

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

(Mark one) FORM 10-Q

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

For Quarter Ended June 30, 1995

or

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

Owens-Illinois, Inc.

-----  
(Exact name of registrant as specified in its charter)

Delaware

1-9576

22-2781933

-----  
(State or other  
jurisdiction of  
incorporation or  
organization)

-----  
(Commission  
File No.)

-----  
(IRS Employer  
Identification No.)

Owens-Illinois Group, Inc.

-----  
(Exact name of registrant as specified in its charter)

Delaware

33-13061

34-1559348

-----  
(State or other  
jurisdiction of  
incorporation or  
organization)

-----  
(Commission  
File No.)

-----  
(IRS Employer  
Identification No.)

One SeaGate, Toledo, Ohio

43666

-----  
(Address of principal executive offices)

(Zip Code)

419-247-5000

-----  
(Registrants' telephone number, including area code)

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

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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 - 119,384,496 shares at July 31, 1995.

Owens-Illinois Group, Inc. \$.01 par value common stock - 100 shares at July 31, 1995.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Condensed Consolidated Financial Statements presented herein are unaudited but, in the opinion of management, reflect all adjustments necessary to present fairly such information for the periods and at the dates indicated. Since the following condensed unaudited financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Registrants' Annual Report on Form 10-K for the year ended December 31, 1994.

OWENS-ILLINOIS, INC.  
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS  
Three months ended June 30, 1995 and 1994  
(Millions of dollars, except per-share amounts)

	1995	1994
Revenues:	-----	-----
Net sales	\$ 985.0	\$ 915.4
Royalties and net technical assistance	6.6	6.6
Equity earnings	3.9	4.1
Interest	6.7	4.7
Other	10.3	2.1
	-----	-----
	1,012.5	932.9
Costs and expenses:		
Manufacturing, shipping, and delivery	753.0	713.2
Research and development	6.9	6.4
Engineering	7.2	5.8
Selling and administrative	42.1	46.9
Interest	76.4	69.4
Other	18.1	(1.7)
	-----	-----
	903.7	840.0
	-----	-----
Earnings before items below	108.8	92.9
Provision for income taxes	39.5	36.7
Minority share owners' interests in earnings of subsidiaries	10.3	4.8
	-----	-----
Net earnings	\$ 59.0	\$ 51.4
	=====	=====
Net earnings per share of common stock	\$ 0.49	\$ 0.43
	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.  
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS  
Six months ended June 30, 1995 and 1994  
(Millions of dollars, except per-share amounts)

	1995	1994
Revenues:	-----	-----
Net sales	\$1,908.6	\$1,754.6
Royalties and net technical assistance	13.4	13.6
Equity earnings	7.7	9.0
Interest	14.8	9.2
Other	21.9	8.5
	-----	-----
	1,966.4	1,794.9
Costs and expenses:		
Manufacturing, shipping, and delivery	1,484.9	1,387.3
Research and development	15.0	13.2
Engineering	13.5	11.8
Selling and administrative	89.7	95.4
Interest	149.5	137.0
Other	38.8	1.5
	-----	-----
	1,791.4	1,646.2
	-----	-----
Earnings before items below	175.0	148.7
Provision for income taxes	65.6	60.7
Minority share owners' interests in earnings of subsidiaries	17.1	8.5
	-----	-----
Net earnings	\$ 92.3	\$ 79.5
	=====	=====
Net earnings per share of common stock	\$ 0.77	\$ 0.66
	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
June 30, 1995, December 31, 1994, and June 30, 1994  
(Millions of dollars)

	June 30, 1995	Dec. 31, 1994	June 30, 1994
Assets	-----	-----	-----
Current assets:			
Cash, including time deposits	\$ 65.3	\$ 109.4	\$ 76.8
Short-term investments, at cost which approximates market	81.1	32.2	24.3
Receivables, less allowances for losses and discounts (\$34.1 at June 30, 1995, \$38.7 at December 31, 1994, and \$28.8 at June 30, 1994)	487.2	415.5	435.9
Inventories	505.0	477.1	470.9
Prepaid expenses	75.2	64.9	54.9
	-----	-----	-----
Total current assets	1,213.8	1,099.1	1,062.8
Investments and other assets:			
Domestic investments and advances	20.9	26.7	23.4
Foreign investments and advances	60.8	65.2	61.6
Repair parts inventories	152.3	137.7	144.7
Deferred taxes			15.7
Prepaid pension	622.4	597.9	638.0
Insurance for asbestos-related costs	436.6	470.1	650.0
Deposits, receivables, and other assets	235.3	235.0	226.7
Excess of purchase cost over net assets acquired, net of accumulated amortization (\$246.4 at June 30, 1995, \$230.6 at December 31, 1994, and \$214.6 at June 30, 1994)	1,038.3	1,049.4	1,062.9
	-----	-----	-----
Total investments and other assets	2,566.6	2,582.0	2,823.0
Property, plant, and equipment, at cost	2,999.3	2,818.4	2,709.0
Less accumulated depreciation	1,288.8	1,181.9	1,119.6
	-----	-----	-----
Net property, plant, and equipment	1,710.5	1,636.5	1,589.4
	-----	-----	-----
Total assets	\$5,490.9	\$5,317.6	\$5,475.2
	=====	=====	=====

CONDENSED CONSOLIDATED BALANCE SHEETS -- continued

	June 30, 1995	Dec. 31, 1994	June 30, 1994
	-----	-----	-----
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 96.0	\$ 65.0	\$ 83.4
Current portion of asbestos-related liabilities	145.0	145.0	140.0
Accounts payable and other liabilities	656.0	718.0	630.3
	-----	-----	-----
Total current liabilities	897.0	928.0	853.7
Long-term debt	2,770.4	2,624.7	2,625.1
Deferred taxes	69.2	47.0	34.5
Nonpension postretirement benefits	396.4	405.4	409.7
Asbestos-related liabilities	329.5	404.4	478.3
Other liabilities	406.1	407.0	584.3
Commitments and contingencies			
Minority share owners' interests	160.5	125.2	116.4
Share owners' equity:			
Preferred stock	26.3	26.3	26.3
Common stock, par value \$.01 per share (119,084,496 shares outstanding at June 30, 1995; 119,079,496 at December 31, 1994, and 118,983,327 at June 30, 1994)	1.2	1.2	1.2
Capital in excess of par value	1,034.6	1,034.6	1,033.9
Deficit	(526.1)	(618.4)	(617.2)
Cumulative foreign currency translation adjustment	(74.2)	(67.8)	(71.0)
	-----	-----	-----
Total share owners' equity	461.8	375.9	373.2
	-----	-----	-----
Total liabilities and share owners' equity	\$5,490.9	\$5,317.6	\$5,475.2
	=====	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.  
CONDENSED CONSOLIDATED CASH FLOWS  
Six months ended June 30, 1995 and 1994  
(Millions of dollars)

	1995	1994
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 92.3	\$ 79.5
Non-cash charges (credits):		
Depreciation	100.2	93.9
Amortization of deferred costs	24.4	23.8
Other	(11.5)	17.2
Dividends from equity affiliates	.7	1.8
Change in non-current operating assets	(25.8)	(11.4)
Asbestos-related payments	(74.9)	(73.8)
Asbestos-related insurance proceeds	33.5	
Reduction of non-current liabilities	(.1)	(6.5)
Change in components of working capital	(182.1)	(104.7)
	-----	-----
Cash provided by (utilized in) operating activities	(43.3)	19.8
Cash flows from investing activities:		
Additions to property, plant, and equipment	(122.5)	(128.0)
Acquisitions and other	(18.1)	(45.9)
Net cash proceeds from divestitures	2.0	2.6
	-----	-----
Cash utilized in investing activities	(138.6)	(171.3)
Cash flows from financing activities:		
Additions to long-term debt	150.7	485.1
Repayments of long-term debt	(26.7)	(298.6)
Increase in short-term loans	13.7	12.6
Payment of finance fees and debt retirement costs		(1.4)
	-----	-----
Cash provided by financing activities	137.7	197.7
Effect of exchange rate fluctuations on cash	.1	(36.5)
	-----	-----
Increase (decrease) in cash	(44.1)	9.7
Cash at beginning of period	109.4	67.1
	-----	-----
Cash at end of period	\$ 65.3	\$ 76.8
	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
Tabular data in millions of dollars

1. Inventories

Major classes of inventory were as follows:

	June 30, 1995	Dec. 31, 1994	June 30, 1994
Manufacturing:	-----	-----	-----
Finished goods	\$398.4	\$377.4	\$378.9
Work in process	4.3	4.2	5.2
Raw materials	70.0	73.0	63.2
Operating supplies	32.3	22.5	23.6
	-----	-----	-----
	\$505.0	\$477.1	\$470.9
	=====	=====	=====

2. Long-Term Debt

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

	June 30, 1995	Dec. 31, 1994	June 30, 1994
Bank Credit Agreement:	-----	-----	-----
Revolving Loans	\$ 445.0	\$ 450.3	\$ 320.0
Bid Rate Loans	205.0	65.0	200.0
Senior Debentures, 11%, due 1999 to 2003	1,000.0	1,000.0	1,000.0
Senior Subordinated Notes:			
10-1/4%, due 1999	250.0	250.0	250.0
10-1/2%, due 2002	150.0	150.0	150.0
10%, due 2002	250.0	250.0	250.0
9-3/4%, due 2004	200.0	200.0	200.0
9.95%, due 2004	100.0	100.0	100.0
Other	191.5	180.1	177.4
	-----	-----	-----
Less amounts due within one year	2,791.5	2,645.4	2,647.7
	21.1	20.7	22.3
	-----	-----	-----
Long-term debt	\$2,770.4	\$2,624.7	\$2,625.1
	=====	=====	=====

The Company has an agreement with a group of banks ("Bank Credit Agreement" or "Agreement") which provides Revolving Loan Commitments under which the Company may borrow up to \$1 billion through December 1998. The Agreement includes Swing Line and Overdraft Account facilities providing for aggregate borrowings up to \$50 million which reduce the amount available for borrowing under the Revolving Loan Commitments. In addition, the terms of the Bank Credit Agreement permit the Company to request Bid Rate Loans from banks participating in the Agreement and to issue Commercial Paper notes to other purchasers. Borrowings outstanding under Bid Rate Loans and Commercial Paper notes are limited to \$450 million in the aggregate and reduce the amount



available for borrowing under the Revolving Loan Commitments. The Revolving Loan Commitments also provide for the issuance of letters of credit totaling up to \$300 million.

At June 30, 1995, the Company had unused credit available under the Bank Credit Agreement of \$282.1 million.

Revolving loans bear interest, at the Company's option, at the prime rate or a Eurodollar deposit-based rate plus a margin linked to published ratings of the Company's senior debt instruments. The margin is currently .875% and is limited to a range of .625% to 1%. Swing Line and Overdraft Account loans bear interest at the prime rate minus the commitment fee percentage, defined below. The weighted average interest rate on borrowings outstanding under the Bank Credit Agreement at June 30, 1995, was 6.81%. While no compensating balances are required by the Agreement, the Company must pay a commitment fee on the excess of the Revolving Loan Commitments over the aggregate amount of Revolving Loans outstanding. The commitment fee, currently .375%, is subject to reduction to .25%, also based on changes in published ratings.

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

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

### 3. Cash Flow Information

Interest paid in cash aggregated \$137.0 million and \$125.4 million for the six months ended June 30, 1995 and June 30, 1994, respectively. Income taxes paid in cash totaled \$15.0 million and \$6.2 million for the six months ended June 30, 1995 and June 30, 1994, respectively.

### 4. Contingencies

The Company is one of a number of defendants (typically 10 to 20) in a substantial number of lawsuits filed in numerous state and federal courts by persons alleging bodily injury (including death) as a result of exposure to dust from asbestos fibers. From 1948 to 1958, one of the Company's former business units commercially produced and sold a high-temperature, clay-based insulating material containing asbestos. The insulation material was used in

limited industrial applications such as shipyards, power plants and chemical plants. During its ten years in the high-temperature insulation business, the Company's aggregate sales of insulation material containing asbestos were less than \$40 million. The Company exited the insulation business in April 1958. The traditional asbestos lawsuits relating to such production and sale of asbestos material typically allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and punitive damages in various amounts. As of June 30, 1995, the Company estimates that it is a named defendant in such asbestos bodily injury lawsuits and claims involving approximately 26,000 plaintiffs and claimants.

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

Total indemnity, claim disposition and litigation payments and expenses in asbestos bodily injury lawsuits and related proceedings may also be affected by (i) settlement and judgment payments by other defendants (which may take the form of a judgment credit for such settlements), (ii) claims or cross-claims by other asbestos manufacturers or suppliers seeking indemnity or contribution from the Company, and (iii) the Company's claims or cross-claims for contribution or indemnity from other asbestos manufacturers and suppliers. Because the scope and extent of all such contribution and indemnity claims vary considerably according to factual circumstances and applicable law, the Company is unable to estimate the precise extent to which such contribution or indemnity claims may affect the Company's total indemnity, claim disposition and litigation payments and expenses, but the Company nonetheless believes that the probable effect of all these particular claims or cross-claims against the Company will not be material.

The Company is also one of a number of defendants (typically over 90) in separate bodily injury lawsuits involving approximately 9,000 plaintiffs who allege that they are or were maritime workers. On March 31, 1995, a class action against the Company was filed in Common Pleas Court in Cuyahoga County, Ohio which purports to consist of all maritime claimants alleging exposure to the Company's asbestos-containing insulation products. The class action has been removed by the Company to federal court and the Company anticipates that the case may become part of the Multi-District Litigation proceeding in Philadelphia described further below. These maritime plaintiffs, who are all represented by the same attorney, primarily allege so-called "in-place" exposure to asbestos-containing products while serving aboard merchant marine vessels. Such cases as a group appear to involve significantly less serious disease compared to traditional filings and the vast majority may not involve

any medical condition attributable to exposure to the Company's product. Since 1988, approximately 8,000 such lawsuits filed by the same attorney have been dismissed by various courts for procedural deficiencies. One thousand of these cases dismissed were "with prejudice," and many of the other dismissals involved the same claimants in duplicate or repetitive suit filings. In view of these factors, the Company presently believes that the probable ultimate disposition of these maritime claims will not involve any material additional indemnity liability and no longer includes them in the total number of pending claims and lawsuits set forth above.

The Company is also one of a number of defendants (typically 15 to 30) in a number of lawsuits and claims, some of which are class actions, brought by or on behalf of public or private property owners, alleging damages as a result of the presence of asbestos-containing insulation in various properties. These lawsuits typically assert multiple theories of liability, including negligence, breach of warranty and strict liability, and seek various forms of monetary and equitable relief, including compensatory and punitive monetary damages, restitution and removal of asbestos-containing material. As of June 30, 1995, the Company was a named defendant in 16 such pending property damage lawsuits and claims, which are not included in the total number of pending lawsuits and claims set forth in the first paragraph above.

The damage claims, including both compensatory and punitive damage claims, against the Company and the other defendants in the asbestos bodily injury and property damage lawsuits and claims referred to above exceed several billion dollars in the aggregate. Additionally, since 1982 a number of former producers and/or miners of asbestos or asbestos-containing products which were or would be co-defendants with the Company in the bodily injury lawsuits and claims and/or in the property damage lawsuits and claims have filed for reorganization under Chapter 11 of the United States Bankruptcy Code ("Co-Defendant Bankruptcies"). Pending lawsuits have been stayed as to all but one of these entities, but continue against the Company and the other defendants. Also, the trust created by the Manville Chapter 11 Reorganization Plan and charged with the responsibility for resolving asbestos bodily injury claims against Manville was found to be a limited fund by the United States District Court for the Eastern District of New York and virtually all proceedings against the trust have been stayed. A mandatory settlement class was certified against the trust resolving all claims by both plaintiffs and co-defendants; however, the United States Court of Appeals for the Second Circuit reversed the decision approving the settlement and remanded the case for further proceedings. In 1994, The District Court approved a \$35 million settlement fund intended to partially reimburse co-defendants, including the Company, for verdicts and judgments entered against such companies from August 1992 to the date of the settlement. The amount to be received by the Company from such fund is uncertain at this time.

In July, 1991, the Judicial Panel on Multidistrict Litigation consolidated in the Eastern District of Pennsylvania virtually all of the approximately 30,000 federal cases for possible coordinated and aggregate disposition and other processing techniques (the "MDL Case"). Included in the MDL Case is a case in the Eastern District of Texas where a petition had been filed to certify a nationwide litigation class action with respect to all asbestos-related bodily

injury claims pending in the United States both in federal and state court. The Company believes that such a nationwide litigation class action is not supported by the existing case law. The number of plaintiffs in the cases pending in the MDL Case in which the Company is a defendant is included in the reported pending plaintiffs and claimants. In 1992, the court entered an order severing and retaining any claims for punitive damages in cases remanded for trial of the compensatory damage claims. The court, through various administrative orders, is giving priority to claims involving malignancies and serious asbestosis both in terms of settlement activity and in terms of remand for trial where a settlement with all defendants is not possible.

In addition, in January, 1993, in an action in which the Company was not a party, a class action complaint, an answer and a stipulation of settlement of such class action complaint were filed contemporaneously in the United States District Court for the Eastern District of Pennsylvania. The lawsuit and settlement are between a proposed class of persons occupationally or secondarily exposed to asbestos but who did not have bodily injury suits pending as of January 15, 1993, and a group of 20 companies who manufactured or sold asbestos products and whose asbestos claims are managed by the Center for Claims Resolution. The Company and a number of other former producers of asbestos-containing products are not members of the Center for Claims Resolution. The proposed settlement, negotiated between the member companies and class counsel, seeks to create an administrative mechanism to process future asbestos-related claims against such companies. Under the proposed settlement, in order to receive compensation, claimants would be required to satisfy objective medical and product exposure criteria. The class action and proposed settlement raise a number of novel and complex issues, including the potential impact of the proposed settlement on the Company's contribution and settlement credit rights. In August, 1993, another of the Company's co-defendants filed an action, which was thereafter certified by the District Court as a mandatory settlement class of all future asbestos-related claims. This action was integrally related to separate settlements by this co-defendant of all of its non-future asbestos claims and of its insurance coverage claims against its insurers.

The precise impact on the Company of the Co-Defendant Bankruptcies and other proceedings mentioned above is not determinable. These filings and proceedings have created a substantial number of unprecedented and complex issues. However, the Company believes the Co-Defendant Bankruptcies probably have adversely affected the Company's share of the total liability to plaintiffs in previously settled or otherwise determined lawsuits and claims and also may adversely affect the Company's share of the total liability to plaintiffs in the future. Additionally, the Company believes that the dissemination of the required class notice in the Center for Claims Resolution class action described above may increase the number of claims and lawsuits against the Company.

Currently, Congress and numerous state legislatures have under active consideration tort reform legislation that would apply to future asbestos claims and suits. While the scope and prospects for passage of all such legislation cannot be predicted at this time, passage of legislation which is currently proposed in Congress and various states likely would positively

affect the Company's future asbestos claims litigation experience over the long term, although the short-term effect may be to accelerate filings of asbestos lawsuits in advance of the anticipated effective dates of such legislation.

In April, 1986, the Company and Aetna Life & Casualty Company ("Aetna") agreed to a final settlement fully resolving litigation between them (which followed the entry of partial summary judgment in favor of the Company in such litigation). Under its agreement with Aetna, in 1990 the Company began paying along with Aetna the costs incurred in connection with asbestos bodily injury lawsuits and claims; these payments by the Company also reduced the policy limits. The Company has processed claims, or identified claims to be processed, which has effectively exhausted its coverage under the Aetna agreement. The Company presently has similar litigation pending in New Jersey against the Company's insurers, agents and related parties for the years 1977 through 1985 in which the Company seeks damages and a declaration of coverage for both asbestos bodily injury and property damage claims under insurance policies in effect during those years (Owens-Illinois, Inc. v. United Insurance Co., et al, Superior Court of New Jersey, Middlesex County, November 30, 1984), some of which claims were settled in December 1994 as described further below. After deducting the settlements the total remaining coverage sought in this litigation and, in the Company's opinion, applicable to both bodily injury and property damage is approximately \$500 million. The annual self-insurance applicable to such coverage is \$1.0 million. The Company is also seeking additional coverage applicable solely to property damage claims. In April 1990, the Company obtained summary judgment for the coverage sought in this litigation and one of the defendant insurers, in turn, obtained summary judgment under certain reinsurance contracts. The defendants appealed the summary judgment granted to the Company and in April, 1993, the New Jersey Superior Court, Appellate Division affirmed the trial court on all policy interpretation issues but remanded for trial certain other issues. All parties petitioned the New Jersey Supreme Court for review. In January, 1994, the New Jersey Supreme Court granted certification on two policy interpretation issues, namely, the application of the continuous trigger theory of coverage and the consequent apportionment or allocation of liability.

In December, 1994, the New Jersey Supreme Court issued its decision upholding the Company's position on the trigger issue, but reversing and remanding the allocation issue for a determination by a special master of how the Company's losses or "risk" of asbestos-related losses should be allocated among the Company and the United Insurance Co. carriers according to the time on the risk and degree of risk transferred (in the case of insured years) or retained (in the case of self-insured years when insurance was available).

While the New Jersey Supreme Court's opinion on the allocation issue is unique and somewhat unprecedented, the Company believes, following intensive review of the decision and consultation with counsel, that its coverage claims in the United Insurance case have not been fundamentally or materially impaired as a result of the Supreme Court's ruling on the allocation issue.

Shortly before the issuance of the New Jersey Supreme Court decision, the Company partially settled its coverage claim against its primary captive insurer, Owens Insurance Ltd. ("OIL") to the extent of reinsurance provided to OIL by certain reinsurance companies representing approximately 19% of total United Insurance coverage limits. This settlement required payment of 78.5% of applicable coverage limits within 60 days, which payments in the total amount of approximately \$100 million were received in December, 1994 and in the first quarter of 1995.

The Company believes, based upon the rulings and decisions of the trial court, the Appellate Division and the Supreme Court, as well as its understanding of the facts and legal precedents, and upon advice of counsel, McCarter & English, that it is probable this litigation ultimately will be resolved in such a manner as to confirm a substantial amount of coverage in addition to that received pursuant to previous settlements. The date, however, of a final resolution with respect to both coverage and damage recovery is uncertain. The principal remaining issues in the litigation (namely, the issues remanded for trial by the Appellate Division and the special master allocation proceeding) have all been remanded for such resolution to the Middlesex County Court, Chancery Division in New Jersey.

The coverage and any damage recovery obtained as a result of the United Insurance litigation could be applied to reimburse the Company with respect to its payments under the Aetna agreement, as well as other payments made by the Company. The Company has made a claim against certain United Insurance Co. insurers for all such payments to date. Such payments to date are included in the total insurance asset reflected on the Company's balance sheet. At June 30, 1995, the net amount receivable for unreimbursed payments was \$382.3 million, which amount reflects receipt of the previously described settlements. Accordingly, the amounts of such payments covered by this receivable have not been and are not expected to be reflected in the Company's Consolidated Results of Operations.

As a result of Chapter 11 filings, the recent class action filings, and the continuing efforts in various federal and state courts to resolve asbestos lawsuits and claims in nontraditional manners, as well as the continued filings of new lawsuits and claims, the Company believes, as it always has, that its ultimate asbestos-related contingent liability (i.e., its indemnity or other claim disposition costs plus related litigation expenses) is difficult to estimate with certainty. However, the Company has continually monitored the trends of matters which may affect its ultimate liability and continually analyzes the trends, developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company.

Based on the trends and developments and their effect on the Company's ability to estimate probable costs of pending and likely future asbestos-related claims, the higher than expected costs of disposing of claims in certain jurisdictions, and taking into account the reimbursement it expects to receive in the future principally as a result of the United Insurance case, the Company determined in 1993 that it will likely have probable asbestos-related liabilities and costs which exceed its probable asbestos-related insurance

reimbursement in the approximate amount of \$325 million. Accordingly, the Company recorded a charge of such amount against its Consolidated Results of Operations for the fourth quarter of 1993. That determination was based on the Company's \$650 million insurance asset also recorded in the fourth quarter of 1993, which asset amount was in turn principally based upon the Company's expected recovery and reimbursement in the United Insurance case. In view of the settlements described above and other relevant factors including the possible litigation and collection delay caused by the reversal and remand mandated by the December 1994 decision of the New Jersey Supreme Court, the Company further determined that the \$650 million insurance asset should be reduced by \$100 million (in addition to the approximately \$100 million of insurance proceeds received as a result of the settlements described above). As a consequence, the Company recorded a further charge of \$100 million in the fourth quarter of 1994 to reflect this lower insurance asset valuation, which does not, however, reflect the full value of all coverage and other claims the Company is asserting in the United Insurance litigation.

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

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

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

Results of Operations - Second Quarter 1995 compared with Second Quarter 1994

The Company recorded net earnings of \$59.0 million for the second quarter of 1995, an increase of 14.8% over second quarter 1994 net earnings of \$51.4 million. Consolidated operating profit for the second quarter of 1995 was \$174.6 million, an increase of \$21.1 million, compared to the same period in 1994. The operating profit increase was partially offset by higher interest expense and minority share owners' interests in earnings of subsidiaries.

Capsule segment results (in millions of dollars) for the second quarter of 1995 and 1994 were as follows:

	Net sales (Unaffiliated customers)		Operating Profit	
	1995	1994	1995	1994
Glass Containers	\$ 718.2	\$ 666.9	\$ 139.9	\$ 118.2
Plastics and Closures	266.5	248.2	38.4	40.7
Eliminations and other retained costs	.3	.3	(3.7)	(5.4)
Consolidated total	\$ 985.0	\$ 915.4	\$ 174.6	\$ 153.5

Net sales of the Glass Containers segment increased \$51.3 million, or 7.7% over 1994. The increased combined U.S. dollar sales of the segment's foreign affiliates reflected higher unit shipments at virtually all foreign affiliates, led by Brazil where economic conditions have improved significantly since the prior year's second quarter. Net sales for the second quarter of 1995 also reflect the consolidation of recently acquired glass container operations in Poland and India. Domestically, glass container unit shipments declined as a result of the continuing conversion of soft drink containers from glass to plastic and reduced second quarter demand for iced tea and juice containers. Net sales of the Plastics and Closures segment increased \$18.3 million, or 7.4%, over the prior year. Increased unit pricing based on higher resin costs was the principal reason for the higher reported sales. Higher unit shipments of closures and prescription containers were offset by lower shipments of plastic containers for personal care and household products.

The operating profit of the Glass Containers segment increased \$21.7 million, or 18.4%, over 1994. Internationally, higher combined U.S. dollar operating profit of the segment's foreign affiliates resulted from increased unit shipments and higher margins, particularly at the Brazilian and United Kingdom affiliates. The segment's Venezuelan operations also reported favorable results compared to the prior year second quarter reflecting improved market conditions. The international increase was partially offset by lower unit shipments in the domestic glass container business and the significantly higher cost of corrugated boxes, which are used extensively in packaging and



shipping many of the Company's finished products. Cost reductions and productivity improvements achieved through the restructuring program partially offset the effect of lower domestic glass container unit shipments. The operating profit of the Plastics and Closures segment decreased \$2.3 million, or 5.7%, compared to the second quarter of 1994. The decrease was more than accounted for by the labels and carriers business which was adversely affected by lower unit shipments resulting from the soft drink conversion from glass to plastic and by higher raw material costs. Results in the plastic bottles and closures businesses were favorable compared to prior year due principally to higher capacity utilization and higher pricing based on higher resin costs. Other retained costs were slightly lower principally due to lower implementation expenses associated with the Company's restructuring program.

First Six Months 1995 compared with First Six Months 1994

For the first six months of 1995, the Company recorded net earnings of \$92.3 million, an increase of 16.1% over the first six months of 1994 net earnings of \$79.5 million. Consolidated operating profit for the first six months of 1995 was \$302.0 million, an increase of \$34.5 million, or 12.9%, compared to the same period in 1994. Interest expense, net of interest income, increased \$6.9 million. The Company's overall effective tax rate was 37.5% for the first half of 1995, compared with 40.8% in 1994, primarily as a result of a higher mix of foreign earnings which, on average, are expected to benefit from lower effective tax rates in 1995. The increased foreign net earnings also resulted in an increase in minority share owners' interests in earnings of subsidiaries, principally at the Brazilian, Colombian and Polish affiliates.

Capsule segment results (in millions of dollars) for the first six months of 1995 and 1994 were as follows:

	Net sales (Unaffiliated customers)		Operating Profit	
	1995	1994	1995	1994
Glass Containers	\$1,377.0	\$1,267.9	\$ 236.5	\$ 201.5
Plastics and Closures	531.0	486.1	76.0	77.2
Eliminations and other retained costs	.6	.6	(10.5)	(11.2)
Consolidated total	\$1,908.6	\$1,754.6	\$ 302.0	\$ 267.5

Net sales of the Glass Containers segment increased \$109.1 million, or 8.6% over 1994. Higher glass container unit shipments by foreign affiliates and recently acquired glass container operations in Poland and India accounted for the increase. Domestically, glass container unit shipments were below the first six months of 1994 principally as a result of the continuing conversion of soft drinks from glass to plastic, a trend which the Company expects to continue. In the Plastics and Closures segment, net sales increased \$44.9

million, or 9.2%, due to higher unit prices based on higher resin costs and increased shipments of closures and prescription containers.

The operating profit of the Glass Containers segment improved 17.4%, or \$35.0 million, over the prior year. Increased unit shipments at all foreign affiliates, and higher margins at the Brazilian and Colombian operations resulted in higher combined U.S. dollar operating profits. Exchange and price controls were instituted in Venezuela in June 1994. Similar programs and controls instituted in prior years have had a temporary adverse effect on the operating profit of the Company's affiliates; however, the Company is not able to project the magnitude or duration of such effects on future operating results. Domestic glass container operating profit decreased from 1994 as a result of decreased unit shipments and higher corrugated box costs. The Plastics and Closures segment operating profit was lower by \$1.2 million, or 1.6%, compared to the first six months of 1994. Lower margins and decreased unit shipments in the labels and carriers business more than offset the effects of increased unit shipments of closures and prescription containers. Also, the segment's operations in Mexico were adversely affected by weak economic conditions during the first six months of 1995 following the December 1994 devaluation of the peso. Other retained costs were slightly lower principally due to lower implementation expenses associated with the Company's restructuring program.

#### Capital Resources and Liquidity

The Company's total debt at June 30, 1995 was \$2.87 billion compared to \$2.69 billion at December 31, 1994 and \$2.71 billion at June 30, 1994.

At June 30, 1995, the Company had available credit totaling \$1 billion under the Bank Credit Agreement expiring in December 1998, of which \$282.1 million had not been utilized. At December 31, 1994, the Company had \$400.2 million of credit which had not been utilized under the Agreement. The increased utilization during the first six months of 1995 resulted from capital expenditures, acquisitions, asbestos-related payments, and normal seasonal working capital requirements, partially offset by cash provided by operations, including cash received for settlement of a portion of the insurance asset for asbestos-related costs. Cash utilized in operating activities was \$43.3 million for the first six months of 1995 compared to cash provided by operating activities of \$19.8 million in 1994. During the first six months of 1995, cash expenditures related to the fourth quarter 1993 restructuring charge were approximately \$15 million.

In the twelve-month period commencing July 1, 1995, the Company anticipates that cash flow from its operations and from utilization of available credit under the Bank Credit Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service and other obligations. The Company faces additional demands upon its liquidity for asbestos-related payments until the United Insurance litigation is fully resolved; the date of the resolution is uncertain. Based on the Company's expectations regarding favorable trends which should lower its aggregate payments for lawsuits and claims and its expectation of substantial insurance coverage and reimbursement for such lawsuits and claims as a result of the United Insurance litigation

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.

Over the term of the Bank Credit Agreement ending in December 1998, the Company expects that the utilization of available credit thereunder, combined with cash flows from operations, will be sufficient to fund its operating and seasonal working capital needs, debt service including relatively modest scheduled principal payments, and other obligations. Beyond that, based upon current levels of operations and anticipated growth, the Company anticipates that it will have to refinance existing indebtedness, sell assets and/or otherwise raise funds in either the private or public markets to make all of the principal payments when due under its outstanding debt securities, beginning with principal payments due in 1999 under the 10-1/4% Senior Subordinated Notes. There can be no assurance that the Company will be able to refinance existing indebtedness or otherwise raise funds in a timely manner or that the proceeds therefrom will be sufficient to make all such principal payments.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

(a) Contingencies. Note 4 to the Condensed Consolidated Financial Statements, "Contingencies," that is included in Part I of this Report, is incorporated herein by reference.

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

The Annual Meeting of Owens-Illinois' shareholders was held on May 10, 1995. Each of the four nominees for a three-year term on the Company's Board of Directors was elected by vote of the share owners as follows:

Name	For	Withheld	Abstention	Broker Non-Votes
Lee A. Wesselmann	100,160,427	1,206,003	-	-
James H. Greene, Jr.	99,792,007	1,574,423	-	-
George R. Roberts	100,142,207	1,224,223	-	-
Robert J. Dineen	100,254,127	1,112,303	-	-

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

(a) Exhibits:

Exhibit 23 Consent of McCarter & English

Exhibit 27 Financial Data Schedule

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the quarter for which this Report is filed.

SIGNATURES

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

OWENS-ILLINOIS, INC.

Date August 14, 1995  
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By /s/ Lee A. Wesselmann  
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Lee A. Wesselmann, Senior Vice President and  
Chief Financial Officer (Principal Financial  
Officer)

OWENS-ILLINOIS GROUP, INC.

Date August 14, 1995  
-----

By /s/ Lee A. Wesselmann  
-----

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

INDEX TO EXHIBITS

Exhibit

23 Consent of McCarter & English

27 Financial Data Schedule

EXHIBIT 23  
CONSENT OF MCCARTER & ENGLISH

August 8, 1995

Ladies and Gentlemen:

We consent to the incorporation by reference in this Quarterly Report on Form 10-Q of Owens-Illinois, Inc. and Owens-Illinois Group, Inc. for the quarter ended June 30, 1995, of the reference to our firm under the caption "Legal Proceedings."

Very truly yours,

/s/McCarter & English  
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McCarter & English

This schedule contains summary financial information extracted from the June 30, 1995 condensed consolidated balance sheet, and the condensed consolidated results of operations for the six-month period then ended and is qualified in its entirety by reference to such financial statements.

6-MOS	DEC-31-1995	
	JUN-30-1995	
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		0
		487,200,000
		34,100,000
		505,000,000
	1,213,800,000	
		2,999,300,000
	1,288,800,000	
	5,490,900,000	
897,000,000		
		2,791,500,000
		1,200,000
	0	
		26,300,000
		434,300,000
5,490,900,000		
		1,908,600,000
	1,966,400,000	
		1,484,900,000
	1,484,900,000	
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	0	
	149,500,000	
	175,000,000	
	65,600,000	
92,300,000		
	0	
	0	
		0
	92,300,000	
	0.77	
	0.77	