, then the Company will record a charge in the fourth quarter of 2006, or earlier if appropriate. In the event the Company would be required to record a significant write down of goodwill, the charge would have a material adverse effect on reported results of operations and net worth.

Deferred Tax Assets

FAS No. 109, "Accounting for Income Taxes," requires that a valuation allowance be recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. This assessment is largely dependent upon projected near-term profitability including the effects of tax planning. Deferred tax assets and liabilities are determined separately for each tax jurisdiction in which the Company conducts its operations or otherwise incurs taxable income or losses. In the United States, the Company has recorded significant deferred tax assets, the largest of which relate to net operating losses, capital losses, tax credits and the accrued liability for asbestos-related costs that are not deductible until paid. The deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relate to the prepaid pension asset and accelerated depreciation. The Company has recorded a valuation allowance for the portion of U.S. deferred tax assets not offset by deferred tax liabilities. Should the Company be required to write off the prepaid pension assets related to the U.S. pension plans (as described above under *Pension Benefit Plans*), the related deferred tax liability would also be written off, leaving deferred tax assets amounting to approximately $262 million without a valuation allowance. It is currently likely that an additional valuation allowance would be required in that case since it is currently more likely than not that the deferred tax asset would not be realized.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

On June 14, 2006, the Company entered into the Secured Credit Agreement (as described in Note 3 to the financial statements). The new facility provides borrowings in Australian dollars, Canadian dollars, Euros, and U.S. dollars, which reduces the risk associated with changing foreign currency exchange rates and therefore reduces the Company's need to hedge its U.S. dollar borrowings.

There have been no other material changes in market risk at June 30, 2006 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Forward Looking Statements

This document contains "forward looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Forward-looking statements reflect the Company's current expectations and projections about future events at the time, and thus involve uncertainty and risk. It is possible the Company's future financial performance may differ from expectations due to a variety of factors including, but not

limited to the following: (1) foreign currency fluctuations relative to the U.S. dollar, (2) changes in capital availability or cost, including interest rate fluctuations, (3) the general political, economic and competitive conditions in markets and countries where the Company has its operations, including disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (4) consumer preferences for alternative forms of packaging, (5) fluctuations in raw material and labor costs, (6) availability of raw materials, (7) costs and availability of energy, (8) transportation costs, (9) consolidation among competitors and customers, (10) the ability of the Company to integrate operations of acquired businesses and achieve expected synergies, (11) unanticipated expenditures with respect to environmental, safety and health laws, (12) the performance by customers of their obligations under purchase agreements, and (13) the timing and occurrence of events which are beyond the control of the Company, including events related to asbestos-related claims. It is not possible to foresee or identify all such factors. Any forward looking statements in this document are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. Forward-looking statements are not a guarantee of future performance and actual results or developments may differ materially from expectations. While the Company continually reviews trends and uncertainties affecting the Company's results of operations and financial condition, the Company does not assume any obligation to update or supplement any particular forward looking statements contained in this document.

Item 4. Controls and Procedures

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

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

Management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2005. There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company has undertaken the phased implementation of a global

Enterprise Resource Planning software system and believes it is maintaining and monitoring appropriate internal controls during the implementation period. The Company believes that the internal control environment will be enhanced as a result of implementation.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

For further information on legal proceedings, see Note 7 to the Condensed Consolidated Financial Statements, "Contingencies," that is included in Part I of this Report and is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes in risk factors at June 30, 2006 from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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

The Annual Meeting of the Company's share owners was held on May 3, 2006. The following proposals were submitted to a vote by the share owners:

Proposal 1 – For the Election of Directors:

Each of the nominees for a three-year term on the Company's Board of Directors was elected by vote of the share owners as follows:

	Aggregate Vote		
Name	**For**	**Withheld**	**Abstention**
Gary F. Colter	143,716,255	179,001	0
Corbin A. McNeill, Jr.	143,713,736	181,520	0
Helge H. Wehmeier	143,650,737	244,519	0

Proposal 2 – Ratification of Selection of Independent Registered Public Accounting Firm:

Aggregate Vote			
For	**Against**	**Abstentions**	**Broker Non-Votes**
143,732,982	141,874	20,400	0

Item 5. Other Information.

The Company and its Chief Executive Officer, Steven R. McCracken, entered into an amendment of Mr. McCracken's employment agreement on August 3, 2006. The agreement previously provided that Mr. McCracken would be vested in his benefits under the Company's Salary Retirement Plan and Supplemental Retirement Benefit Plan provided that he earned at least five years of service credit with the Company following his employment on April 1, 2004. The agreement, as amended, provides that Mr. McCracken will be vested in his benefits provided that prior to April 1, 2009, he does not resign from the Company or he is not terminated by the Company for cause.

A copy of the amendment is included as Exhibit 10.1 to this Report on Form 10-Q.

Item 6. Exhibits

Exhibit 10.1	Amendment dated August 3, 2006 to the employment agreement between Owens-Illinois, Inc. and Steven R. McCracken dated March 31, 2004.
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends

Exhibit 31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
Exhibit 32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350

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

SIGNATURES

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

OWENS-ILLINOIS, INC.

Date August 8, 2006

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

INDEX TO EXHIBITS

Exhibits

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32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350

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

Exhibit 10.1

August 3, 2006

Steven R. McCracken
One SeaGate
Toledo, Ohio 43666

Dear Steve:

Reference is made to a certain letter agreement dated March 31, 2004 between you and the Owens-Illinois, Inc. (the "Company"), as amended by letter agreement dated March 10, 2005, setting forth the terms of your employment as Chairman and Chief Executive Officer.

1. Upon your acceptance hereof, paragraph 5 of the Letter will be deemed to be amended to read, in its entirety, as follows:

"5. Employee Benefits and Perquisites. You will participate in the Company's employee benefit plans (except for severance or incentive plans) as in effect from time to time, including its health plan and life insurance plan (collectively, the "Employee Benefits"), on the same basis as those benefits are generally made available to other senior executives of the Company. You will be provided with four weeks (20 days) per year of paid vacation. You will have use of a Company car and will be reimbursed for reasonable fees paid for financial consulting.

Provided that prior to April 1, 2009 you (a) are not terminated by the Company for Cause, or (b) do not resign from the Company, the retirement benefit (annuity and/or lump sum) payable to you upon your retirement from the Company under the Owens-Illinois Salary Retirement Plan and Supplemental Retirement Benefit Plan (the "Plans") would be calculated based on a Life Annuity equal to the O-I Annuity Amount (as defined below). Capitalized terms used herein without definition shall have the meanings ascribed to them in the Plans.

The "O-I Annuity Amount" means an amount equal to the Calculated Annuity Amount (as defined below) less the Offset Annuity Amount (as defined below).

The "Calculated Annuity Amount" means a Life Annuity calculated upon your retirement from the Company based on Years of Service equal to your Years of Service with the Company, plus your years of service with your prior employer.

The "Offset Annuity Amount" means a Life Annuity calculated by taking the monthly annuity amount receivable by you from your prior employer as of April 1, 2004 and calculating the actuarial equivalent thereof on the date of your retirement using (i) the Applicable Interest Rate and (ii) a remaining life expectance at the time of retirement using the Applicable Mortality Table.

The O-I Annuity Amount would be used for the calculation of benefits (annuity and/or lump sum) due to you upon your retirement from the Company based on your Final Average Earnings with the Company."

2. Except as otherwise provided herein, the Agreement shall remain in full force and effect.

Sincerely,

/s/ James W. Baehren
By: James W. Baehren
Its: Senior Vice President

Acknowledged and Agreed:

/s/ Steven R. McCracken
Steven R. McCracken

Exhibit 12

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

		Six months ended June 30, 2006	2005
Earnings before income taxes, and minority share owners' interests		$ 146.4	$ 301.0
Less:	Equity earnings	(13.7)	(11.3)
Add:	Total fixed charges deducted from earnings	255.0	242.1
	Proportional share of pre-tax earnings of 50% owned associates	5.4	4.5
	Dividends received from equity investees	34.3	1.1
	Earnings available for payment of fixed charges	$ 427.4	$ 537.4
Fixed charges (including the Company's proportional share of 50% owned associates):			
	Interest expense	$ 242.0	$ 226.7
	Portion of operating lease rental deemed to be interest	5.2	7.0
	Amortization of deferred financing costs and debt discount expense	7.8	8.4
	Total fixed charges deducted from earnings and fixed charges	255.0	242.1
Preferred stock dividends (increased to assumed pre-tax amount)		17.1	15.2
Combined fixed charges and preferred stock dividends		$ 272.1	$ 257.3
Ratio of earnings to fixed charges		1.7	2.2
Ratio of earnings to combined fixed charges and preferred stock dividends		1.6	2.1

EXHIBIT 31.1

CERTIFICATIONS

I, Steven R. McCracken, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date August 7, 2006

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

EXHIBIT 31.2

CERTIFICATIONS

I, Edward C. White, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date August 7, 2006

/s/ Edward C. White

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

EXHIBIT 32.1

Certification of Principal Executive Officer

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

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: August 7, 2006

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

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

EXHIBIT 32.2

Certification of Principal Financial Officer

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

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2006 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: August 7, 2006

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

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