



on February 28, 1995) of the voting stock beneficially held by non-affiliates of Owens-Illinois, Inc. was approximately \$862,420,000. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors and executive officers of the Company. Such interpretation is not intended to be, and should not be construed to be, an admission by Owens-Illinois, Inc. or such directors or executive officers of the Company that such directors and executive officers of the Company are "affiliates" of Owens-Illinois, Inc., as that term is defined under the Securities Act of 1934.

The number of shares of Common Stock, \$.01 par value, of Owens-Illinois, Inc. outstanding as of February 28, 1995, was 119,079,496.

The number of shares of Common Stock, \$.01 par value, of Owens-Illinois, Group, Inc. outstanding as of February 28, 1995, was 100, all of which were owned by Owens-Illinois, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Owens-Illinois, Inc. Proxy Statement for The Annual Meeting of Share Owners To Be Held Wednesday, May 10, 1995 ("Proxy Statement").

(Cover page 2 of 2 pages)

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PART I

ITEM 1. BUSINESS

General Development of Business

Owens-Illinois, Inc. (the "Company"), through its subsidiaries, is the successor to a business established in 1903. The Company is one of the world's leading and most diversified manufacturers of packaging products. Approximately one of every two glass containers made worldwide is made by the Company, its affiliates or licensees. In addition to being the largest manufacturer of glass bottles and containers in the United States, the Company is a leading manufacturer of plastic containers, plastic closures, plastic and glass prescription containers, labels, and multipack plastic carriers for beverage containers. Other products include pharmaceutical packaging and scientific and laboratory ware through the Company's 49% ownership of Kimble Glass, Inc. ("Kimble"). Over the last few years, the Company has made acquisitions or investments strategic to its core businesses and has divested operations not achieving market leadership or other operating and financial objectives.

During 1994, the Company began implementation of its reengineering program. The program is designed to reduce costs, improve manufacturing efficiency and productivity, and enhance customer service. This effort is a key part of the Company's strategy to maintain leadership in glass and plastic packaging and to take advantage of growth opportunities around the world.

In March 1994, the Company acquired a customer's glass container manufacturing facility located in Auburn, New York. In August 1994, the Company entered into an agreement to manage and acquire a majority interest in one of the leading glass container manufacturers in India. The acquisition of the business, which has three manufacturing facilities strategically located throughout India, was completed in January, 1995.

In December 1994, the Company concluded a settlement with certain reinsurers representing approximately 19% of the coverage limits applicable to the Company's asbestos-related personal injury claims. Pursuant to the settlement agreement, the Company received payments in December 1994 and January 1995 totalling approximately \$100 million, representing approximately 78.5% of policy limits. As a result of the settlement agreement and certain other considerations, the Company recorded a charge of \$100 million in the fourth quarter of 1994 to write down the insurance asset for asbestos-related costs.

The principal executive office of the Registrants is located at One SeaGate, Toledo, Ohio 43666; the telephone number is (419) 247-5000.

segment is included on pages 61 - 63.

#### Narrative Description of Business

The Company has two industry segments: (1) Glass Containers and (2) Plastics and Closures. Below is a description of these segments and information to the extent material to understanding the Company's business taken as a whole.

The Company's former Specialized Glass segment consisted of Kimble which manufactures both glass and plastic specialty packaging and laboratory ware. As a result of the December 31, 1993 sale of 51% of Kimble, the Company began to record its share of Kimble's results of operations on the equity basis beginning in 1994.

Products and Services, Customers, Markets and Competitive Conditions, and Methods of Distribution / Facilities and Production Processes

#### GLASS CONTAINERS

The Company is the world's leading manufacturer of glass containers with an approximate 40% share of the glass container segment of the U. S. rigid packaging market. Marketing under the trade name Owens-Brockway, the Company's 1994 U.S. glass container sales were substantially higher than the sales of its nearest U.S. glass container competitor, Anchor Glass Container Corporation ("Anchor"), a subsidiary of Vitro, Sociedad Anonima. Worldwide glass container sales represented 67%, 64% and 67% of the Company's consolidated net sales for the years ended December 31, 1994, 1993, and 1992, respectively. The Company believes that its internally developed machines are significantly more efficient and productive than those used by its competitors, making it the low-cost manufacturer and a recognized technological leader in the industry.

#### Products and Services

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Glass containers are produced in a wide range of sizes, shapes and colors for beer, teas, fruit juices, liquor, wine, wine coolers, pharmaceuticals, food and soft drinks. The Company has been a leader in product innovation, introducing products including: long neck nonreturnable beer bottles; containers for wine coolers; Plasti-Shield labeled containers for juice, soft drinks and new age beverage and prepackaged mixed drinks.

New product lines designed to increase the demand for glass containers include product extensions related to single service packages for tea, juice and soft drinks and innovative secondary packaging systems such as labels, carriers and closures that complement glass containers. The Company's product development efforts in glass containers are aimed at providing value added packaging systems to customers and consumers.

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#### Customers

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Glass operations are benefiting from increased shipments for such products as beer, iced tea, juice, salsas and baby food. Brewers and food producers, which include juice and tea producers, comprise approximately 76% of industry demand for glass containers. The Company has leading positions within these customer groups, as well as strong positions in smaller customer groups. The Company believes its position gives it the ability to take advantage of new opportunities and areas of growth within each customer group.

The following table sets forth the distribution of the Company's unit shipments in the U.S. by customer group for the last three years:

Customer Group	Percent Unit Shipments		
	1994	1993	1992
Food producers, including			
juices and teas. . . . .	40%	38%	35%
Brewers. . . . .	37	29	28
Soft drink bottlers. . . . .	13	20	25
Liquor and wine products . . . .	5	8	8
Other. . . . .	5	5	4

-----  
100%      100%      100%  
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Most glass production is sold to customers under arrangements which specify estimated quantities to be shipped as a percentage of the customers' total annual requirements. Containers are typically scheduled for production in response to customers' orders for their quarterly requirements.

#### Markets and Competitive Conditions

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The Company has the leading market share of the glass segment of United States beer packaging. Excluding E & J Gallo Winery Inc., which manufactures its own containers, the Company is also the leading supplier of glass for wine and wine coolers. The Company believes it is the leading supplier of glass food containers and the second largest supplier of glass liquor containers. The Company's principal competitor in the glass liquor containers segment is Anchor. The Company is also the second largest supplier of glass containers for drug and chemical companies. Overall, the Company's sales represent approximately 40% of the glass container segment of the United States rigid packaging market.

Within the United States rigid packaging market, glass container shipments have remained relatively constant the past several years. The Company's share of the glass container segment has also remained relatively constant during this time. Overall, the Company expects glass containers' share of the United States rigid packaging market to remain relatively stable and that the Company will maintain its share of the glass container segment due in part to the Company's ongoing improvement in operating efficiencies.

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The Company's glass products compete on the basis of quality, service and price with other forms of rigid packaging, principally aluminum and steel cans and plastic bottles, as well as glass containers produced by other large, well-established manufacturers. The principal competitors producing glass containers are Anchor, Ball Corporation, and Foster-Forbes Glass Company (an affiliate of Pechiney S. A.). The principal competitors producing metal containers are American National Can Company (an affiliate of Pechiney S. A.), Crown Cork & Seal Company, Inc., Reynolds Metals Company, and Ball Corporation. In the metal container market, no one competitor is dominant. The principal competitors supplying plastic containers are Crown Cork & Seal Company, Inc., and Johnson Controls, Inc. In the plastic containers market, no one competitor is dominant.

The Company markets its glass container products throughout the United States, with a sales and marketing staff of approximately 90 salaried employees at January 31, 1995. During 1994, the Company began to implement the "virtual sales office" concept, in which field account managers and regional sales managers will operate from their homes or a Company manufacturing facility. As a result, 11 sales offices were closed during 1994. The virtual sales office concept provides the sales and marketing staff with easy access to information from anywhere at any time thereby decreasing administrative costs, streamlining communications, and shortening customer response time. Glass container sales employees are generally eligible for bonuses based on sales and the Company's overall performance. The Company's glass container sales personnel are not subject to minimum sales quota requirements.

#### Methods of Distribution / Facilities and Production Processes

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Due to the significance of transportation costs and the importance of timely delivery, manufacturing facilities are located close to customers. Most of the Company's product is shipped by common carrier to customers within a 250-mile radius of a given production site. In addition to 21 domestic glass container manufacturing facilities, the Company operates a sand plant and two machine shops which manufacture high-productivity glass-making machines. In March, 1994 the Company purchased a customer's glass container manufacturing facility in Auburn, New York. During the fourth quarter of 1994 the Company closed an inefficient glass container facility in Pomona, California. The Company's remaining domestic glass container facilities operated at rates in excess of 90% of capacity in 1994 and the Company expects similar rates in 1995.

During 1994 computerized work stations were installed on every glass container forming line. Machine operators now have the tools and training to focus on

continuous improvement of quality objectives. A press and blow process for producing lightweight narrow neck bottles is also in operation at fourteen locations. It provides the best combination of high speed production and lighter weight for iced tea and beer bottles. This process can reduce container weight 8% to 15%, providing savings in raw materials and energy. Under development is the application of technology which allows for similar weight and productivity gains for other segments of the glass container market.

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The Company's total systems approach to production technology and process control improvements have contributed to significant annual productivity gains. From 1992 to 1994, for example, the Company's machine productivity increased by approximately 10% and labor productivity improved by approximately 30%.

The trend in the United States towards greater recycling of used containers has also changed the Company's glass container business. In each of the last several years, the Company has recycled substantial tonnage of glass containers. The recycled glass component of the Company's 1994 domestic glass container output approximated 25%. The Company believes that the percentage of recycled glass used could increase in the future as recycling becomes more widespread. Glass recycling helps relieve the burden on the nation's landfills, while significantly reducing the need for virgin materials. Recycling also results in energy savings and reductions in air emissions. The Company also believes that, eventually, as recycled glass becomes more available, it may offer a cost advantage over producing new glass. The Company has no technological barriers to using all of the recycled glass it can reasonably expect to obtain from public/private collection programs as long as such glass meets incoming material quality standards.

The Company's cost reduction and product improvement programs are supported through continued investment in research and development and capital equipment. The Company has maintained a leadership role in the engineering and research function through substantial investments in capital equipment, processes and engineering to increase machine output, process quality and cost control. Spending for the Glass Containers segment in these areas increased 63% in 1994 compared to 1993. There were approximately 280 domestic employees at January 31, 1995, involved in research, development and engineering for the Glass Containers segment. The Company believes its investment in technology and capital has enabled it to remain the technological leader and low-cost producer in the domestic glass container industry. In addition, as the industry's technological leader, the Company licenses technology to foreign and domestic affiliates and licensees.

The Company currently has technical assistance agreements with 32 different companies in 33 countries. These agreements, which cover areas ranging from manufacturing and engineering assistance to support in functions such as marketing, sales, and administration, allow the Company to participate in the worldwide growth of the glass container industry. The Company believes these associations and its technical expertise will afford it opportunities to participate in the glass business in regions of the world where the Company does not currently have a presence.

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#### International Glass Operations

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The Company has significant ownership positions in twelve companies located in nine foreign countries and Puerto Rico. Most of the Company's international glass affiliates are the leading container manufacturers in their respective countries, producing a full line of containers for the soft drink, beer, wine, liquor, food, drug and chemical industries. Some of these companies also produce molds, mold parts, sand and feldspar, limestone, machines and machine

parts, rolled glass, sheet glass and glass tableware. The Company's principal international glass affiliates are in Latin America and the United Kingdom.

Outside of the United States, unit shipments of glass containers have grown substantially in recent years. The increasing demand for quality packaging products in developing countries continues to create growth opportunities. Increased privatization of industry, greater openness to foreign investment, and the lowering of trade barriers have resulted in healthier economies, rising standards of living, and growing demand for consumer products and quality packaging in developing countries. The Company is continuing to pursue additional strategic alliances with international partners whose markets are growing and whose manufacturing operations can be enhanced by the Company's state-of-the-art technology and equipment. Sales growth in countries where the Company does not have a direct ownership position, such as Japan and Germany, may provide a benefit to the Company in the form of technical assistance royalties tied to sales volume.

The Company's significant ownership positions in international glass affiliates are summarized below:

Company/Country -----	Owens-Illinois Ownership -----
United Glass Ltd., United Kingdom	100.0%
Centro Vidriero de Venezuela, C.A., Venezuela	100.0
Manufacturera de Vidrios Planos, C.A., Venezuela	100.0
Owens-Illinois de Venezuela, C.A., Venezuela	92.2
Owens-Illinois de Puerto Rico, Puerto Rico	80.0
Companhia Industrial Sao Paulo e Rio, Brazil	79.4
Cristaleria del Ecuador, S.A., Ecuador	65.3
Cristaleria Peldar, S.A., Colombia	57.4
Owens-BILT Limited, India	51.0
Vidrios Industriales, S.A., Peru	50.3
Fabrica Boliviana de Vidrios, S. A., Bolivia	50.0
Huta Szkla Jaroslaw S.A., Poland	39.3

#### PLASTICS AND CLOSURES

The Company is a leading plastic container manufacturer in the United States. The Company is the market leader in all plastic segments in which it competes except for Hi-Cone, in which it is second. Plastic container sales represented 17%, 16% and 17% of the Company's consolidated net sales for the years ended December 31, 1994, 1993, and 1992, respectively. The Company's Plastics and Closures segment operates under the Owens-Brockway trade name and is comprised of four business units.

**Plastic Products.** This unit, with 21 factories, manufactures rigid, semi-rigid and multi-layer plastic packages for a wide variety of uses, including household products, personal care products, health care products, chemicals and automotive products and food.

**Closure and Specialty Products.** This unit, with 11 manufacturing facilities, produces closures and develops closure systems which incorporate functional features such as tamper evidence, child resistance and dispensing. In addition, this unit's diverse product line includes trigger sprayers, finger pumps, and lotion pumps, as well as metal closures and finger pumps for the fragrance and cosmetic industry. In the United States, the Company has a sole license for Alcoa's technology for compression molded, tamper evident, thermoplastic closures. This unit also manufactures custom injection molded containers, such as deodorant packages and pump dispensers.

**Prescription Products.** The Company's Prescription Products unit manufactures prescription containers. These products are sold primarily to drug wholesalers, major drug chains and the government. Containers for

prescriptions include plastic and glass ovals, vials, rounds, squares and ointment jars. The only other major producer of such prescription containers is Kerr Group, Inc.

Label and Carrier Products. One label product of this unit is the patented Plasti-Shield which can be heat shrunk around glass or plastic containers. The unit also makes polyethylene labels for in mold labeling (IML) and laminated labels for beverages. Two proprietary carrier lines are also produced, both of which are predominantly used as six-pack and four-pack carriers for iced teas and other fruit drinks -- Hi-Cone (a registered trademark of Illinois Tool Works Inc.) plastic carriers for cans and Contour-Pak plastic carriers for bottles. The combination of the Contour-Pak carrier used in connection with the Plasti-Shield label provides the bottler with a highly cost-effective multi-pack system.

Markets. Major markets for these units include the household products, personal care products, health care products, and food and beverage industries.

The plastic segment of the rigid packaging market is highly competitive and fragmented due to generally available technology, low costs of entry and customer emphasis on low package cost. A large number of competitors exists

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on both a national and regional basis. The Company competes by emphasizing total package supply, proprietary technology, new package development, and packaging innovation. The Company is one of two producers of each of the Plasti-Shield label and the Hi-Cone multi-pack carrier (produced under a license agreement with the only other producer, Illinois Tool Works Inc.), and the only producer of the Contour-Pak carrier. The market for closures is divided into various categories in which several suppliers compete for business on the basis of price and product design.

The Company's strategy has been to compete in the higher growth segments of the plastic bottle category where customers seek to use distinctive packaging to differentiate their products among a growing array of choices offered to consumers. The Company believes it is a leader in technology and development of custom products and has a leading market position for such products. The Company believes its plastic container and closure businesses have a competitive advantage as a result of one of the shortest new product development cycles in the industry, enabling the Company to provide superior service in the service-sensitive custom plastic container market. The Company's product innovations in plastic containers and closures include in-mold labeling for custom molded bottles, Contour-Pak carriers for 4, 6 and 8-pack applications, printed Contour-Pak carriers, multilayer structured bottles containing post consumer recycled resin, Flex-Band and PlasTop tamper-evident closures, Clic Loc child-resistant closures and Pharmacy Mate reversible prescription container closures. The Company believes that unit sales of closure products have benefitted from the conversion of the soft drink closures segment from aluminum to plastic.

The Company believes that its plastic business may be affected by additional recycling and recycling content legislation. Content legislation, recently enacted in several states requires that a certain specified minimum percentage of recycled plastic be included in new plastic products. The Company believes that it is well positioned to meet such legislated standards in part due to its material and multilayer process technology.

The Company's Plastics and Closures segment currently has technical assistance agreements with 20 companies in 11 countries. These agreements, which cover areas ranging from manufacturing and engineering assistance to support in functions such as marketing, sales, and administration, allow the Company to participate in the worldwide growth of the plastic packaging industry.

#### ADDITIONAL INFORMATION

##### New Products

New products and numerous refinements of existing products are developed and introduced in each segment every year. No single new product or refinement, or group of new products and refinements, have been recently introduced or are scheduled for introduction which required the investment of a material amount

of the Company's assets or which otherwise would be considered material.

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#### Sources and Availability of Raw Materials

All of the raw materials the Company uses have historically been available in adequate supply from multiple sources. However, for certain raw materials, there may be temporary shortages due to weather or other factors, including disruptions in supply caused by raw material transportation or production delays; such shortages are not expected to have a material effect on the Company's operations.

#### Patents and Licenses

The Company has a large number of patents which relate to a wide variety of products and processes, has pending a substantial number of patent applications, and is licensed under several patents of others. While in the aggregate its patents are of material importance to its business, the Company does not consider that any patent or group of patents relating to a particular product or process is of material importance when judged from the standpoint of any segment or its business as a whole.

#### Seasonality

Sales of particular products of the Glass Containers and Plastics and Closures business segments such as beer, soft drink, and certain food containers are seasonal, with shipments typically greater in the second and third quarters of the year.

#### Working Capital

In general, the working capital practices followed by the Company are typical of the businesses in which it operates. During the first and second quarters of the year the accumulation of inventories of certain products in advance of expected shipments reflects the seasonal nature of those businesses and may require periodic borrowings.

#### Customers

Major customers exist for each of the Company's industry segments, and in each industry segment the loss of a few of these customers might have a material adverse effect on the segment. No single customer accounts for 10% or more of the consolidated net sales of the Company.

#### Research and Development

Research and development constitutes an important part of the Company's activities. Research and development expenditures for continuing operations were \$31.8 million, \$23.1 million, and \$22.9 million for 1994, 1993, and 1992, respectively. Operating engineering expenditures were \$22.8 million, \$19.2 million, and \$23.1 million for 1994, 1993, and 1992, respectively. In addition to new product development, substantial portions of the technical effort are devoted to increased process control, automatic inspection, and automation. Also, there is continued emphasis on reduction in energy use per

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unit of production. No material amount of money was spent on customer-sponsored research activities during 1994, 1993, or 1992.

#### Environment

The Company's operations, in common with those of the industry generally, are subject to numerous existing and proposed laws and governmental regulations designed to protect the environment, particularly regarding plant wastes and emissions and solid waste disposal. Capital expenditures for property, plant, and equipment for environmental control activities were not material during 1994.

In addition, sales of non-refillable glass beverage bottles and other

convenience packages are affected by mandatory deposit laws and other types of restrictive legislation. As of January 31, 1995, there are nine states with mandatory deposit laws in effect.

Plastic containers have also been the subject of legislation in three states. The Company utilizes recycled plastic resin in its manufacturing processes. During 1994 and 1993, many plastic containers for products other than food, drugs, and cosmetics contained 25% post consumer resin. The Company believes it is the industry leader in such technology.

A number of states are considering legislation to promote curbside recycling and recycled content legislation as alternatives to mandatory deposit laws. Although such legislation is not uniformly developed, the Company believes that curbside recycling and recycling content legislation could become more significant during the next five years.

Although the Company is unable to predict what legislation or regulations may be adopted in the future with respect to environmental protection and waste disposal, compliance with existing legislation and regulations has not had, and is not expected to have, a material adverse effect on its capital expenditures, results of operations, or competitive position.

#### Number of Employees

The Company's operations employed approximately 26,700 persons at December 31, 1994. A majority of these employees are hourly workers covered by collective bargaining agreements, the principal one of which was renewed early in 1993 for three years. The Company considers its employee relations to be good. The Company has not had any material labor disputes in the last five years, and does not anticipate any material work stoppages in the near term.

#### Financial Information about Foreign and Domestic Operations and Export Sales

Information as to net sales, operating profit, and identifiable assets of the Company's operating and geographic segments is included on pages 61 - 63. Export sales, in the aggregate or by geographic area, were not material for the years 1994, 1993, or 1992.

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#### ITEM 2. PROPERTIES

The principal manufacturing facilities and other material important physical properties of the continuing operations of the Company at December 31, 1994 are listed below and grouped by industry segment. All properties shown are owned in fee except where otherwise noted.

##### Glass Containers

Glass Container Plants  
Atlanta, GA  
Auburn, NY  
Brockway, PA  
Charlotte, MI  
Chicago Heights, IL (1)  
Clarion, PA (1)  
Crenshaw, PA  
Danville, VA  
Lakeland, FL  
Lapel, IN  
Los Angeles, CA  
Muskogee, OK (1)  
Oakland, CA  
Portland, OR  
Streator, IL  
Toano, VA  
Tracy, CA  
Volney, NY  
Waco, TX  
Winston-Salem, NC  
Zanesville, OH  
Rio de Janeiro, Brazil  
Sao Paulo, Brazil  
Envigado, Colombia

##### Sand Plants

Ione, CA (2)  
Devilla, United Kingdom  
  
Flat Glass Plant  
La Victoria, Venezuela

##### Plastics and Closures

Plastic Container Plants  
Atlanta, GA  
Baltimore, MD  
Belvidere, NJ  
Charlotte, MI  
Chicago, IL  
Cincinnati, OH (1)  
Edison, NJ  
Findlay, OH (1), (2)  
Florence, KY (1)  
Greenville, SC  
Harrisonburg, VA  
Kansas City, MO (2)  
La Mirada, CA (2)  
Nashua, NH  
Newburyport, MA  
Rossville, GA (2)  
St. Louis, MO (2)

Zipaquira, Colombia  
Guayaquil, Ecuador  
Callao, Peru  
Vega Alta, Puerto Rico  
St. Albans, United Kingdom  
Alloa, United Kingdom  
Harlow, United Kingdom  
Peasley, United Kingdom  
Cagua, Venezuela  
Caracas, Venezuela  
Valencia, Venezuela  
Valera, Venezuela

Machine Shops  
Brockway, PA  
Godfrey, IL  
Manaus, Brazil

Sullivan, IN  
Vandalia, IL (1)  
Washington, NJ (2)  
Mexico City, Mexico  
  
Mold Shop  
Kansas City, MO (2)  
  
Label and Carrier Products Plant  
Bardstown, KY (1)  
  
Closure and Specialty Products Plants  
Bridgeport, CT  
Brookville, PA  
Chattanooga, TN  
Constantine, MI (1)  
El Paso, TX (2)  
Erie, PA

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Closure & Specialty Products Plants  
-- (continued)  
Hamlet, NC  
Maumee, OH (2)  
North Riverside, IL (2)  
Waterbury, CT  
Las Piedras, Puerto Rico

Corporate Facilities  
World Headquarters Building  
Toledo, OH (2)  
  
Levis Development Park  
Perrysburg, OH

Prescription Products Plant  
Berlin, OH (1)

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- (1) This facility is financed in whole or in part under tax-exempt financing agreements.
- (2) This facility is leased in whole or in part.

The Company believes that its facilities are well maintained and currently adequate for its planned production requirements over the next three to five years.

### ITEM 3. LEGAL PROCEEDINGS

See the second through last paragraphs of the section entitled "Contingencies" on pages 54 - 60.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the last quarter of the fiscal year ended December 31, 1994.

## EXECUTIVE OFFICERS OF THE REGISTRANTS

Set forth below are the names and the ages, positions, and offices held (as of the date hereof), and a brief account of the business experience of each executive officer. Each officer listed below holds the same position or positions with Owens-Illinois Group, Inc. as he does with the Company. Officers serve at the discretion of the Board of Directors.

Name and Age -----	Position -----
Joseph H. Lemieux (64) . . . . .	Chairman since 1991; Chief Executive Officer since 1990; President and Chief Operating Officer, 1986-1990; Director since 1984. Member of Class III of the Board of Directors of the Company, with a term expiring in 1997.
Lee A. Wesselmann (59) . . . . .	Senior Vice President and Chief Financial Officer since 1988; Secretary, 1988-1990; Vice President - Finance, 1988; Director since 1988. Member of Class I of the Board of Directors of the Company, with a term expiring in 1995.
R. Scott Trumbull (46) . . . . .	Executive Vice President, International Operations since 1993; Vice President and Director of Corporate Planning 1992-1993; Vice President and General Manager of Plastics and Closure Operations, 1986 - 1992.
Terry L. Wilkison (53) . . . . .	Executive Vice President, Domestic Packaging Operations since 1993; Vice President and General Manager of Plastics, Closures, and Prescription Products 1992-1993; Vice President and General Manager of Specialty Glass Operations 1987-1992.
Thomas L. Young (51) . . . . .	Executive Vice President, Administration, General Counsel and Secretary since 1993; Vice President, General Counsel, General Manager - Operations Administration and Secretary 1992-1993; Vice President, General Counsel and Secretary, 1990-1992; Vice President and General Counsel - Operations, 1988-1990.

Name and Age -----	Position -----
Russell C. Berkoben (53) . . . . .	Vice President and General Manager of Plastic Operations since 1991; Vice President and Plastic Container Business Unit Manager, 1985-1991.
Gary R. Clinard (56) . . . . .	Vice President and General Manager of International Operations since 1990; Vice President of International Operations and Technical Assistance, 1987-1990.
Larry A. Griffith (49) . . . . .	Vice President and General Manager of Kimble since 1992; Vice President, 1990-1992; Vice President of Corporate Staff and Director of Corporate Planning, 1988-1990;

John L. Hodges (55) . . . . .	Vice President and General Manager of Glass Container Operations since 1993; Vice President of Glass Container Sales and Marketing, 1991-1993; Vice President and General Manager of Glass Container Manufacturing, 1984-1991.
Dale W. Leidy (55) . . . . .	Vice President and Technical Director - Glass Container since 1993; Vice President and General Manager of Glass Container Manufacturing 1991-1993; Vice President and Technical Director - Packaging, 1990-1991; Vice President and Director of Manufacturing and Engineering of Plastic Products, 1989-1990; Vice President and Director of Manufacturing of Plastic Products, 1986-1989.
Michael D. McDaniel (46) . . . . .	Vice President and General Manager of Closure and Specialty Products Operations since 1991; Vice President and Director of Manufacturing and Engineering of Closure Operations, 1990-1991; Vice President and Manufacturing Manager of Closure Operations, 1985-1990.
Philip McWeeny (55) . . . . .	Vice President and General Counsel - Corporate since 1988.

<u>Name and Age</u> -----	<u>Position</u> -----
Ronald H. Pfenning (46) . . . . .	Vice President of Glass Container Sales and Marketing since 1993; Glass Container Vice President and Industry Manager, Food, 1992-1993; Glass Container Vice President and Industry Manager, Brewing & Liquor, 1989-1991.
B. Calvin Philips (53) . . . . .	Vice President of International Operations since 1990; Vice President and General Manager of Closure and Specialty Products, 1987-1990.
Robert A. Smith (53) . . . . .	Vice President and General Manager of Glass Container Manufacturing since 1993; Vice President and General Manager, West Coast, 1990-1993; Vice President and Area Manufacturing Manager, 1986-1990.
David G. Van Hooser (48) . . . . .	Vice President and General Manager of Plastic Components Operations since 1994; Vice President, Treasurer and Comptroller, 1990-1994; Vice President and Treasurer, 1988-1990.

## PART II

ITEM 5. MARKET FOR OWENS-ILLINOIS, INC.'S COMMON STOCK  
AND RELATED SHARE OWNER MATTERS

The price range for the Company's Common Stock on the New York Stock Exchange, as reported by National Association of Securities Dealers, was as follows:

	1994		1993	
	High	Low	High	Low
First Quarter	13-5/8	10-5/8	12-1/4	10
Second Quarter	13-3/8	10-3/8	12	10
Third Quarter	12-3/4	10-3/8	11-5/8	9
Fourth Quarter	12-1/4	10-1/4	12-3/8	9-1/4

On December 31, 1994, there were 862 common share owners of record. No dividends have been declared or paid since the Company's initial public offering in December 1991. For restrictions on payment of dividends on Common Stock, see Restriction on Retained Earnings included on page 50.

## ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data presented below relates to each of

the five years in the period ended December 31, 1994. Such data was derived from the Consolidated Financial Statements, of which the most recent three years are included elsewhere in this document and were audited by Ernst & Young LLP, independent auditors, whose report with respect to the financial statements appears elsewhere in this document. See Consolidated Financial Statements -- Statement of Significant Accounting Policies -- and Financial Review.

	Year Ended December 31,				
	1994	1993	1992 (b)	1991 (c)	1990
(Dollar amounts in millions)					
Consolidated Operating Results (a):					
Net sales . . . . .	\$3,567.3	\$3,535.0	\$3,392.6	\$3,284.3	\$3,383.3
Other (d) . . . . .	85.6	127.1	81.6	83.3	84.4
	3,652.9	3,662.1	3,474.2	3,367.6	3,467.7
Costs and expenses:					
Manufacturing, shipping and delivery . . .	2,824.3	2,823.8	2,744.1	2,636.8	2,691.0
Research, engineering, selling, administrative and other (d)	379.1	842.8	260.3	223.6	315.1
Earnings (loss) from continuing operations before interest expense and items below . . . . .	449.5	(4.5)	469.8	507.2	461.6
Interest expense . .	278.2	290.0	312.9	452.5	446.4
Earnings (loss) from continuing operations before items below . . . . .	171.3	(294.5)	156.9	54.7	15.2
Provision (credit) for income taxes .	68.9	(113.1)	64.0	53.7	60.4
Minority share owners' interests in earnings of subsidiaries . . .	24.1	19.4	14.6	11.8	8.6
Earnings (loss) from continuing operations before extraordinary items and cumulative effect of accounting changes . . . . .	78.3	(200.8)	78.3	(10.8)	(53.8)
Net earnings (loss) of discontinued operations . . . . .		1.4	18.4	3.8	(2.4)

SELECTED FINANCIAL DATA -- continued

	Year Ended December 31,				
	1994	1993	1992 (b)	1991 (c)	1990
(Dollar amounts in millions, except per share data)					
Gain (loss) on sales of discontinued operations, net of applicable income taxes . . .		217.0		(123.1)	
Extraordinary charges from early extinguishment of debt, net of applicable income taxes . . . . .		(12.7)	(31.5)	(143.5)	
Cumulative effect on prior years of changes in methods					

of accounting for income taxes and postretirement benefits, net of applicable income taxes (b) .			(199.4)		
Net earnings (loss).	\$ 78.3	\$ 4.9	\$ (134.2)	\$ (273.6)	\$ (56.2)
Earnings (loss) per share of common stock:					
Earnings (loss)					
from continuing operations before extraordinary items and cumula- tive effect of accounting changes	\$ 0.64	\$ (1.70)	\$ 0.66	\$ (0.27)	\$ (1.46)
Net earnings (loss) of discontinued operations . . .		0.01	0.15	0.09	(0.06)
Gain (loss) on sales of discontinued operations . . .		1.82		(3.07)	
Extraordinary charges		(0.10)	(0.26)	(3.58)	
Cumulative effect of accounting changes (b) . . .			(1.68)		
Net earnings (loss).	\$ 0.64	\$ 0.03	\$ (1.13)	\$ (6.83)	\$ (1.52)

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SELECTED FINANCIAL DATA -- continued

	Year Ended December 31,				
	1994	1993	1992 (b)	1991 (c)	1990
Other Data:	(Dollar amounts in millions)				
The following are included in the results from continuing operations:					
Depreciation . . .	\$ 183.3	\$ 180.0	\$ 181.9	\$ 154.0	\$ 150.3
Amortization of excess cost and intangibles . . .	45.2	40.8	38.6	36.3	36.3
Amortization of deferred finance fees (included in interest expense) . . . .	5.1	11.5	12.0	13.6	13.7
	\$ 233.6	\$ 232.3	\$ 232.5	\$ 203.9	\$ 200.3
Weighted average shares outstanding (in thousands) . .	119,005	118,978	118,980	40,089	36,940
Balance Sheet Data (at end of period):					
Working capital . .	\$ 171	\$ 234	\$ 245	\$ 195	\$ 339
Total assets . . .	5,318	4,901	5,151	4,399	5,191
Total debt . . . .	2,690	2,487	3,107	2,932	4,005
Share owners' equity	376	295	299	415	(153)

(a) Results of operations have been restated to reflect the effects of the sale of the Libbey business, which was consummated on June 24, 1993, and of the Health Care segment, which was consummated on October 24, 1991, as discontinued operations.

(b) In the fourth quarter of 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other

Than Pensions," each as of January 1, 1992. The impact of the changes on 1992 earnings from continuing operations consists of an additional \$39.2 million of non-cash expenses partially offset by additional deferred tax credits of \$26.3 million.

- (c) The Company completed a recapitalization in the fourth quarter of 1991, the effects of which are included in the Balance Sheet Data as of December 31, 1991. Assuming the recapitalization had occurred at the beginning of 1991, pro forma earnings from continuing operations for 1991 would have been \$78.7 million, or \$0.65 per share of common stock.
- (d) In the fourth quarter of 1994, the Company recorded a charge of \$100.0 million (\$61.7 million after taxes) to write down the insurance asset for asbestos-related costs. Other revenues in 1993 includes gains of \$46.1

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million (\$34.6 million after tax) from divestitures. In the fourth quarter of 1993, the Company recorded charges totaling \$578.2 million (\$357.0 million after tax) principally for estimated uninsured future asbestos-related costs and costs associated with its restructuring program. Other revenues in 1990 includes gains of \$29.6 million (\$16.4 million after tax) from divestitures. In the fourth quarter of 1990, the Company recorded a charge of \$48.4 million (\$31.0 million after tax) for special separation and retirement benefits.

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Results of Operations

Comparison of 1994 with 1993

For the year ended December 31, 1994, the Company recorded net earnings from continuing operations of \$78.3 million compared with a loss of \$200.8 million in 1993. These results include an unusual fourth quarter charge in 1994 of \$61.7 million and several unusual fourth quarter charges and gains in 1993 aggregating \$322.4 million, which are discussed below. Excluding the effects of the unusual items in both years, the Company reported 1994 earnings from continuing operations of \$140.0 million representing an increase of \$18.4 million, or 15.1%, over 1993 earnings of \$121.6 million. All major operations reported increased unit shipments, dollar sales, and operating profit in 1994. Improved operating results, particularly in the Glass Containers segment, and reduced interest expense more than offset the absence of operating results from the Specialized Glass segment and an increase in other retained costs. The former Specialized Glass segment consisted of the Kimble pharmaceutical and laboratory glassware business. As a result of the December 31, 1993 sale of 51% of the Kimble business, the Company is recording its share of Kimble's results of operations on an equity basis beginning in 1994.

Net earnings for 1994 were \$78.3 million compared to \$4.9 million in 1993. The 1993 results include a net gain from the sale of the Libbey glass tableware business and earnings from the discontinued Libbey business of \$217.0 million and \$1.4 million, respectively. Extraordinary charges from the early extinguishment of debt amounted to \$12.7 million in 1993.

Capsule segment results (in millions of dollars) for 1994 and 1993 are as follows (a):

	1994	1993
Net sales to unaffiliated customers		
Glass Containers	\$2,590.1	\$2,427.3
Plastics and Closures	976.1	908.6
Specialized Glass		197.9
Other	1.1	1.2
Consolidated total	\$3,567.3	\$3,535.0

	1994	1993 (c)
Operating profit		
Glass Containers	\$ 393.0	\$ 117.4
Plastics and Closures	140.4	123.3
Specialized Glass		18.9
Eliminations and other retained costs (b)	(125.2)	(305.0)
Consolidated total	\$ 408.2	\$ (45.4)

- (a) See Segment Information included on pages 61 - 63.
- (b) Includes a charge of \$100.0 million in 1994 to write down the insurance asset for asbestos-related costs.
- (c) Reflects the net reductions from unusual fourth quarter charges and gains as follows: Glass Containers, \$214.0 million; Plastics and Closures, \$16.0 million; Specialized Glass, \$3.2 million; and other retained costs, \$298.9 million.

Consolidated net sales for 1994 increased \$230.2 million, or 6.9% over the prior year, excluding the former Specialized Glass segment. Net sales of the Glass Containers segment increased \$162.8 million, or 6.7%, over 1993. Domestic glass container unit shipments increased 4.8% compared to the prior year. Increased sales of beer containers, partially due to the March 31, 1994 acquisition of a customer's glass container manufacturing facility, more than offset lower soft drink container shipments. The Company believes the trend of soft drink conversions from glass to plastic (polyethylene terephthalate or PET) containers will continue; however, available capacity resulting from such conversions will be used for the production of other containers experiencing increased demand such as beer and iced tea. The Company's domestic glass business also benefitted from increased shipments of iced tea and juice containers compared to prior year. Reported U.S. dollar sales of the Company's international affiliates were up 14.4% reflecting improved economic conditions in Brazil and higher unit shipments by the Company's Colombian and United Kingdom affiliates. The economic effects of exchange and price controls instituted in Venezuela in late June 1994 contributed to lower 1994 unit shipments by the Venezuelan affiliates compared to 1993. In the Plastics

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and Closures segment, sales increased \$67.5 million, or 7.4%, over 1993. Increased sales for all business units combined with additional sales reported by the segment's Mexican affiliate, acquired near the end of the third quarter of 1993, accounted for the increase. The plastic bottles and closures businesses benefitted from strong demand by makers of personal care and health care products.

Consolidated operating profit for 1994, excluding the unusual fourth quarter items in both 1994 and 1993 discussed separately below, and excluding the former Specialized Glass segment, increased \$43.6 million, or 9.4%, to \$508.2 million from \$464.6 million in 1993. Consolidated operating profit, excluding the unusual items and the former Specialized Glass segment was 14.2% of net sales in 1994 compared to 13.9% in 1993. Consolidated operating expenses (consisting of selling and administrative, engineering, and research and development expenses) as a percentage of net sales increased to 7.0% in 1994 from 6.4% in 1993 as a result of higher spending in selected areas to streamline operations and increased research and development expenditures. Operating profit of the Glass Containers segment, exclusive of unusual items, increased \$61.6 million, or 18.6%. Approximately two-thirds of the increase was attributable to the domestic glass business as increased shipments of beer, iced tea, and juice containers combined with improvements in machine and labor productivity more than offset continuing lower sales of soft drink containers. Higher combined U.S. dollar operating profit of the segment's international glass business resulted from generally increased unit shipments and higher margins, particularly at the Brazilian and Colombian affiliates. The economic effects of exchange and price controls instituted in Venezuela in June 1994 negatively affected the 1994 operating profit. 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. Operating profit of the Plastics and Closures segment, exclusive of unusual items, increased slightly to \$140.4 million in 1994 from \$139.3 million in 1993. The benefit of increased unit shipments for both the plastic bottles and closures businesses was offset by lower margins in the labels and carriers business as a result of lower unit shipments of glass container soft drink labels and carriers, and lower unit selling prices for some plastic bottle product lines. The segment's operations in Mexico have been, and will continue to be, adversely affected by the devaluation of the peso; however, the amount is not expected to be material in relation to the segment operating profit. Other retained costs, exclusive of the effects of the unusual items, were \$25.2 million in 1994 compared to \$6.1 million in 1993 reflecting expenses incurred in 1994 associated with the comprehensive reengineering initiated by the Company in 1993 and changes in other retained costs,

principally as a result of previous divestitures.

In December 1994, the Company concluded a settlement with certain reinsurers involved in the asbestos-related litigation representing approximately 19% of coverage limits. Pursuant to the settlement agreement, the Company received payments of approximately \$80 million in 1994 and approximately \$20 million in the first quarter of 1995, representing approximately 78.5 percent of policy limits. As a result of the settlement agreement and certain other considerations, including continuing delays in the resolution of the Company's

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claims for insurance coverage, the Company recorded a charge of \$100 million (\$61.7 million after tax) in the fourth quarter of 1994 to write down the insurance asset for asbestos-related costs. The adjusted asbestos-related insurance asset does not reflect the full value of all coverage. The Company has, and intends to pursue vigorously, claims for insurance coverage and reimbursement in excess of the asbestos-related insurance asset recorded in the 1994 financial statements. For additional information, see Capital Resources and Liquidity on page 28 and Contingencies on page 54.

In the fourth quarter of 1993, the Company recorded several unusual charges and gains as part of continuing operations. Gains from the sales of the Company's remaining interest in the television glass business and the sale of a 51% interest in its Kimble laboratory and pharmaceutical glassware business amounted to \$46.1 million pretax (\$34.6 million after tax). The Company also recorded charges totalling \$578.2 million pretax (\$357.0 million after tax), comprised of pretax charges of \$325 million (\$200.7 million after tax) for estimated uninsured future asbestos-related costs and \$253.2 million (\$156.3 million after tax) principally for costs related to the Company's restructuring program.

During 1994 the Company began implementing its comprehensive restructuring program to reduce costs. Specific actions taken in 1994 include an approximate 10% domestic work force reduction, the shutdown of a glass manufacturing facility, and the shutdown of two plastic manufacturing plants. The severance and early retirement costs of the work force reduction and expected write down to realizable value of production and other factory equipment to be eliminated as a result of restructuring initiatives were estimated to be approximately \$165 million and \$30 million, respectively, at December 31, 1993. As a result of modifications of the restructuring program throughout 1994, the Company currently estimates that the aggregate severance and early retirement costs will approximate \$90 million, while the costs to write down production and other factory equipment and to realign productive capacity, mainly as a result of manufacturing efficiency and productivity improvements experienced or expected to result from the restructuring program, will approximate \$105 million. Future annual cash expenditures related to the restructuring program are not expected to be significant. While implementation of the program will continue over the next several years, the Company expects that actions taken in 1994 will begin to favorably affect operating profit in 1995.

Comparison of 1993 with 1992

The Company had a loss from continuing operations for 1993 of \$200.8 million, reflecting the \$322.4 million net after tax effect of several unusual fourth quarter charges and gains, which are discussed below. Excluding these unusual fourth quarter items, the Company had earnings from continuing operations of \$121.6 million representing an increase of \$43.3 million, or 55.3%, over 1992 earnings of \$78.3 million. Results of operations for 1992 have been restated to reflect the Libbey business, which was sold in June 1993, as a discontinued operation. Generally improved operating results, particularly in the Glass Containers segment, along with reduced interest expense, were principally responsible for the increase.

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Net earnings for 1993 were \$4.9 million compared to a net loss of \$134.2 million in 1992. The 1993 results include the net gain of \$217.0 million from the sale of the Libbey business while the 1992 loss includes a charge for the cumulative effect of accounting changes of \$199.4 million. Earnings of the discontinued Libbey business were \$1.4 million in 1993 and \$18.4 million in 1992, including an after tax gain of \$10.5 million on an asset sale. Extraordinary charges from the early extinguishment of debt amounted to \$12.7 million in 1993 and \$31.5 million in 1992. For additional information see

Extraordinary Charges on page 53 and Discontinued Operations on page 54.

Capsule segment results (in millions of dollars) for 1993 and 1992 are as follows (a):

Net sales to unaffiliated customers	1993	1992
Glass Containers	\$2,427.3	\$2,421.7
Plastics and Closures	908.6	781.0
Specialized Glass	197.9	188.4
Other	1.2	1.5
Consolidated total	\$3,535.0	\$3,392.6

Operating profit	1993 (b)	1992
Glass Containers	\$ 117.4	\$ 299.0
Plastics and Closures	123.3	133.4
Specialized Glass	18.9	12.7
Eliminations and other retained costs	(305.0)	(12.3)
Consolidated total	\$ (45.4)	\$ 432.8

(a) See Segment Information included on pages 61 - 63.

(b) Reflects the net reductions from unusual fourth quarter charges and gains as follows: Glass Containers, \$214.0 million; Plastics and Closures, \$16.0 million; Specialized Glass, \$3.2 million; and other retained costs, \$298.9 million.

Consolidated net sales for 1993 increased \$142.4 million, or 4.2% over the prior year. In the Glass Containers segment, reported dollar sales of the Company's international affiliates were up 4.7%, reflecting improved economic conditions in Brazil and higher unit shipments by most Latin American affiliates. These improved results were largely offset by the unfavorable impact of foreign currency exchange rate changes on the reported sales of the Company's United Kingdom affiliate, despite an increase in its unit shipments. Domestic glass container shipments were down in 1993 by 0.6%, with reported sales down 1.5%. These reductions reflect the continuing conversion of soft drinks from glass to plastic (polyethylene terephthalate or PET) containers. The Company believes this trend will continue, but to a lesser extent. The available capacity resulting from such conversions is being used for the

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production of containers for products experiencing increased demand, such as iced tea and other beverages. In the Plastics and Closures segment, sales increased \$127.6 million, with over 60% of the increase resulting from the acquisition of Specialty Packaging Products in the fourth quarter of 1992. Shipments in the base closure and plastic bottle businesses were higher in 1993, further contributing to the higher sales. Partially offsetting these favorable comparisons was reduced unit volume in the labels and carriers business, attributable in large part to the continuing conversion of soft drinks from glass to PET containers. Net sales of the Specialized Glass segment increased \$9.5 million or 5.0% principally due to improved sales mix and higher unit volume. The Specialized Glass segment, as restated for the sale of Libbey, consists only of the Kimble laboratory and pharmaceutical glassware business.

Consolidated operating profit for 1993, excluding the unusual fourth quarter items discussed separately below, increased \$53.9 million or 12.5% to \$486.7 million from \$432.8 million reported in 1992. Consolidated operating profit, excluding the unusual items, was 13.8% of net sales in 1993 compared to 12.8% in 1992. Lower benefit costs, which generally affected all segments, accounted for the majority of this percentage improvement. Consolidated operating expenses as a percentage of net sales decreased to 6.4% in 1993 from 6.6% in 1992. Operating profit of the Glass Containers segment, exclusive of the unusual items, increased \$32.4 million or 10.8%. Approximately one-half of the increase was attributable to the international glass business, principally in Brazil as a result of increased shipments and improved economic conditions. Increased operating profit in the domestic glass business resulted from lower manufacturing costs and increased labor productivity, along with the benefit of a mid-year price increase amounting to approximately

1.5% on an annualized basis. Operating profit of the Plastics and Closures segment, exclusive of the unusual items, increased 4.4% from \$133.4 million in 1992 to \$139.3 million in 1993. The favorable effects of increased unit shipments in most product lines and the full-year results of the Specialty Packaging Products acquisition were significantly offset by lower profit in the labels and carriers business as unit shipments of soft drink labels and Hi-Cone carriers declined. Other retained costs, exclusive of the unusual items, were \$6.1 million in 1993 compared to \$12.3 million in 1992, principally as a result of lower benefit costs.

During the fourth quarter of 1993, the Company recorded several unusual charges and gains as part of continuing operations. Consistent with its focus on core packaging businesses, the Company sold its remaining 50% interest in the television glass business in October, concluding a joint venture established in mid-1988. In addition, on December 31, 1993, the Company sold a 51% interest in its Kimble laboratory and pharmaceutical glassware business. Gains from these sales amounted to \$46.1 million pretax (\$34.6 million after tax).

The Company's fourth quarter 1993 results include charges totalling \$250 million, principally for costs related to its restructuring program. The program is the result of a comprehensive reengineering study initiated by the Company in mid-1993 in response to management's commitment to enhance customer service, improve manufacturing efficiency and productivity, and reduce costs.

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The results of the study, completed in the fourth quarter, indicated that opportunities for improvement are available through a combination of changes in the manufacturing and quality control processes, simplification of plant management organizations, and consolidation of administrative responsibilities. During its implementation over the next several years, the program is expected to result in a 10% reduction of the Company's domestic work force and ultimately, over the next three to four years, increases in operating profit of \$75 million or more on an annual basis. Other items included in the \$250 million, not directly related to the restructuring program, totaled approximately \$50 million and included costs related to a December 1993 plant shutdown and an increase in estimated future fees and indemnification costs related to various environmental and legal matters. In addition to the \$250 million charge, the Company recorded a \$3.2 million charge for relocating several manufacturing departments in the Kimble business. The net after tax amount for all these charges was \$156.3 million.

Also included in the fourth quarter of 1993 is a charge of \$325 million (\$200.7 million after tax) for estimated uninsured future asbestos-related costs. The Company recorded the charge based on recent trends and developments and their effect on the Company's ability to estimate probable costs of pending and likely future asbestos-related claims. Among other things, the Company has disposed of 70,000 claims in 1992 and 1993, representing almost one-half of all the cases disposed since the initial cases were resolved in 1979; certain of these claims were disposed in 1993 at higher than expected costs. The Company has also had increasing success in establishing administrative procedures to process claims in an administrative framework outside the tort litigation system. In addition, the Company has experienced a reduction in the number of new filings claiming significant exposure to its asbestos-containing insulation products, apparently due at least in part to the time which has elapsed since its 1958 exit from the business. The Company's estimate was affected by a number of other developments that have occurred recently with respect to asbestos-related litigation, not only against Owens-Illinois but against other companies, including the generally lower percentage of legitimate claims of serious illness or impairment among newly filed cases. The estimate includes the expectation of a substantial amount of insurance coverage, principally from insurance policies from various companies for the years 1977 through 1983. For additional information see Capital Resources and Liquidity on page 28 and Contingencies on page 54.

## Capital Resources and Liquidity

The Company's total debt at December 31, 1994 was \$2.69 billion compared to \$2.49 billion at December 31, 1993.

The Company has available credit totalling \$1 billion under the Bank Credit Agreement expiring in December 1998, of which \$400.2 million had not been utilized at December 31, 1994. At December 31, 1993, the Company had \$558.6 million of credit which had not been utilized under the Agreement, after giving consideration to the effect of borrowings on January 3, 1994 for the redemption of the remaining \$268.9 million of Senior Variable Rate Notes. The increased utilization during 1994 resulted from acquisitions, capital expenditures, and asbestos-related payments, partially offset by cash provided by operations, including cash received for settlement of a portion of the insurance asset for asbestos-related costs. Cash provided by operating activities was \$227.4 million in 1994 compared to \$231.7 million in 1993. Capital expenditures for property, plant and equipment were \$286.0 million in 1994 and \$266.2 million in 1993. Net cash proceeds from divestitures and asset sales were not significant in 1994 and exceeded \$725 million in 1993. During the year ended December 31, 1994, cash expenditures related to the fourth quarter 1993 restructuring charge were approximately \$30 million.

In the twelve-month period commencing January 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. As of December 31, 1994, the Company had made such payments of \$426 million of which \$143 million was paid in 1994. In addition, the Company has entered into group settlement agreements which include settlement amounts payable in 1995 and later years. As of December 31, 1994, such deferred payment amounts were approximately \$156 million. Taken together these amounts represent the Company's pretax spending and commitments to spend on disposed lawsuits and claims as of December 31, 1994 as follows (in millions of dollars):

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Amounts paid through December 31, 1994	\$426
Amounts received through December 31, 1994, under partial reinsurance settlement agreement	(80)
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	346
Payable under group settlement agreements	157
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Net spending and commitments at December 31, 1994	\$503
=====	

The Company expects a substantial portion of the net spending and commitments to be reimbursed by insurance, including approximately \$20 million received in the first quarter of 1995. None of the foregoing amounts represented a spending commitment with respect to lawsuits and claims pending against the

Company as of December 31, 1994. 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.

In December 1994, the Company concluded a settlement with certain reinsurers

involved in the asbestos-related litigation representing approximately 19% of coverage limits. Pursuant to the settlement agreement, the Company received payments of approximately \$80 million in 1994 and approximately \$20 million in the first quarter of 1995, representing approximately 78.5 percent of policy limits. No other settlement agreements were entered into prior to 1994.

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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT AUDITORS

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The Board of Directors and Share Owners  
Owens-Illinois, Inc.

We have audited the accompanying consolidated balance sheets of Owens-Illinois, Inc. as of December 31, 1994 and 1993, and the related consolidated statements of results of operations, share owners' equity, and cash flows for each of the three years in the period ended December 31, 1994. Our audits also included the financial statement schedule listed in the Index at Item 14.(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Owens-Illinois, Inc. at December 31, 1994 and 1993 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in the Financial Review, in 1992 the Company changed its methods of accounting for postretirement benefits other than pensions and income taxes.

/s/ Ernst & Young LLP

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Ernst & Young LLP

Toledo, Ohio  
February 3, 1995

CONSOLIDATED RESULTS OF OPERATIONS Owens-Illinois, Inc.			
Millions of dollars, except per share amounts			
Years ended December 31,	1994	1993	1992
<b>Revenues:</b>			
Net sales	\$3,567.3	\$3,535.0	\$3,392.6
Royalties and net technical assistance	29.1	29.2	29.5
Equity earnings	22.3	25.3	23.2
Interest	19.0	15.6	13.8
Other	15.2	57.0	15.1
	3,652.9	3,662.1	3,474.2
<b>Costs and expenses:</b>			
Manufacturing, shipping, and delivery	2,824.3	2,823.8	2,744.1
Research and development	31.8	23.1	22.9
Engineering	22.8	19.2	23.1
Selling and administrative	193.5	182.9	178.2
Interest	278.2	290.0	312.9
Other	131.0	617.6	36.1
	3,481.6	3,956.6	3,317.3
<b>Earnings (loss) from continuing operations</b>			
before items below	171.3	(294.5)	156.9
Provision (credit) for income taxes	68.9	(113.1)	64.0
	102.4	(181.4)	92.9
<b>Minority share owners' interests</b>			
in earnings of subsidiaries	24.1	19.4	14.6
<b>Earnings (loss) from continuing operations</b>			
before extraordinary items and cumulative effect of accounting changes	78.3	(200.8)	78.3
Net earnings of discontinued operations		1.4	18.4
Gain on sale of discontinued operations, net of applicable income taxes		217.0	
<b>Earnings before extraordinary items and cumulative effect of accounting changes</b>			
	78.3	17.6	96.7
Extraordinary charges from early extinguishment of debt, net of applicable income taxes		(12.7)	(31.5)
Cumulative effect on prior years of changes in methods of accounting for income taxes and postretirement benefits, net of applicable income taxes			(199.4)
<b>Net earnings (loss)</b>	<b>\$ 78.3</b>	<b>\$ 4.9</b>	<b>\$ (134.2)</b>

CONSOLIDATED RESULTS OF OPERATIONS Owens-Illinois, Inc. -- Continued			
Millions of dollars, except per share amounts			
Years ended December 31,	1994	1993	1992
<b>Earnings (loss) per share of common stock:</b>			
Earnings (loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	\$ 0.64	\$ (1.70)	\$ 0.66
Net earnings of discontinued operations		0.01	0.15
Gain on sale of discontinued operations		1.82	

Earnings before extraordinary items and cumulative effect of accounting changes	0.64	0.13	0.81
Extraordinary charges		(0.10)	(0.26)
Cumulative effect of accounting changes			(1.68)
Net earnings (loss)	\$ 0.64	\$ 0.03	\$ (1.13)

See accompanying Statement of Significant Accounting Policies and Financial Review.

CONSOLIDATED BALANCE SHEETS Owens-Illinois, Inc.

Millions of dollars, except share amounts

December 31, 1994 1993

Assets

Current assets:

Cash, including time deposits of \$56.8 (\$33.4 in 1993)	\$ 109.4	\$ 67.1
Short-term investments, at cost which approximates market	32.2	26.5
Receivables, less allowances of \$38.7 (\$31.3 in 1993) for losses and discounts	415.5	340.0
Inventories	477.1	472.8
Prepaid expenses	64.9	53.6
Total current assets	1,099.1	960.0

Investments and other assets:

Domestic investments and advances	26.7	20.6
Foreign investments and advances	65.2	81.9
Repair parts inventories	137.7	137.5
Deferred taxes		40.7
Prepaid pension	597.9	616.5
Insurance for asbestos-related costs	470.1	282.9
Deposits, receivables, and other assets	235.0	180.5
Excess of purchase cost over net assets acquired, net of accumulated amortization of \$230.6 (\$198.7 in 1993)	1,049.4	1,083.0
Total investments and other assets	2,582.0	2,443.6

Property, plant, and equipment:

Land, at cost	103.4	102.6
---------------	-------	-------

Buildings and equipment, at cost:		
Buildings and building equipment	459.2	443.2
Factory machinery and equipment	2,041.0	1,744.9
Transportation, office, and miscellaneous equipment	58.1	52.9
Construction in progress	156.7	142.3
	-----	-----
Less accumulated depreciation	2,818.4	2,485.9
	1,181.9	988.1
	-----	-----
Net property, plant, and equipment	1,636.5	1,497.8
	-----	-----
Total assets	\$5,317.6	\$4,901.4
	=====	=====

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CONSOLIDATED BALANCE SHEETS Owens-Illinois, Inc. (continued)

Millions of dollars, except share amounts

December 31, 1994 1993

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Liabilities and Share Owners' Equity

Current liabilities:

Short-term loans	\$ 44.3	\$ 49.2
Accounts payable	280.3	240.7
Salaries and wages	84.8	79.2
U. S. and foreign income taxes	20.8	18.9
Current portion of asbestos-related liabilities	145.0	
Other accrued liabilities	332.1	319.7
Long-term debt due within one year	20.7	18.4
	-----	-----

Total current liabilities	928.0	726.1
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Long-term debt	2,624.7	2,419.3
----------------	---------	---------

Deferred taxes	47.0	32.7
----------------	------	------

Nonpension postretirement benefits	405.4	415.3
------------------------------------	-------	-------

Asbestos-related liabilities	404.4	325.0
------------------------------	-------	-------

Other liabilities	407.0	597.0
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Commitments and contingencies

Minority share owners' interests	125.2	91.2
----------------------------------	-------	------

Share owners' equity:

Preferred stock	26.3	26.3
Common stock, par value \$.01 per share, 250,000,000 shares authorized, 119,079,496 shares outstanding; (118,978,327 in 1993)	1.2	1.2
Capital in excess of par value	1,034.6	1,033.9
Deficit	(618.4)	(696.7)
Cumulative foreign currency translation adjustment	(67.8)	(69.9)
	-----	-----

Total share owners' equity	375.9	294.8
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Total liabilities and share owners' equity	\$5,317.6	\$4,901.4
	=====	=====

See accompanying Statement of Significant Accounting Policies and Financial Review.

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CONSOLIDATED SHARE OWNERS' EQUITY Owens-Illinois, Inc.			
Millions of dollars			
Years ended December 31,	1994	1993	1992
-----			
Preferred stock			
Balance at beginning of year	\$ 26.3	\$ 26.3	
Issuance of preferred stock			\$ 26.3
-----			
Balance at end of year	26.3	26.3	26.3
=====			
Common stock			
Balance at beginning of year	1.2	1.2	1.2
Issuance of common stock			
-----			
Balance at end of year	1.2	1.2	1.2
=====			
Capital in excess of par value			
Balance at beginning of year	1,033.9	1,034.0	1,034.0
Issuance of common stock	.7		
Purchase of common stock		(.1)	
-----			
Balance at end of year	1,034.6	1,033.9	1,034.0
=====			
Deficit			
Balance at beginning of year	(696.7)	(701.6)	(567.4)
Net earnings (loss)	78.3	4.9	(134.2)
-----			
Balance at end of year	(618.4)	(696.7)	(701.6)
=====			
Cumulative foreign currency translation adjustment			
Balance at beginning of year	(69.9)	(61.3)	(52.9)
Net change for the year	2.1	(8.6)	(8.4)
-----			
Balance at end of year	(67.8)	(69.9)	(61.3)
=====			
Total share owners' equity	\$ 375.9	\$ 294.8	\$ 298.6
=====			

See accompanying Statement of Significant Accounting Policies and Financial Review.

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CONSOLIDATED CASH FLOWS Owens-Illinois, Inc.			
Millions of dollars			
Years ended December 31,	1994	1993	1992
-----			
Operating activities:			
Earnings (loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	\$ 78.3	\$ (200.8)	\$ 78.3
Non-cash charges (credits):			
Depreciation	183.3	180.0	181.9
Amortization of deferred costs	50.3	52.3	50.6
Asbestos-related insurance	100.0		
Uninsured asbestos-related costs		325.0	
Restructuring and other costs		253.2	
Gains on sales of interests in Kimble and television glass businesses		(46.1)	
Deferred tax provision (credit)	30.2	(145.6)	44.2

Other	(25.4)	(8.1)	(16.0)
Dividends from equity affiliates	4.4	5.6	5.4
Change in non-current operating assets	(14.7)	25.7	21.8
Asbestos-related payments	(142.7)	(136.2)	(90.6)
Asbestos-related insurance proceeds	79.9		
Reduction of non-current liabilities	(77.5)	(55.1)	(69.5)
Change in components of working capital	(38.7)	(10.9)	(21.1)
-----			
Cash provided by continuing operating activities	227.4	239.0	185.0
Cash provided by (utilized in) discontinued operating activities		(7.3)	29.4
-----			
Cash provided by operating activities	227.4	231.7	214.4
Investing activities:			
Additions to property, plant and equipment	(286.0)	(266.2)	(250.8)
Acquisitions	(47.1)	(34.0)	(53.8)
Net cash proceeds from divestitures	13.4	727.3	17.6
Other	(.3)	2.1	(1.8)
-----			
Cash provided by (utilized in) investing activities	(320.0)	429.2	(288.8)

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CONSOLIDATED CASH FLOWS Owens-Illinois, Inc. (continued)			
Millions of dollars			
Years ended December 31,	1994	1993	1992
-----			
Financing activities:			
Additions to long-term debt	\$ 513.7	\$ 107.0	\$1,102.5
Repayments of long-term debt	(336.8)	(712.1)	(931.3)
Decrease in short-term loans	(4.0)	(13.7)	(1.9)
Issuance of subsidiaries' stock	4.3		
Payment of finance fees and debt retirement costs	(1.2)	(14.9)	(57.4)
Issuance of common stock	.7		
-----			
Cash provided by (utilized in) financing activities	176.7	(633.7)	111.9
Effect of exchange rate fluctuations on cash	(41.8)	(41.2)	(23.8)
-----			
Increase (decrease) in cash	42.3	(14.0)	13.7
Cash at beginning of year	67.1	81.1	67.4
-----			
Cash at end of year	\$ 109.4	\$ 67.1	\$ 81.1
=====			

See accompanying Statement of Significant Accounting Policies and Financial Review.

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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Basis of Consolidated Statements. The consolidated financial statements of Owens-Illinois, Inc. ("Company") include the accounts of its wholly-owned direct subsidiary, Owens-Illinois Group, Inc. ("Group"), and all other major subsidiaries. Substantially all the assets of the Company are represented by its investment in and receivables from Group.

The consolidated financial statements have been reclassified to reflect the Libbey business as discontinued operations. See Discontinued Operations.

Newly acquired subsidiaries have been included in the consolidated financial statements from dates of acquisition.

Consolidated foreign subsidiaries are principally reported on the basis of fiscal years ending November 30.

The Company uses the equity method of accounting for investments in which it has a significant ownership interest, generally 20% to 50%. Other investments are accounted for at cost.

Asbestos-related Asset and Liability. In the first quarter of 1994, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts," ("FIN 39"), which prohibits offsetting receivables and payables unless several specific conditions are met, thereby establishing a valid right of setoff. Accordingly, the Company increased the receivables under asbestos-related insurance contracts to the total expected to be received, and increased the liability for asbestos-related costs by an equal amount representing the insured portion of anticipated future spending. This change did not impact earnings and, as provided in FIN 39, statements for periods prior to 1994 have not been restated.

Cash. The Company defines "cash" as cash and time deposits with maturities of three months or less when purchased.

Fair Values of Financial Instruments. The carrying amounts reported for cash, short-term investments and short-term loans approximate fair value. In addition, carrying amounts approximate fair value for certain long-term debt obligations subject to frequently redetermined interest rates. Fair values for the Company's significant fixed rate debt obligations are generally based on published market quotations. The Company is not a party to any significant derivative financial instruments.

Inventory Valuation. The Company uses the last-in, first-out (LIFO) cost method of inventory valuation for most domestic manufacturing inventories. Other manufacturing inventories are valued at the lower of standard costs (which approximate average costs), average costs, or market.

Excess of Purchase Cost over Net Assets Acquired. The excess of purchase cost over net assets acquired is being amortized over 40 years. The Company evaluates the recoverability of long-lived assets based on undiscounted projected cash flows, excluding interest and taxes, when factors indicate that an impairment may exist.

Property, Plant, and Equipment. In general, depreciation is computed using the straight-line method.

Income Taxes on Undistributed Earnings. In general, the Company plans to continue to invest in the business the undistributed earnings of foreign subsidiaries and corporate joint ventures accounted for by the equity method. Accordingly, taxes are provided only on that amount of undistributed earnings in excess of planned reinvestments.

Foreign Currency Translation. The assets and liabilities of certain affiliates and associates are translated at current exchange rates and any related translation adjustments are recorded directly in share owners' equity. Certain of the Company's major affiliates which are located in Brazil and Venezuela, as well as certain associates accounted for by the equity method, operate in "highly inflationary" economies. In such cases, certain assets of these affiliates and associates are translated at historical exchange rates and all translation adjustments are reflected in the statements of Consolidated Results of Operations.

Earnings (Loss) Per Share of Common Stock. Earnings (loss) per share of common stock is computed using weighted average shares of common stock outstanding (119,004,785 shares for 1994, 118,978,327 shares for 1993, and 118,979,638 shares for 1992) after deducting dividend requirements for preferred stock. Incremental shares applicable to outstanding stock options and exchangeable preferred stock are not included in the calculation as they would not materially affect the reported amounts.

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 FINANCIAL REVIEW

Tabular data in millions of dollars, except share and per share amounts  
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Changes in Components of Working Capital Related to Operations. Changes in the components of working capital related to operations (net of the effects related to acquisitions and divestitures and changes in methods of accounting) were as follows:

	1994	1993	1992
Decrease (increase) in current assets:			
Short-term investments	\$ (1.5)	\$ (3.4)	\$ (1.3)
Receivables	(71.3)	(10.9)	(10.8)
Inventories	6.9	(17.3)	(39.9)
Prepaid expenses	(6.0)	3.9	1.0
Increase (decrease) in current liabilities:			
Accounts payable and accrued liabilities	26.7	5.0	57.0
Salaries and wages	4.8	1.2	(8.1)
U. S. and foreign income taxes	1.7	(6.0)	(23.8)
	\$ (38.7)	\$ (27.5)	\$ (25.9)

=====

Continuing operations	\$ (38.7)	\$ (10.9)	\$ (21.1)
Discontinued operations		(16.6)	(4.8)
	\$ (38.7)	\$ (27.5)	\$ (25.9)

Inventories. Major classes of inventory are as follows:

	1994	1993
Finished goods	\$377.4	\$370.4
Work in process	4.2	7.6
Raw materials	73.0	67.2
Operating supplies	22.5	27.6
	\$477.1	\$472.8

If inventories valued on the LIFO method had been valued at standard or average costs, which approximate current costs, consolidated inventories would be higher than reported by \$19.6 million and \$10.4 million at December 31, 1994 and 1993, respectively.

Manufacturing inventories valued at the lower of standard costs (which approximate average costs), average costs, or market at December 31, 1994 and 1993 were approximately \$125.7 million and \$116.2 million, respectively.

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Investments. Domestic and foreign investments and advances relate principally to equity associates. Summarized information pertaining to the Company's equity associates follows:

	1994	1993
At year-end:		
Equity in undistributed earnings:		
Foreign	\$ 50.8	\$40.9
Domestic	10.8	2.8
Total	\$ 61.6	\$43.7
Equity in cumulative translation adjustment	\$(14.1)	\$(8.6)

	1994	1993	1992
For the year:			
Equity in earnings before cumulative effect of changes in methods of accounting:			
Foreign	\$12.8	\$15.8	\$12.4
Domestic	9.5	9.5	10.8
Total	\$22.3	\$25.3	\$23.2
Dividends received:			
Foreign	\$ 2.9	\$ 4.8	\$ 4.9
Domestic	1.5	.8	.5
Total	\$ 4.4	\$ 5.6	\$ 5.4

Summarized combined financial information for equity associates is as follows:

	1994	1993
At end of year:		
Current assets	\$ 378.8	\$ 388.0
Non-current assets	427.2	351.4
Total assets	806.0	739.4

Current liabilities	192.3	167.8
Other liabilities and deferred items	316.6	329.5
-----		
Total liabilities and deferred items	508.9	497.3
-----		
Net assets	\$ 297.1	\$ 242.1
=====		

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	1994	1993	1992
-----			
For the year:			
Net sales	\$1,018.6	\$1,003.5	\$1,114.2
=====			
Gross profit	\$ 199.3	\$ 201.3	\$ 182.1
=====			
Net earnings	\$ 62.2	\$ 67.8	\$ 59.7
=====			

During the fourth quarter of 1993, the Company sold the remaining 50% interest in the television glass business, the results of which are included above through the date of sale. On December 31, 1993, the Company sold 51% of its Kimble business. Results of the Kimble business for 1994 and balance sheet data at December 31, 1994 and 1993, are included above.

At December 31, 1994, the Company's equity in the undistributed earnings of foreign subsidiaries for which income taxes had not been provided approximated \$129 million. It is not practicable to estimate the U.S. and foreign tax which would be payable should these earnings be distributed.

Foreign Currency Translation. Aggregate foreign currency exchange gains (losses) included in other costs and expenses were \$(53.9) million in 1994, \$(16.1) million in 1993, and \$18.4 million in 1992, and resulted principally from translation of the balance sheets of certain of the Company's major affiliates which are located in Brazil and Venezuela. Earnings on time deposits and short-term investments in those countries typically include an inflationary component, which has more than offset the exchange losses in both 1994 and 1993.

Changes in the cumulative foreign currency translation adjustment were as follows:

	1994	1993	1992
-----			
Balance at beginning of year	\$(69.9)	\$(61.3)	\$(52.9)
Net effect of exchange rate fluctuations	1.6	(10.8)	(9.0)
Previous adjustments eliminated in divestitures		(.3)	(1.1)
Deferred income taxes	.5	2.5	1.7
-----			
Balance at end of year	\$(67.8)	\$(69.9)	\$(61.3)
=====			

The net effect of exchange rate fluctuations generally reflects changes in the relative strength of the U.S. dollar against major foreign currencies between the beginning and end of the year.

Other Accrued Liabilities. At December 31, 1994 and 1993, other accrued liabilities include accruals for interest, consisting principally of interest accrued on domestic obligations of \$39.6 million and \$40.2 million,

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respectively, and for employee health care benefits of \$31.5 million and \$36.0 million, respectively.

Short-Term Borrowings. At December 31, 1994 and 1993, the weighted average interest rate on outstanding short-term borrowings was 20.7% and 35.7%, respectively. The relatively high weighted average interest rates are reflective of the generally higher short-term borrowing costs incurred by most of the Company's Latin American affiliates.

Long-Term Debt. The following table summarizes the long-term debt of the Company at December 31, 1994 and 1993:

	1994	1993
Bank Credit Agreement:		
Revolving Loans	\$ 450.3	\$ 57.6
Bid Rate Loans	65.0	
Senior Notes and Debentures:		
Senior Debentures, 11%, due 1999 to 2003	1,000.0	1,000.0
Senior Variable Rate Notes		268.9
Senior Subordinated Notes:		
10-1/4%, due 1999	250.0	250.0
10-1/2%, due 2002	150.0	150.0
10%, due 2002	250.0	250.0
9-3/4%, due 2004	200.0	200.0
9.95%, due 2004	100.0	100.0
Other	180.1	161.2
	2,645.4	2,437.7
Less amounts due within one year	20.7	18.4
Long-term debt	\$2,624.7	\$2,419.3

In December 1993, the Company entered into an agreement with a group of banks ("Bank Credit Agreement" or "Agreement") which provides Revolving Loan Commitments under which the Company may borrow up to \$1 billion through December 1998. Amounts outstanding under the Company's previous credit agreement were repaid. 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 December 31, 1994, the Company had unused credit available under the Bank Credit Agreement of \$400.2 million.

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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 December 31, 1994, was 6.94%. 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 rates.

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

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

Annual maturities for all of the Company's long-term debt through 1999 are as

follows: 1995, \$20.7 million; 1996, \$35.3 million; 1997, \$5.5 million; 1998, \$520.0 million; and 1999, \$470.7 million.

Interest paid in cash aggregated \$259.1 million for 1994, \$284.2 million for 1993, and \$304.8 million for 1992.

Fair values at December 31, 1994, of the Company's significant fixed rate debt obligations are as follows:

	Principal Amount	Indicated Market Price	Fair Value
11% Senior Debentures	\$1,000.0	103-3/4	\$ 1,037.5
Senior Subordinated Notes:			
10-1/4%	250.0	100-1/8	250.3
10-1/2%	150.0	97-3/4	146.6
10%	250.0	98	245.0
9-3/4%	200.0	94	188.0
9.95%	100.0	95-1/4	95.3

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Operating Leases. Rent expense attributable to all operating leases was \$53.4 million in 1994, \$54.2 million in 1993, and \$59.4 million in 1992. Contingent rental expense was not significant in any period presented. Minimum future rentals under operating leases are as follows: 1995, \$32.6 million; 1996, \$28.7 million; 1997, \$27.8 million; 1998, \$22.7 million; 1999, \$19.9 million; and 2000 and thereafter, \$109.4 million.

Income Taxes. During the fourth quarter of 1992, the Company adopted SFAS No. 109, "Accounting for Income Taxes" effective January 1, 1992. The cumulative effect of adopting SFAS No. 109 as of January 1, 1992, was to increase net earnings by \$97.0 million.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 1994 and 1993 are as follows:

	1994	1993
Deferred tax assets:		
Asbestos-related liabilities	\$192.3	\$113.8
Other accrued liabilities	167.8	215.5
Accrued postretirement benefits	143.2	145.9
U. S. Federal tax loss carryovers	107.4	92.1
Other	55.5	57.1
Total deferred tax assets	666.2	624.4
Deferred tax liabilities:		
Prepaid pension costs	208.1	204.0
Property, plant and equipment	186.1	177.4
Insurance for asbestos-related costs	164.5	99.0
Inventory	45.6	45.5
Receivables and other assets	19.6	15.3
Other	37.8	27.6
Total deferred tax liabilities	661.7	568.8
Net deferred tax assets	\$ 4.5	\$ 55.6

Deferred taxes are included in the Consolidated Balance Sheets at December 31, 1994 and 1993 as follows:

	1994	1993
Prepaid expenses	\$ 51.5	\$ 47.6
Deferred tax assets		40.7

Deferred tax liabilities	(47.0)	(32.7)
-----	-----	-----
Net deferred tax assets	\$ 4.5	\$ 55.6
=====	=====	=====

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The provision for income taxes consists of the following:

	1994	1993	1992
-----	-----	-----	-----
Current:			
State and local	\$ 2.9	\$ 2.0	\$ 3.7
Foreign	35.8	31.6	28.7
-----	-----	-----	-----
	38.7	33.6	32.4
-----	-----	-----	-----
Deferred:			
U. S. federal	22.7	(120.8)	42.1
State and local	1.1	(17.0)	3.9
Foreign	6.4	(7.8)	(1.8)
-----	-----	-----	-----
	30.2	(145.6)	44.2
-----	-----	-----	-----
Total:			
U. S. federal	22.7	(120.8)	42.1
State and local	4.0	(15.0)	7.6
Foreign	42.2	23.8	26.9
-----	-----	-----	-----
	\$ 68.9	\$ (112.0)	\$ 76.6
=====	=====	=====	=====

The provision for income taxes has been allocated as follows:

Continuing operations	\$ 68.9	\$ (113.1)	\$ 64.0
Discontinued operations		1.1	12.6
-----	-----	-----	-----
	\$ 68.9	\$ (112.0)	\$ 76.6
=====	=====	=====	=====

The provision for income taxes was calculated based on the following components of earnings (loss) before income taxes and extraordinary items:

	1994	1993	1992
-----	-----	-----	-----
Continuing operations:			
Domestic	\$ 32.4	\$ (411.6)	\$ 64.5
Foreign	138.9	117.1	92.4
Discontinued operations		2.5	31.0
-----	-----	-----	-----
	\$171.3	\$ (292.0)	\$187.9
=====	=====	=====	=====

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Income taxes paid (refunded) in cash were as follows:

	1994	1993	1992
-----	-----	-----	-----
Domestic	\$ (6.5)	\$ 1.0	\$14.1
Foreign	20.2	18.5	13.2
-----	-----	-----	-----
	\$13.7	\$19.5	\$27.3
=====	=====	=====	=====

A reconciliation of the provision for income taxes based on the statutory U.S. federal tax rate of 35% (34% for 1992) to the consolidated provision for income taxes is as follows:

	1994	1993	1992
Pretax earnings (loss) at statutory			
U. S. Federal tax rate	\$ 60.0	\$ (102.2)	\$63.9
Increase (decrease) in provision for income taxes due to:			
Effects of purchase price allocation including amortization of excess cost	11.5	11.0	10.8
Effect of tax provision on equity earnings	(3.1)	(2.6)	(3.3)
State and local income taxes net of related federal taxes	2.6	(9.7)	5.0
Effect of tax provision on consolidated foreign earnings	2.5	(1.6)	2.2
Research and development credits	(1.8)		
Possessions tax credits	(1.5)	(0.9)	(0.7)
Divestitures		(8.3)	
Adjustment for enacted change in tax rate		2.4	
Other items	(1.3)	(0.1)	(1.3)
Consolidated provision (credit) for income taxes	\$ 68.9	\$ (112.0)	\$76.6

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For U. S. Federal income tax purposes, approximately \$307 million of net operating loss is available as a carryover at December 31, 1994. Carryovers of the net operating loss expire beginning in 2004. For financial reporting purposes, a valuation reserve was established as of January 1, 1992 for \$70 million of the capital loss carryover. The valuation reserve was eliminated in 1993, thereby reducing the tax provision that otherwise would have been required on the gain on the sale of the Libbey business.

Additionally, alternative minimum tax credits and research and development credits of approximately \$16 million and \$2 million, respectively, are available to offset future U. S. federal income tax. The alternative minimum tax credits do not expire while carryovers of the research and development credits expire beginning in 2009.

The issuance of shares of common stock in conjunction with the Company's recapitalization in 1991 resulted in a change of ownership for U. S. Federal income tax purposes. The Company's use of net operating loss, capital loss and tax credit carryovers may be limited pursuant to Section 382 and 383 of the Internal Revenue Code.

Preferred Stock. Preferred shares, \$.01 par value, \$7.00 cumulative dividend, issuable in series, at December 31, 1994, were as follows:

	Number of Shares
Series A Exchangeable	
Authorized	75,000
Issued and outstanding	65,625
Series B Exchangeable	
Authorized	75,000
Issued and outstanding	65,625
Series C Exchangeable	
Authorized	150,000

The preferred shares are exchangeable into a number of common shares determined by multiplying the total number of exchangeable shares being exchanged by the sum of \$100 plus all dividends accumulated and unpaid on each share being exchanged and dividing such amount by the last reported sales price of common shares on the New York Stock Exchange at the close of business on the business day next preceding the day of exchange. The shares are exchangeable at the option of the owners as follows: Series A, from and after the third anniversary of the date of issuance; Series B, from and after the fifth anniversary of the date of issuance; and Series C, from and after the sixth anniversary of the date of issuance. Dividends accumulated and unpaid were approximately \$4.0 million and \$2.1 million at December 31, 1994 and 1993, respectively.

Holders of the preferred shares have no voting rights, except on actions which would affect their rights to exchange shares for common shares, or on actions to increase the authorized number of exchangeable shares.

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Stock Options. Nonqualified options to purchase shares of common stock of the Company are outstanding under the Stock Option Plan for Key Employees as amended and restated effective December 18, 1991 and the Stock Option Plan for Directors of Owens-Illinois, Inc. effective May 12, 1994.

Stock option activity is as follows:

	1994	1993
Shares under option:		
Outstanding at beginning of year	4,912,696	4,522,594
Granted	571,673	442,255
Exercised	(106,169)	(5,853)
Canceled	(63,800)	(46,300)
Outstanding at end of year	5,314,400	4,912,696
Price range of options granted	\$11.00 - \$12.625	\$11.50

	1994	1993
At end of year:		
Shares reserved for option grants	2,062,340	2,540,613
Share options exercisable	3,497,772	3,647,141
Price range of options exercisable	\$5.00 - \$12.50	\$5.00-\$12.50

Restriction on Retained Earnings. Under the terms of the Bank Credit Agreement and the various Indentures related to the Company's senior and subordinated notes and debentures (see Long-Term Debt), the Company may not pay dividends with respect to its Preferred or Common Stock and is restricted in the number of shares of its Common Stock which can be redeemed.

Restrictions on Transfer of Assets. The governments and national banking systems of certain countries in which the Company has consolidated foreign affiliates impose various restrictions on the payment of dividends and transfer of funds out of those countries. Additionally, provisions of credit agreements entered into by certain foreign affiliates presently restrict the payment of dividends. The estimated U.S. dollar value of the foreign net assets included in the Consolidated Balance Sheets that are restricted in some manner as to transfer to the Company was approximately \$150 million at December 31, 1994.

Pension Benefit Plans. Net credits to continuing operations for all of the Company's pension plans and certain deferred compensation arrangements amounted to \$28.2 million in 1994, \$26.7 million in 1993, and \$29.6 million in 1992.

The Company has pension plans covering substantially all domestic employees. Benefits generally are based on compensation for salaried employees and on length of service for hourly employees. The Company's policy is to fund domestic pension plans such that sufficient assets will be available to meet future benefit requirements.

The following tables relate to the Company's principal domestic pension plans.

The funded status at year-end was as follows:

	1994	1993
-----		
Actuarial present value of benefit obligations:		
Vested	\$1,471.9	\$1,621.9
Nonvested	88.5	109.9
-----		
Accumulated benefit obligation	1,560.4	1,731.8
Effect of assumed benefit increases	112.2	145.3
-----		
Projected benefit obligation	1,672.6	1,877.1
Plan assets at fair value	2,040.2	2,250.9
-----		
Plan assets in excess of projected benefit obligation	367.6	373.8
Unrecognized prior service cost	37.4	44.0
Unrecognized net loss	192.9	198.7
-----		
Prepaid pension	\$ 597.9	\$ 616.5
=====		

The components of the net pension credit for the year were as follows:

	1994	1993	1992
-----			
Service cost - (benefits earned during the period)	\$ 27.3	\$ 30.8	\$ 29.0
Interest cost on projected benefit obligation	133.1	150.5	146.0
Actual return on plan assets	21.8	(356.6)	(27.9)
Net amortization and deferral	(223.6)	139.4	(186.0)
-----			
	\$ (41.4)	\$ (35.9)	\$ (38.9)
=====			

The actuarial present value of benefit obligations is based on a discount rate of 8.50% for 1994 and 7.25% for 1993. Future benefits are assumed to increase in a manner consistent with past experience of the plans, which, to the extent benefits are based on compensation, includes assumed salary increases on a scale of 5% for 1994 and 1993. The expected long-term rate of return on assets was 10% for 1994, 1993, and 1992. Amortization included in net pension credits is based on the average remaining service of employees. Plan assets include marketable equity securities which, at December 31, 1994, included 19,099,637 shares of the Company's common stock, government and corporate debt securities, real estate and commingled funds. During 1993 and 1992, the Company transferred \$30.0 million and \$31.7 million, respectively, of pension plans assets to a special trust for the purpose of funding qualified current retiree health liabilities.

Postretirement Benefits Other Than Pensions. The Company provides certain retiree health care and life insurance benefits covering substantially all U.S. salaried and certain hourly employees. Employees are generally eligible

for benefits upon retirement and completion of a specified number of years of creditable service.

In the fourth quarter of 1992, the Company adopted the provisions of SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its postretirement benefit plans, effective January 1, 1992 on the immediate recognition basis. The cumulative effect as of January 1, 1992 of adopting SFAS No. 106 was to decrease net earnings by \$470.5 million, less applicable income taxes of \$174.1 million.

The components of the net postretirement benefit cost for the year were as follows:

	1994	1993	1992
Service cost (benefits earned during the period)	\$ 2.1	\$ 5.1	\$ 7.8
Interest cost on accumulated post retirement benefit obligation	21.9	26.7	37.9
Amortization	(13.3)	(15.8)	
Net postretirement benefit cost	\$ 10.7	\$ 16.0	\$ 45.7

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The components of the accumulated postretirement benefit obligation and amounts accrued at year-end were as follows:

	1994	1993
Actuarial present value of benefit obligations:		
Retirees and dependents	\$ 248.2	\$ 259.8
Eligible active employees	12.8	19.0
Other active employees	28.0	41.8
	289.0	320.6
Unamortized prior service credit	128.1	146.0
Unrecognized net loss	(11.7)	(51.3)
Nonpension postretirement benefits	\$ 405.4	\$ 415.3

Assumed health care cost inflation was based on a rate of 9%, declining ratably to an ultimate rate of 6%. A one percentage point increase in these rates would have increased the accumulated postretirement benefit obligation at December 31, 1994 by \$11.5 million and increased the net postretirement benefit cost for 1994 by \$1.1 million. The assumed discount rates used in determining the accumulated postretirement benefit obligation were 8.50% and 7.25% at December 31, 1994 and 1993, respectively.

Benefits provided by the Company for certain of the hourly retirees are determined by collective bargaining. Most other domestic hourly retirees receive health and life insurance benefits from a multiemployer trust established by collective bargaining. Payments to the trust as required by the bargaining agreements are based upon specified amounts per hour worked and were \$7.5 million in 1994, \$7.3 million in 1993 and \$7.9 million in 1992. Postretirement health and life benefits for retirees of foreign affiliates are generally provided through the national health care programs of the countries in which the affiliates are located.

Other Revenues. Other revenues for the year ended December 31, 1993, includes gains totaling \$46.1 million (approximately \$34.6 million after tax) from the

fourth quarter sales of the remaining 50% interest in the television glass business and of 51% of the Kimble business.

Other Costs and Expenses. Other costs and expenses for the year ended December 31, 1994, includes \$100 million to write down the insurance asset for asbestos-related costs. Other costs and expenses for the year ended December 31, 1993, includes \$325 million for estimated uninsured future asbestos-related costs and charges totalling \$253.2 million, principally for costs related to a restructuring program and including approximately \$50 million for costs related to a December 1993 plant shutdown and an increase in estimated future fees and indemnification costs related to various environmental and legal matters.

Extraordinary Charges. As a result of the repayment of certain debt obligations prior to their scheduled maturities, the Company recorded extraordinary charges of \$20.3 million and \$49.5 million for the write-off of

unamortized finance fees and redemption premiums, less applicable income taxes of \$7.6 million and \$18.0 million in 1993 and 1992, respectively.

Discontinued Operations. On June 24, 1993, the Company and Group completed the sale of all the issued and outstanding shares of stock of Group's wholly owned subsidiary, Libbey Inc. ("Libbey"), through an underwritten initial public offering. Libbey operated the glass tableware business of the Company, which is presented as a discontinued operation in the accompanying financial statements. Proceeds from the sale amounted to approximately \$445 million. The gain on the sale of the Libbey business amounted to \$270.5 million, less applicable income taxes of \$53.5 million. Applicable income taxes have been reduced by the previously unrecognized benefit of a capital loss carryover.

Summary results of operations information for the Libbey business is as follows:

	Period ended June 18, 1993	1992
Total revenues	\$118.1	\$301.0
Costs and expenses	97.9	231.9
Earnings before interest and taxes	20.2	69.1
Interest expense	17.7	38.1
Earnings before income taxes	2.5	31.0
Provision for income taxes	1.1	12.6
Net earnings	\$ 1.4	\$ 18.4

Interest expense allocated to discontinued operations is based on the indebtedness expected to be repaid with the proceeds from the sale of the Libbey business at applicable interest rates in effect during the periods. Revenues for 1992 include a \$17.8 million (\$10.5 million after tax) gain from the sale of Libbey's 50% interest in its Japanese glass tableware associate.

Contingencies. The Company was contingently liable at December 31, 1994, under guarantees of loans and lease obligations related to certain divested businesses, equity associates and other third parties in the principal amount of \$54.6 million.

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 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 December 31, 1994, the Company estimates that it is a named defendant in asbestos bodily injury lawsuits and claims involving approximately 34,000 plaintiffs and claimants.

The following table shows the approximate number of plaintiffs and claimants involved in asbestos bodily injury lawsuits and claims pending at the beginning of, disposed of and filed during, and pending at the end of, each of the years listed (eliminating duplicate filings):

	1994	1993	1992
Pending at beginning of year	41,000	53,000	74,000
Disposed	22,000	30,000	40,000
Filed	15,000	18,000	19,000
Pending at end of year	34,000	41,000	53,000

Since receiving its first asbestos bodily injury lawsuit, the Company, as of December 31, 1994, has disposed of the lawsuits and claims of approximately 166,000 plaintiffs and claimants at an average indemnity payment per claim of approximately \$3,800. Certain of these dispositions have included deferred payment amounts payable over periods ranging from one to seven years; such amounts are included in the foregoing average indemnity payment per claim.

The Company's indemnity payments per claim have varied, 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. Approximately 25% of the claims filed in 1994 were from claimants who claim so called "in place" exposure to asbestos containing products. These cases appear to involve significantly less serious disease and less exposure to the Company's product compared to traditional filings.

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 (including an arbitration claim by Owens-Corning Fiberglas Corporation for partial indemnity under a clause in a 1958 contract by which Owens-Corning Fiberglas Corporation acquired the Company's asbestos insulation business), and (iii) the Company's claims or cross-claims for contribution or indemnity from other asbestos manufacturers and suppliers

(including arbitration counterclaims by the Company against Owens-Corning Fiberglas Corporation). 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 such claims against the Company will not be material.

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 December 31, 1994, the Company was a named defendant in 19 such pending property damage lawsuits and claims.

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

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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 provisionally certified 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

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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

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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 December 31, 1994, the net amount receivable for unreimbursed payments was \$345.7 million, which amount reflects receipt during 1994 of approximately \$80 million 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. In addition, the Company has entered into group settlement agreements which included settlement amounts payable in 1995 and later. As of December 31, 1994, such deferred payment amounts were approximately \$157 million. The Company intends to add such deferred payment amounts to the currently receivable portion of the insurance asset when they are paid by the Company until that asset is exhausted.

The cumulative total of the unreimbursed payments and the deferred amounts as of December 31, 1994 was \$502.7 million, which represents the Company's net pretax spending and commitments to spend on disposed lawsuits and claims as of that date. The Company expects all or a substantial portion of this total amount to be covered by the United Insurance Co. policies involved in the litigation described above. None of the foregoing total amount represented a spending commitment with respect to lawsuits and claims pending against the Company as of December 31, 1994.

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

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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 recent decision of the New Jersey Supreme Court, the Company has 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 pretax 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.

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Segment Information.

The Company had three industry segments: Glass Containers, Plastics and Closures, and Specialized Glass. As reported herein, the Specialized Glass segment consists only of the Kimble laboratory and pharmaceutical glassware business in which a 51% interest was sold December 31, 1993. Amounts related to the Company's glass tableware business have been reclassified from the Specialized Glass segment to discontinued operations as a result of the June 1993 sale of Libbey.

Operating profit includes an allocation of corporate expenses based on both a percentage of sales and direct billings based on the costs of specific services provided.

Transfers between segments and geographic areas are not significant. In arriving at the consolidated totals for segments and geographic areas, eliminations are made as follows: as to sales and transfers, intersegment and intergeographic sales and transfers are eliminated; as to operating profit and identifiable assets, eliminations primarily relate to unrealized profit in inventory.

Financial information regarding the Company's geographic segments is as follows:

	1994	1993 (a)	1992
Sales to unaffiliated customers:			
United States	\$2,773.9	\$2,865.3	\$2,752.3
Other Western Hemisphere	510.0	413.6	355.5
Europe	283.4	256.1	284.8
Consolidated total	\$3,567.3	\$3,535.0	\$3,392.6
Operating profit:			
United States	\$ 394.8	\$ 137.3	\$ 337.8
Other Western Hemisphere	114.0	98.4	80.0
Europe	26.0	23.9	27.3
Eliminations	(.8)		
Combined segment total	\$ 534.0	\$ 259.6	\$ 445.1

Identifiable assets:

United States	\$2,944.8	\$2,893.0	\$3,164.7
Other Western Hemisphere	590.6	428.1	350.9
Europe	306.2	256.0	263.1
Eliminations	(1.3)		(.1)
-----			
Consolidated total	\$3,840.3	\$3,577.1	\$3,778.6
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(a) Operating profit for the United States geographic segment in 1993 includes charges totaling \$233.2 million principally related to a restructuring program.

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Financial information regarding the Company's worldwide business segments is as follows:

	1994 (b)	1993 (c)	1992
-----			
Sales to unaffiliated customers (a):			
Glass Containers	\$2,590.1	\$2,427.3	\$2,421.7
Plastics and Closures	976.1	908.6	781.0
Specialized Glass		197.9	188.4
Eliminations and other	1.1	1.2	1.5
-----			
Consolidated total	\$3,567.3	\$3,535.0	\$3,392.6
=====			
Operating profit:			
Glass Containers	\$ 393.0	\$ 117.4	\$ 299.0
Plastics and Closures	140.4	123.3	133.4
Specialized Glass		18.9	12.7
Eliminations	.6		
Other retained costs	(125.8)	(305.0)	(12.3)
-----			
Consolidated total	408.2	(45.4)	432.8
Equity earnings	22.3	25.3	23.2
Interest expense (net)	(259.2)	(274.4)	(299.1)
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	171.3	(294.5)	156.9
Reconciliation to earnings (loss) from continuing operations before extraordinary items and cumulative effect of accounting changes:			
Credit (provision) for income taxes	(68.9)	113.1	(64.0)
Minority share owners' interests	(24.1)	(19.4)	(14.6)
-----			
Earnings (loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	\$ 78.3	\$ (200.8)	\$ 78.3
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(a) Sales of similar products which contributed 10% or more of consolidated net sales for 1994, 1993, and 1992, and their percentage contribution in each year, respectively, are glass containers with 67%, 64%, and 67%; and plastic containers with 17%, 16%, and 17%.

(b) Other retained costs for 1994 includes a fourth quarter charge of \$100 million to write down the insurance asset for asbestos-related costs.

(c) Operating profit for 1993 includes charges of \$325 million for estimated uninsured future asbestos-related costs, charges totaling \$253.2 million principally related to a restructuring program, and gains totaling \$46.1 million from the sale of the remaining 50% interest in the television glass business and 51% of the Kimble business. These items decreased operating profit as follows: Glass Containers, \$214.0 million, Plastics and Closures, \$16.0 million, Specialized Glass, \$3.2 million, and other retained costs, \$298.9 million.

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	1994	1993	1992
-----			
Identifiable Assets:			

Glass Containers	\$2,628.1	\$2,372.9	\$2,395.2
Plastics and Closures	1,215.1	1,207.0	1,182.2
Specialized Glass			205.8
Eliminations	(2.9)	(2.8)	(4.6)
-----			
Combined segment total	3,840.3	3,577.1	3,778.6
Investments in and advances to associates	91.9	102.5	164.1
Corporate and other retained assets	1,385.4	1,221.8	978.5
Discontinued operations			229.9
-----			
Total	\$5,317.6	\$4,901.4	\$5,151.1
=====			

Property, plant and equipment

-- capital expenditures:

Glass Containers	\$ 174.6	\$ 153.1	\$ 141.1
Plastics and Closures	110.9	100.3	82.0
Specialized Glass		8.8	12.4
-----			
Combined segment total	285.5	262.2	235.5
Corporate and other retained assets	.5	.7	1.9
Discontinued operations		3.3	13.4
-----			
Total	\$ 286.0	\$ 266.2	\$ 250.8
=====			

Property, plant and equipment

-- depreciation:

Glass Containers	\$ 117.9	\$ 110.9	\$ 117.8
Plastics and Closures	62.2	54.9	50.8
Specialized Glass		10.6	9.9
-----			
Combined segment total	180.1	176.4	178.5
Corporate and other retained assets	3.2	3.6	3.4
Discontinued operations		7.3	13.5
-----			
Total	\$ 183.3	\$ 187.3	\$ 195.4
=====			

Selected Quarterly Financial Data (unaudited). The following tables present selected financial data by quarter for the years ended December 31, 1994 and 1993:

	-----				
	1994 (a)				
	-----				
	First	Second	Third	Fourth	Total
	Quarter	Quarter	Quarter	Quarter	
Net sales	\$ 839.2	\$ 915.4	\$ 927.9	\$ 884.8	\$3,567.3
Gross profit	\$ 165.1	\$ 202.2	\$ 205.8	\$ 169.9	\$ 743.0
Net earnings (loss)	\$ 28.1	\$ 51.4	\$ 46.4	\$ (47.6)	\$ 78.3
Net earnings (loss) per share of common stock	\$ 0.23	\$ 0.43	\$ 0.39	\$ (0.41)	\$ 0.64
	=====				

(a) In the fourth quarter of 1994, the Company recorded a charge of \$100 million to write down the insurance asset for asbestos-related costs. The net aftertax amount of this charge was \$61.7 million, or \$0.52 per share.

1993 (a)					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	\$ 832.1	\$ 915.0	\$ 914.6	\$ 873.3	\$3,535.0
Gross profit	\$ 168.5	\$ 200.3	\$ 195.7	\$ 146.7	\$ 711.2
Earnings (loss):					
Continuing operations	\$ 22.7	\$ 47.1	\$ 42.9	\$ (313.5)	\$ (200.8)
Discontinued operations	(.9)	2.3			1.4
Gain on sale of discontinued business, net of applicable income taxes		217.0			217.0
Extraordinary charges from early extinguishment of debt, net of applicable income taxes		(7.4)	(1.0)	(4.3)	(12.7)
Net earnings (loss)	\$ 21.8	\$ 259.0	\$ 41.9	\$ (317.8)	\$ 4.9
Earnings (loss) per share of common stock:					
Continuing operations	\$ 0.19	\$ 0.39	\$ 0.36	\$ (2.64)	\$ (1.70)
Discontinued operations	(0.01)	0.02			0.01
Gain on sale of discontinued business, net of applicable income taxes		1.82			1.82
Extraordinary charges		(0.06)	(0.01)	(0.03)	(0.10)
Net earnings (loss)	\$ 0.18	\$ 2.17	\$ 0.35	\$ (2.67)	\$ 0.03

(a) In the fourth quarter of 1993, the Company recorded charges of \$325

million for estimated uninsured future asbestos costs, charges totaling \$253.2 million principally related to a restructuring program, and gains on asset sales totaling \$46.1 million. The net aftertax amount of all these items was \$322.4 million, or \$2.71 per share.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

Information with respect to non-officer directors is included in the Proxy Statement in the section entitled "Election of Directors" and such information is incorporated herein by reference.

Information with respect to executive officers is included herein on pages 13 - 15.

ITEMS 11. EXECUTIVE COMPENSATION AND CERTAIN RELATIONSHIPS AND RELATED  
and 13. TRANSACTIONS

The section entitled "Director and Executive Compensation and Other Information," exclusive of the subsections entitled "Board Compensation Committee Report on Executive Compensation" and "Performance Graph," which is included in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The section entitled "Security Ownership of Certain Beneficial Owners and Management" which is included in the Proxy Statement is incorporated herein by reference.

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PART IV

ITEM 14.(a). EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Index of Financial Statements and Financial Statement Schedules Covered by Report of Independent Auditors.

	Page
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Report of Independent Auditors	31
Consolidated Balance Sheets at December 31, 1994 and 1993	34-35
For the years ended December 31, 1994, 1993 and 1992	
Consolidated Results of Operations	32-33
Consolidated Share Owners' Equity	36
Consolidated Cash Flows	37-38
Statement of Significant Accounting Policies	39-40
Financial Review	41-63

Financial Statement Schedule	Schedule Page
-----	-----
For the years ended December 31, 1994, 1993, and 1992:	
II - Valuation and Qualifying Accounts (Consolidated)	S-1

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule.

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#### EXHIBIT INDEX

S-K Item 601	
No.	Document
-----	-----
3.1	-- Restated Certificate of Incorporation of Owens-Illinois, Inc. (filed as Exhibit 3.1 to the Registrants' Registration Statement, File No. 33-43224, and incorporated herein by reference).
3.2	-- By-laws of Owens-Illinois, Inc., as amended (filed as Exhibit 3.2 to the Registrants' Registration Statement, File No. 33-43224, and incorporated herein by reference).
3.3	-- Certificate of Incorporation of Owens-Illinois Group, Inc., as amended (filed as Exhibit 3.4 to the Registrants' Registration Statement, File No. 33-13061, and incorporated herein by reference).
3.4	-- By-laws of Owens-Illinois Group, Inc. (filed as Exhibit 3.5 to the Registrants' Registration Statement, File No. 33-13061, and incorporated herein by reference).
3.5	-- Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof of Series A Exchangeable Preferred Stock, Series B Exchangeable Preferred Stock and Series C Exchangeable Preferred Stock of Owens-Illinois, Inc., dated October 30, 1992 (filed as Exhibit 3.5 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1992, File nos. 1-9576 and 33-13061, and

- incorporated herein by reference).
- 4.1 -- Note, dated March 17, 1987, to OII Holdings Corporation issued by OII Group, Inc., as amended (filed as Exhibit 4.44 to the Registration Statement, File No. 33-43224, of Owens-Illinois, Inc., and incorporated herein by reference).
  - 4.2 -- Indenture, dated as of December 15, 1991, among Owens-Illinois, Inc., Owens-Illinois Group, Inc., and The Bank of New York related to Senior Debentures of Owens-Illinois, Inc. (filed as Exhibit 4.32 to the Registrants' Registration Statement, File No. 33-34825, and incorporated herein by reference).
  - 4.3 -- Group Exchange Guaranty, dated as of July 10, 1992, by Owens-Illinois Group, Inc., in favor of the Trustee (filed as Exhibit 4.1 to the Registrants' Current Report on Form 8-K dated as of July 15, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 4.4 -- Subsidiary Guaranty, dated as of July 10, 1992, by the Subsidiaries in favor of the Trustee (filed as Exhibit 4.2 to the Registrants' Current Report on Form 8-K dated as of July 15, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 4.5 -- Contribution Agreement, dated as of July 10, 1992, by and among the Company, Owens-Illinois Group, Inc., and the Subsidiaries (filed as Exhibit 4.3 to the Registrants' Current Report on Form 8-K dated as of July 15, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).

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S-K Item 601  
No.

Document

- | -----<br>No. | -----<br>Document  |
|--------------|--|
| 4.6          | -- Acknowledgment Regarding Additional Secured Debt, dated as of July 10, 1992, by the Pledgors (filed as Exhibit 4.4 to the Registrants' Current Report on Form 8-K dated as of July 15, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).  |
| 4.7          | -- Acknowledgment to Intercreditor Agreement, dated as of July 9, 1992, by the Trustee and the Pledgors (filed as Exhibit 4.5 to the Registrants' Current Report on Form 8-K dated as of July 15, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).  |
| 4.8          | -- Indenture, dated as of April 1, 1992, between the Company and Harris Trust and Savings Bank under which the Company has issued its 10-1/4% Senior Subordinated Notes due April 1, 1999; 10% Senior Subordinated Notes due August 1, 2002; 10-1/2% Senior Subordinated Notes due June 15, 2002; and 9-3/4% Senior Subordinated Notes due August 15, 2004 (filed as Exhibit 4(a) to the Registrants' Current Report on Form 8-K dated as of March 27, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference). |
| 4.9          | -- First Supplemental Indenture, dated as of September 28, 1992, between the Company and Harris Trust and Savings Bank (filed as Exhibit 4(a) to the Registrants' Current Report on Form 8-K dated as of October 1, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).  |
| 4.10         | -- Form of Indenture dated September 28, 1992, Shelf Registration for up to \$200 million of Senior Subordinated Debt Securities between the Company and Harris Trust and Savings Bank, under which the Company has issued its 9.95% Senior Subordinated Notes due October 15, 2004 (filed as Exhibit 4.2 to the Registrants' Registration Statement, File no. 33-51982, and incorporated herein by reference).  |
| 4.11         | -- Refinancing Credit Agreement, dated as of December 15, 1993, among Owens-Illinois, Inc., the lenders listed therein, including those named as lead managers and co-agents and Bankers Trust Company including exhibits thereto (filed as Exhibit 4.11 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1993, File nos. 1-9576 and 33-13061, and incorporated herein by reference).  |
| 10.1         | -- Lease Agreement, dated as of May 21, 1980, between Owens-Illinois, Inc. and Leyden Associates Limited Partnership (filed as Exhibit 5 to the Registrants' Registration Statement, File No. 2-68022, and incorporated herein by reference).  |
| 10.2         | -- Owens-Illinois Supplemental Retirement Benefit Plan, dated as of October 1, 1991 (filed as Exhibit 3.5 to the Registrants'  |

Annual Report on Form 10-K for the year ended December 31, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).

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S-K Item 601  
No.

Document

- -----
- 10.3 \* -- First Amendment to Owens-Illinois, Inc. Supplemental Retirement Benefit Plan effective on December 31, 1993 (filed as Exhibit 10.19 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1993, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.4 -- Sixth Amended and Restated Owens-Illinois Salary Retirement Plan (filed as Exhibit 3.5 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.5 \* -- Written description of the Owens-Illinois Senior Executive Life Insurance Plan (filed as Exhibit 3.5 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1992, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.6 \* -- Form of Employment Agreement between Owens-Illinois, Inc. and various Employees (filed as Exhibit 10(m) to the Registrants' Annual Report on Form 10-K for the fiscal year ended December 31, 1987, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.7 \* -- Form of Non-Qualified Stock Option Agreement between Owens-Illinois, Inc. and various Employees (filed as Exhibit 10(1) to the Registrants' Annual Report on Form 10-K for the fiscal year ended December 31, 1987, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.8 \* -- Form of Subscription Agreement between Owens-Illinois, Inc. and various Purchasers (filed as Exhibit 10(k) to the Registrants' Annual Report on Form 10-K for the fiscal year ended December 31, 1987, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.9 \* -- Form of First Amendment to Subscription Agreement between Owens-Illinois, Inc. and Robert J. Lanigan (filed as Exhibit 10.19 to the Registrants' Annual Report on Form 10-K for the fiscal year ended December 31, 1990, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.10 \* -- Form of Non-Qualified Stock Option Agreement between Owens-Illinois, Inc., and Robert J. Lanigan (filed as Exhibit 10.21 to the Registrants' Annual Report on Form 10-K for the fiscal year ended December 31, 1990, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.11 \* -- Form of First Amendment to Non-Qualified Stock Option Agreement between Owens-Illinois, Inc. and Robert J. Lanigan (filed as Exhibit 10.20 to the Registrants' Annual Report on Form 10-K for the fiscal year ended December 31, 1990, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
  - 10.12 \* -- Form of Consulting Agreement between Owens-Illinois, Inc. and Robert J. Lanigan (filed as Exhibit 10.17 to the Registrants' Annual Report on Form 10-K for the fiscal year ended December 31, 1990, File nos. 1-9576 and 33-13061, and incorporated herein by reference).

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S-K Item 601  
No.

Document

- -----
- 10.13 -- Fourth Amended and Restated Owens-Illinois, Inc. Stock Purchase and Savings Program (filed as Exhibit 4.1 to Registrants' Form S-8, File nos. 1-9576 and 33-43559, and incorporated herein by reference).
  - 10.14 \* -- Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan effective on January 1, 1993 (filed as Exhibit 10.15 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1993, File nos. 1-9576 and 33-13061, and incorporated herein by reference).

- 10.15 \* -- Amended and Restated Owens-Illinois, Inc. Performance Award Plan effective on January 1, 1993 (filed as Exhibit 10.16 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1993, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
- 10.16 \* -- Owens-Illinois, Inc. Corporate Officers Deferred Compensation Plan effective on December 31, 1993 (filed as Exhibit 10.17 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1993, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
- 10.17 \* -- Owens-Illinois, Inc. Executive Savings Plan effective on December 31, 1993 (filed as Exhibit 10.18 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1993, File nos. 1-9576 and 33-13061, and incorporated herein by reference).
- 10.18 \* -- Stock Option Plan for Directors of Owens-Illinois, Inc. (filed as Exhibit 4.3 to Registrants' Form S-8, File no. 33-57141, and incorporated herein by reference).
- 10.19 \* -- Form of Stock Option Plan for Directors of Owens-Illinois, Inc. (filed as Exhibit 4.4 to Registrants' Form S-8, File no. 33-57141, and incorporated herein by reference).
- 10.20 \* -- Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. (filed herewith).
- 10.21 \* -- Form of Non-Qualified Stock Option Agreement for Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. for use under the Plan (filed herewith).
- 21 -- Subsidiaries of the Registrants (filed herewith).
- 23.1 -- Consent of Independent Auditors (filed herewith).
- 23.2 -- Consent of McCarter & English (filed herewith).
- 24 -- Owens-Illinois, Inc. and Owens-Illinois Group, Inc. Power of Attorney (filed herewith).

S-K Item 601

No.	Document
-----	-----
27	-- Financial Data Schedule (filed herewith).

\* Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(c).

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ITEM 14.(b).       REPORTS ON FORM 8-K

On December 22, 1994, the Registrants filed a Form 8-K with the Commission with a press release dated December 22, 1994, announcing the decision of the New Jersey Supreme Court regarding the Company's United Insurance litigation. No other reports on Form 8-K were filed by the Registrants during the last quarter of 1994.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

OWENS-ILLINOIS GROUP, INC.

(Registrants)

By/s/ Thomas L. Young

-----  
Thomas L. Young  
Executive Vice President,  
Administration, General Counsel  
and Secretary

Date: March 30, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Owens-Illinois, Inc. and Owens-Illinois Group, Inc. and in the capacities and on the dates indicated.

Signature -----	Title -----
Robert J. Dineen	Director
Edward A. Gilhuly	Director
James H. Greene, Jr.	Director
Robert J. Lanigan	Chairman Emeritus of the Board of Directors; Director
Joseph H. Lemieux	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer); Director
John J. McMackin, Jr.	Director
Michael W. Michelson	Director
George R. Roberts	Director
David G. Van Hooser	Vice President, Treasurer and Comptroller (Principal Accounting Officer)
Lee A. Wesselmann	Senior Vice President and Chief Financial Officer (Principal Financial Officer); Director

By/s/ Thomas L. Young  
-----  
Thomas L. Young  
Attorney-in-fact

Date: March 30, 1995

INDEX TO FINANCIAL STATEMENT SCHEDULE

Financial Statement Schedule of Owens-Illinois, Inc. and Subsidiaries:

For the years ended December 31, 1994, 1993, and 1992:

	PAGE ----
II -- Valuation and Qualifying Accounts (Consolidated) . . . . .	S-1

OWENS-ILLINOIS, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS (CONSOLIDATED)

Years ended December 31, 1994, 1993, and 1992  
(Millions of Dollars)

Reserves deducted from assets in the balance sheets:

Allowances for losses and discounts on receivables

	Balance at beginning of period	Additions		Deductions (Note 2)	Balance at end of period
		Charged to costs and expenses	Other (Note 1)		
1994 . . . . .	\$ 31.3	\$ 32.4	\$ 0.0	\$ 25.0	\$ 38.7
1993 . . . . .	\$ 31.4	\$ 23.0	\$ 0.0	\$ 23.1	\$ 31.3
1992 . . . . .	\$ 29.1	\$ 13.5	\$ 0.8	\$ 12.0	\$ 31.4

- (1) The amounts in "Other" represent recoveries of accounts previously charged off as uncollectible.
- (2) Deductions from allowances for losses and discounts on receivables represent uncollectible notes and accounts written off.

SECOND AMENDED AND RESTATED  
STOCK OPTION PLAN FOR KEY EMPLOYEES  
OF  
OWENS-ILLINOIS, INC.

OWENS-ILLINOIS, INC., a corporation organized under the laws of the State of Delaware (the "Company"), hereby amends and restates in its entirety the Stock Option Plan for Key Employees of Owens-Illinois, Inc. which was adopted by the Company on July 20, 1987, amended in September 1990 and amended in December 1993. The purposes of this Stock Option Plan are as follows:

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

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

ARTICLE I

DEFINITIONS  
-----

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

Section 1.1 - Award Limit  
-----

"Award Limit" shall mean 250,000 shares of Common Stock or, as the context may require, Options to acquire more than 250,000 shares of Common Stock.

Section 1.2 - Board  
-----

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

Section 1.3 - Code  
-----

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

Section 1.4 - Committee  
-----

"Committee" shall mean the Compensation Committee of the Board, appointed as provided in Section 6.1.

Section 1.5 - Common Stock  
-----

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

Section 1.6 - Company  
-----

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

Section 1.7 - Director

"Director" shall mean a member of the Board.

Section 1.8 - Employee

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

Section 1.9 - Exchange Act

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

Section 1.10 - Fair Market Value

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

Section 1.11 - Incentive Stock Option

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

Section 1.12 - Non-Qualified Option

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

Section 1.13 - Officer

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

Section 1.14 - Option

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

Section 1.15 - Optionee

"Optionee" shall mean an Employee to whom an Option is granted under the Plan.

Section 1.16 - Parent Corporation

"Parent Corporation" shall mean any corporation in an unbroken chain of corporations ending with the Company if each of the corporations other than the Company then owns stock possessing 50% or more of the total

combined voting power of all classes of stock in one of the other corporations in such chain.

Section 1.17 - Plan  
-----

"Plan" shall mean this Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc.

Section 1.18 - Rule 16b-3  
-----

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

Section 1.19 - Secretary  
-----

"Secretary" shall mean the Secretary of the Company.

Section 1.20 - Securities Act  
-----

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

Section 1.21 - Subsidiary  
-----

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

Section 1.22 - Termination of Employment  
-----

"Termination of Employment" shall mean the time when the employee-employer relationship between the Optionee and the Company, a Parent Corporation or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, total disability or retirement, but excluding (i) terminations where there is a simultaneous reemployment by the Company, a Parent Corporation or a Subsidiary or (ii) with respect to any Non-Qualified Option, terminations where the Optionee continues a relationship (e.g., as a director or as a consultant) with the Company, a Parent Corporation or a Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all other matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for good cause, and all questions of whether particular leaves of absence constitute Terminations of Employment; provided, however, that, with respect to Incentive Stock Options, a leave of absence shall constitute a Termination of Employment if, and to the extent that, such leave of absence interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. Notwithstanding any other provision of this Plan, the Company or any of its subsidiaries has an absolute and unrestricted right to terminate the Optionee's employment at any time for any reason whatsoever, with or without cause.

ARTICLE II

SHARES SUBJECT TO PLAN  
-----

Section 2.1 - Shares Subject to Plan  
-----

The shares of stock subject to Options shall be shares of the Company's \$.01 par value Common Stock. The aggregate number of such shares which may be issued upon exercise of Options shall not exceed 7,488,762.

Section 2.2 - Unexercised Options  
-----

If any Option expires or is cancelled without having been fully exercised, the number of shares subject to such Option but as to which such Option was not exercised prior to its expiration or cancellation may again be granted hereunder, subject to the limitations of Section 2.1.

Section 2.3 - Changes in Company's Shares  
-----

In the event that the outstanding shares of Common Stock of the Company are hereafter changed into or exchanged for a different number or kind of shares or other securities of the Company, or of another corporation, by reason of reorganization, merger, consolidation, recapitalization, reclassification, or the number of shares is increased or decreased by reason of a stock split-up, stock dividend, combination of shares or any other increase or decrease in the number of such shares of Common Stock effected without receipt of consideration by the Company (provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration"), the Committee shall make appropriate adjustments in the number and kind of shares for the purchase of which Options may be granted, including adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued on exercise of Options and of the Award Limit set forth in Section 1.1.

ARTICLE III

GRANTING OF OPTIONS  
-----

Section 3.1 - Eligibility  
-----

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

Section 3.2 - Qualification of Incentive Stock Options  
-----

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

Section 3.3 - Granting of Options  
-----

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

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

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

(iii) Determine the terms and conditions of such Options, consistent with the Plan, including, but not limited to such terms and conditions as may be required in order for any such Options to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code if the Committee determines that such Options should so qualify.

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

(c) Notwithstanding anything contained herein to the contrary, including, without limitation, Section 3.3(a)(ii) above, no Employee shall be granted during any calendar year an Option or Options for more than The Award

Limit.

ARTICLE IV

TERMS OF OPTIONS  
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Section 4.1 - Option Agreement  
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Each Option shall be evidenced by a written Stock Option Agreement, which shall be executed by the Optionee and an authorized Officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with the Plan, including, but not limited to such terms and conditions as may be required in order for such

Option to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code if the Committee determines that such Option should so qualify. Stock Option Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to qualify such Options as "incentive stock options" under Section 422 of the Code.

Section 4.2 - Option Price  
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The price of the shares subject to each Option shall be set by the Committee; provided, however, that the price per share shall be not less than 100% of the Fair Market Value of such shares on the date such Option is granted; provided, further, that, in the case of an Incentive Stock Option, the price per share shall not be less than 110% of the Fair Market Value of such shares on the date such Option is granted in the case of an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company, any Subsidiary or any Parent Corporation.

Section 4.3 - Commencement of Exercisability  
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(a) No Option may be exercised in whole or in part during the first year after such Option is granted, except as may be provided in Sections 4.7 and 4.3(c).

(b) Subject to the provisions of Sections 4.3(a), 4.3(c), 4.3(d), 4.7 and 7.3, Options shall become exercisable at such times and in such installments (which may be cumulative) as the Committee shall provide in the terms of each individual Option; provided, however, that by a resolution adopted after an Option is granted the Committee may, on such terms and conditions as it may determine to be appropriate and subject to Sections 4.3(a), 4.3(c), 4.3(d), 4.7 and 7.3, accelerate the time at which such Option or any portion thereof may be exercised.

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

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

were granted. For purposes of this Section 4.3(d), the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted.

Section 4.4 - Expiration of Options

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

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

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

(iii) Except in the case of (A) any Optionee who is totally disabled (within the meaning of Section 22(e)(3) of the Code for purposes of an Incentive Stock Option, or otherwise as determined by the Committee in accordance with Company policies), (B) any Optionee who retires within the meaning of clause (v) below, (C) any Optionee who dies or (D) any Optionee whose right to exercise his or her Option is extended by the Committee pursuant to clause (vii) below, the expiration of three months from the date of the Optionee's Termination of Employment for any reason unless the Optionee dies within said three-month period; or

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

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

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

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

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

#### Section 4.5 - Consideration

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In consideration of the granting of an Option, the Optionee shall agree, in the written Stock Option Agreement, to remain in the employ of the Company, a Parent Corporation or a Subsidiary for a period of at least one year after the Option is granted. Nothing in this Plan or in any Stock Option

Agreement hereunder shall confer upon any Optionee any right to continue in the employ of the Company, any Parent Corporation or any Subsidiary or shall interfere with or restrict in any way the rights of the Company, its Parent Corporations and its Subsidiaries, which are hereby expressly reserved, to discharge any Optionee at any time for any reason whatsoever, with or without cause.

Section 4.6 - Adjustments in Outstanding Options  
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In the event that the outstanding shares of Common Stock subject to Options are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, or the number of shares is increased or decreased by reason of a stock split-up, stock dividend, combination of shares or any other increase or decrease in the number of such shares of Common Stock effected without receipt of consideration by the Company (provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration"), the Committee shall make appropriate adjustments in the number and kind of shares as to which all outstanding Options, or portions thereof then unexercised, shall be exercisable, to the end that after such event the Optionee's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in an outstanding Option shall be made without change in the total price applicable to the Option or the unexercised portion of the Option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices) and with any necessary corresponding adjustment in Option price per share; provided, however, that, in the case of Incentive Stock Options, each such adjustment shall be made in such manner as not to constitute a "modification" within the meaning of Section 424(h)(3) of the Code. Any such adjustment made by the Committee shall be final and binding upon all Optionees, the Company and all other interested persons.

Section 4.7 - Merger, Consolidation, Acquisition,  
Liquidation or Dissolution  
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Notwithstanding the provisions of Section 4.6, in its absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide by the terms of any Option that such Option cannot be exercised after the merger or consolidation of the Company with or into another corporation, the acquisition by another corporation or person (excluding any employee benefit plan of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company) of all or substantially all of the Company's assets or 51% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company; and if the Committee so provides, it may, in its absolute discretion and on such terms and conditions as it deems appropriate, also provide, either by the terms of such Option or by a resolution adopted prior to the occurrence of such merger, consolidation, acquisition, liquidation or dissolution, that, for some period of time prior to such event, such Option shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in Section 4.3(a), Section 4.3(b) and/or any installment provisions of such Option.

Section 4.8 - No Right to Continued Employment  
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Nothing in this Plan or in any Non-Qualified Stock Option Agreement hereunder shall confer upon any Optionee any right to continue in the employ of the Company, any Parent Corporation or any Subsidiary or shall interfere with or restrict in any way the rights of the Company, its Parent Corporations and its Subsidiaries, which are hereby expressly reserved, to terminate or discharge any Optionee at any time for any reason whatsoever, with or without cause.

ARTICLE V

EXERCISE OF OPTIONS  
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Section 5.1 - Person Eligible to Exercise  
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During the lifetime of the Optionee, only he may exercise an Option (or any portion thereof) granted to him. After the death of the Optionee, any exercisable portion of an Option may, prior to the time when

such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution.

#### Section 5.2 - Partial Exercise

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

#### Section 5.3 - Manner of Exercise

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

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

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

(ii) With the consent of the Committee, (A) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer to the Company, or, (B) subject to the timing requirements of Section 5.4, shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, with a Fair Market Value on the date of Option exercise equal to the aggregate Option price of the shares with respect to which such Option or portion is thereby exercised; or

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

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

(c) The payment to the Company (or other employer corporation) of all amounts which it is required to withhold under federal, state or local law in connection with the exercise of the Option; with the consent of the Committee, (i) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer, or, (ii) subject to the timing requirements of Section 5.4, shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, valued at Fair Market Value as of the date of Option exercise, may be used to make all or part of such payment;

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

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

#### Section 5.4 - Certain Timing Requirements

Shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option may be used to satisfy the Option price or the tax withholding consequences of such exercise only (i) during the period beginning on the third business day following the date of release of the quarterly or annual summary statement of sales and earnings of the Company and ending on the twelfth business day following such date or (ii) pursuant to an irrevocable written election by the Optionee to use shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option to pay all or part of the Option price or the withholding taxes (subject to the approval of the Committee) made at least six months prior to the payment of such Option price or withholding taxes.

#### Section 5.5 - Conditions to Issuance of Stock Certificates

The shares of stock issuable and deliverable upon the exercise of an Option, or any portion thereof, may be either previously authorized but unissued shares or issued shares which have then been reacquired by the Company. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed; and
- (b) The completion of any registration or other qualification of such shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Committee shall, in its absolute discretion, deem necessary or advisable; and
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and
- (d) The payment to the Company (or other employer corporation) of all amounts which it is required to withhold under federal, state or local law in connection with the exercise of the Option; and
- (e) The lapse of such reasonable period of time following the exercise of the Option as the Committee may establish from time to time for reasons of administrative convenience.

#### Section 5.6 - Rights as Stockholders

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

#### Section 5.7 - Transfer Restrictions

Unless otherwise approved in writing by the Committee, no shares acquired upon exercise of any Option by any Officer may be sold, assigned, pledged, encumbered or otherwise transferred until at least six months have elapsed from (but excluding) the date that such Option was granted. The Committee, in its absolute discretion, may impose such other restrictions on the transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such other restriction shall be set forth in the respective Stock Option Agreement and may be referred to on the certificates evidencing such shares. The Committee may require the Employee to give the Company prompt notice of any disposition of shares of stock, acquired by exercise of an Incentive Stock Option, within two years from the date of granting such Option or one year after the transfer of such shares to such Employee. The Committee may direct that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

ARTICLE VI

ADMINISTRATION

Section 6.1 - Compensation Committee

The Compensation Committee shall consist of two or more Directors, appointed by and holding office at the pleasure of the Board, each of whom is a "disinterested person" as defined by Rule 16b-3. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee shall be filled by the Board.

Section 6.2 - Duties and Powers of Committee

It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Options and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. Any such interpretations and rules in regard to Incentive Stock Options shall be consistent with the basic purpose of the Plan to grant "incentive stock options" within the meaning of Section 422 of the Code. The Board shall have no right to exercise any of the rights or duties of the Committee under the Plan.

Section 6.3 - Majority Rule

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

Section 6.4 - Compensation; Professional Assistance;  
Good Faith Actions

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

ARTICLE VII

OTHER PROVISIONS

Section 7.1 - Options Not Transferable

No Option or interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Optionee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that nothing in this Section 7.1 shall prevent transfers by will or by the applicable laws of descent and distribution.

Section 7.2 - Amendment, Suspension or  
Termination of the Plan

The Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee. However, without approval of the Company's stockholders given within twelve

months before or after the action by the Committee, no action of the Committee may, except as provided in Section 2.3, increase any limit imposed in Section 2.1 on the maximum number of shares which may be issued on exercise of Options, modify the Award Limit, materially modify the eligibility requirements of Section 3.1, reduce the minimum Option price requirements of Section 4.2, extend the limit imposed in this Section 7.2 on the period during which Options may be granted or amend or modify the Plan in a manner requiring stockholder approval under Rule 16b-3 or Section 162(m) of the Code. Neither the amendment, suspension nor termination of the Plan shall, without the consent of the holder of the Option alter or impair any rights or obligations under any Option theretofore granted. No Option may be granted during any period of suspension nor after termination of the Plan, and in no event may any Option be granted under this Plan after the first to occur of the following events:

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

(b) The expiration of ten years from the date the Plan is approved by the Company's stockholders under Section 7.3.

#### Section 7.3 - Approval of Plan by Stockholders

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

#### Section 7.4 - Effect of Plan Upon Other Option and Compensation Plans

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

#### Section 7.5 - Titles

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

#### Section 7.6 - Conformity to Securities Laws

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

\* \* \* \*

I hereby certify that the foregoing Second Amended and Restated Plan was duly adopted by the Compensation Committee of the Board of Directors of Owens-Illinois, Inc. on December 31, 1993.

Executed on this 23rd day of March, 1994.

/s/ Thomas L. Young

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Secretary

Corporate Seal

\* \* \* \*

I hereby certify that the foregoing Plan was duly approved by the stockholders of Owens-Illinois, Inc. on May 11, 1994.

Executed on this 12th day of May, 1994.

/s/ Thomas L. Young

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Secretary

AMENDED AND RESTATED  
STOCK OPTION PLAN FOR KEY EMPLOYEES  
OF  
OWENS-ILLINOIS, INC.  
NON-QUALIFIED STOCK OPTION AGREEMENT  
-----

THIS AGREEMENT, dated \_\_\_\_\_, 19\_\_ , is made by and between Owens-Illinois, Inc., a Delaware corporation hereinafter referred to as "Company," and \_\_\_\_\_, an employee of the Company or a Subsidiary of the Company, hereinafter referred to as "Optionee":

WHEREAS, the Company wishes to afford the Optionee the opportunity to purchase shares of its \$.01 par value Common Stock (as defined hereunder); and

WHEREAS, the Company wishes to carry out the Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. (the terms of which are hereby incorporated by reference and made a part of this Agreement); and

WHEREAS, the Compensation Committee of the Company's Board of Directors (hereinafter referred to as the "Committee"), appointed to administer said Plan, has determined that it would be to the advantage and best interest of the Company and its stockholders to grant the Non-Qualified Option provided for herein to the Optionee as an inducement to remain in the service of the Company, its Parent Corporations or its Subsidiaries (each as defined hereunder) and as an incentive for increased efforts during such service, and has advised the Company thereof and instructed the undersigned Officers (as defined hereunder) to issue said Option;

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

ARTICLE I

DEFINITIONS  
-----

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

Section 1.1 - Board  
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"Board" shall mean the Board of Directors of the Company.

Section 1.2 - Code  
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"Code" shall mean the Internal Revenue Code of 1986, as amended.

Section 1.3 - Common Stock  
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"Common Stock" shall mean the Company's common stock, \$.01 par value.

Section 1.4 - Company  
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"Company" shall mean Owens-Illinois, Inc. In addition, "Company" shall mean any corporation assuming, or issuing new employee stock options in substitution for, the Option and Incentive Stock Options (as defined in Section 1.10 of the Plan), outstanding under the Plan, in a transaction to which Section 424(a) of the Code applies.

Section 1.5 - Exchange Act

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

Section 1.6 - Fair Market Value

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

Section 1.7 - Officer

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

Section 1.8 - Option

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"Option" shall mean the Non-Qualified Option (as defined in Section 1.11 of the Plan) to purchase Common Stock of the Company granted under this Agreement.

Section 1.9 - Parent Corporation

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

Section 1.10 - Plan

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"Plan" shall mean the Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc..

Section 1.11 - Rule 16b-3

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

Section 1.12 - Secretary

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"Secretary" shall mean the Secretary of the Company.

Section 1.13 - Securities Act

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

Section 1.14 - Subsidiary

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

Section 1.15 - Termination of Employment

-----  
"Termination of Employment" shall mean the time when the employee-employer relationship between the Optionee and the Company, a Parent Corporation or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, total disability or retirement, but excluding (i) any termination where there is a simultaneous reemployment by the Company, a Parent Corporation or a Subsidiary or (ii) any termination where the Optionee continues a relationship (e.g., as a director or as a consultant) with the Company, a Parent Corporation or a Subsidiary. The Committee, in its absolute

discretion, shall determine the effect of all other matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for good cause, and all questions of whether particular leaves of absence constitute Terminations of Employment. Notwithstanding any other provision of this Agreement, the Company or any of its subsidiaries has an absolute and unrestricted right to terminate the Optionee's employment at any time for any reason whatsoever, with or without cause.

## ARTICLE II

### GRANT OF OPTION -----

#### Section 2.1 - Grant of Option -----

In consideration of the Optionee's agreement to remain in the employ of the Company, its Parent Corporations or its Subsidiaries and for other good and valuable consideration, on the date hereof the Company irrevocably grants to the Optionee the option to purchase any part or all of an aggregate of \_\_\_\_\_ shares of its \$.01 par value Common Stock upon the terms and conditions set forth in this Agreement.

#### Section 2.2 - Purchase Price -----

The purchase price of the shares of stock covered by the Option shall be \$\_\_\_\_\_ per share without commission or other charge.

#### Section 2.3 - Consideration to Company -----

In consideration of the granting of this Option by the Company, the Optionee agrees to render faithful and efficient services to the Company, a Parent Corporation or a Subsidiary, with such duties and responsibilities as the Company shall from time to time prescribe, for a period of at least one year from the date this Option is granted. Nothing in this Agreement or in the Plan shall confer upon the Optionee any right to continue in the employ of the Company, any Parent Corporation or any Subsidiary or shall interfere with or restrict in any way the rights of the Company, any Parent Corporations and any Subsidiary, which are hereby expressly reserved, to discharge the Optionee at any time for any reason whatsoever, with or without cause.

#### Section 2.4 - Adjustments in Option -----

In the event that the outstanding shares of Common Stock subject to the Option are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, or the number of shares is increased or decreased by reason of a stock split up, stock dividend, combination of shares or any other increase or decrease in the number of such shares of Common Stock effected without receipt of consideration by the Company (provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration") the Committee shall make appropriate adjustments in the number and kind of shares as to which the Option, or portions thereof then

unexercised, shall be exercisable, to the end that after such event the Optionee's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in the Option shall be made without change in the total price applicable to the unexercised portion of the Option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices) and with any necessary corresponding adjustment in the Option price per share. Any such adjustment made by the Committee shall be final and binding upon the Optionee, the Company and all other interested persons.

ARTICLE III

PERIOD OF EXERCISABILITY

Section 3.1 - Commencement of Exercisability

(a) Except as provided in Section 3.4, no Option may be exercised in whole or in part during the first year after such Option is granted.

(b) Except to the extent that such Option becomes exercisable sooner pursuant to Section 3.1(c), the Option shall become exercisable as to 50% of the shares covered by the Option on the fifth anniversary of the date the Option is granted and as to the remaining 50% of the shares covered by the Option on the sixth anniversary of the date the Option is granted. Such installments shall be cumulative.

(c) The Option shall become exercisable after the first anniversary of the date the Option is granted at the time when the average Fair Market Value per share of Common Stock for any period of 20 consecutive trading days (commencing after such first anniversary) is at least equal to the product of the Fair Market Value per share on the date the Option is granted times the amount shown below under "Stock Price Multiple" as to the percentage of the shares of Common Stock initially subject to the Option shown below under "Exercisable Percentage."

Stock Price Multiple	Exercisable Percentage
120%	25%
144%	50%
172%	75%
206%	100%

For example, a 1,000 share Option exercisable at \$15.00 per share (100% of Fair Market Value at the date of Option grant) would become exercisable as to 250 shares when a 20 consecutive trading day period average price of \$18.00 is achieved (\$18.00 is 120% of \$15.00). Further vesting would occur if and when the next percentage multiple or multiples are achieved.

(d) Except as provided in Section 3.4, no portion of the Option which is unexercisable at Termination of Employment shall thereafter become exercisable.

Section 3.2 - Duration of Exercisability

The installments provided for in Section 3.1 are cumulative. Each such installment which becomes exercisable pursuant to Section 3.1 shall remain exercisable until it becomes unexercisable under Section 3.3.

Section 3.3 - Expiration of Option

The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The expiration of ten years and one day from the date the Option was granted; or

(b) The time of the Optionee's Termination of Employment unless such Termination of Employment results from his normal retirement or total disability (each as determined by the Committee in accordance with Company policies), early retirement with the consent of the Committee or death or his being discharged not for good cause, or unless the Optionee's right to exercise his Options has been extended by the Committee pursuant to Section 4.4(a)(vii) of the Plan; or

(c) The expiration of three months from the date of the Optionee's Termination of Employment by reason of his normal retirement or early retirement with the consent of the Committee, or the expiration of such period as shall be determined by the Committee in the event the Optionee's right to exercise his Options is extended by the Committee pursuant to Section 4.4(a)(vii) of the Plan, unless the Optionee dies within said period; or

(d) The expiration of three months from the date of the

Optionee's Termination of Employment by reason of his being discharged not for good cause, unless the Optionee dies within said three-month period; or

(e) The expiration of such period as shall be determined by the Committee in the event the Optionee's right to exercise his Options is extended by the Committee pursuant to Section 4.4(a)(vii) of the Plan, unless the Optionee dies within such period; or

(f) The expiration of one year from the date of the Optionee's Termination of Employment by reason of his total disability; or

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

(h) The effective date of either the merger or consolidation of the Company with or into another corporation, or the acquisition by another corporation or person (excluding any employee benefit plan of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company) of all or substantially all of the Company's assets or 51% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company, unless the Committee waives this provisions in connection with such transaction. At least ten days prior to the effective date of such merger, consolidation, acquisition, liquidation or dissolution, the Committee shall give the Optionee notice of such event if the Option has then neither been fully exercised nor become unexercisable under this Section 3.3.

#### Section 3.4 - Acceleration of Exercisability

(a) In the event of a Termination of Employment resulting from an Optionee's normal retirement or total disability (each as determined by the Committee in accordance with Company policies), early retirement with the consent of the Committee or death, the Option shall be exercisable as to all shares covered hereby, notwithstanding that this Option may not have become fully exercisable under Section 3.1; or

(b) In the event of the merger or consolidation of the Company with or into another corporation, or the acquisition by another corporation or person (excluding any employee benefit plan of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company) of all or substantially all of the Company's assets or 51% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company, the Committee shall then provide by resolution, adopted prior to such event and incorporated in the notice referred to in Section 3.3(h), that at some time prior to the effective date of such event this Option shall be exercisable as to all the shares covered hereby, notwithstanding that this Option may not yet have become fully exercisable under Section 3.1; provided, however, that this acceleration of exercisability shall not take place if:

(i) This Option becomes unexercisable under Section 3.3 prior to said effective date; or

(ii) In connection with such an event, provision is made for an assumption of this Option or a substitution therefor of a new option by an employer corporation or a parent or subsidiary of such corporation.

The Committee may make such determinations and adopt such rules and conditions as it, in its absolute discretion, deems appropriate in connection with such acceleration of exercisability, including, but not by way of limitation, provisions to ensure that any such acceleration and resulting exercise shall be conditioned upon the consummation of the contemplated corporate transaction.

### ARTICLE IV

#### EXERCISE OF OPTION

##### Section 4.1 - Person Eligible to Exercise

During the lifetime of the Optionee, only he may exercise the Option or any portion thereof. After the death of the Optionee, any

exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by his personal representative or by any person empowered to do so under the Optionee's will or under the then applicable laws of descent and distribution.

Section 4.2 - Partial Exercise  
-----

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3; provided, however, that each partial exercise shall be for not less than one hundred (100) shares (or the minimum installment set forth in Section 3.1, if a smaller number of shares) and shall be for whole shares only.

Section 4.3 - Manner of Exercise  
-----

The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary or his office of all of the following prior to the time when the Option or such portion becomes unexercisable under Section 3.3:

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

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

(ii) With the consent of the Committee,  
(A) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer to the Company, or  
(B) subject to the timing requirements of Section 4.4, shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, with a Fair Market Value on the date of option exercise equal to the aggregate purchase price of the shares with respect to which such Option or portion is exercised;  
or

(iii) With the consent of the Committee, a full recourse promissory note bearing interest (at least such rate as shall then preclude the imputation of interest under the Code or successor provision) and payable upon such terms as may be prescribed by the Committee. The Committee may also prescribe the form of such note and the security to be given for such note. The Option may not be exercised, however, by delivery of a promissory note or by a loan from the Company when or where such loan or other extension of credit is prohibited by law; or;

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

(c) A bona fide written representation and agreement, in a form satisfactory to the Committee, signed by the Optionee or other person then entitled to exercise such Option or portion, stating that the shares of stock are being acquired for his own account, for investment and without any present intention of distributing or reselling said shares or any of them except as may be permitted under the Securities Act and then applicable rules and regulations thereunder, and that the Optionee or other person then entitled to exercise such Option or portion will indemnify the Company against and hold it free and harmless from any loss, damage, expense or liability resulting to the Company if any sale or distribution of the shares by such person is contrary to the representation and agreement referred to above. The Committee may, in its absolute discretion, take whatever additional actions it deems appropriate to insure the observance and performance of

such representation and agreement and to effect compliance with the Securities Act and any other federal or state securities laws or regulations. Without limiting the generality of the foregoing, the Committee may require an opinion of counsel acceptable to it to the effect that any subsequent transfer of shares acquired on an Option exercise does not violate the Securities Act, and may issue stop-transfer orders covering such shares. Share certificates evidencing stock issued on exercise of this Option shall bear an appropriate legend referring to the provisions of this subsection (c) and the agreements herein. The written representation and agreement referred to in the first sentence of this subsection (c) shall, however, not be required if the shares to be issued pursuant to such exercise have been registered under the Securities Act, and such registration is then effective in respect of such shares; and

(d) Full payment to the Company (or other employer corporation) of all amounts which, under federal, state or local tax law, it is required to withhold upon exercise of the Option; with the consent of the Committee, (i) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer, or, (ii) subject to the timing requirements of Section 4.4, shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, valued at Fair Market Value as of the date of Option exercise, may be used to make all or part of such payment; and

(e) In the event the Option or portion shall be exercised pursuant to Section 4.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

#### Section 4.4 - Certain Timing Requirements

-----

Shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option may be used to satisfy the tax withholding consequences of such exercise only (i) during the period beginning on the third business day following the date of release of the quarterly or annual summary statement of sales and earnings of the Company and ending on the twelfth business day following such date or (ii) pursuant to an irrevocable written election by the Optionee to use shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option to pay all or part of the withholding taxes (subject to the approval of the Committee) made at least six months prior to the payment of such withholding taxes.

#### Section 4.5 - Conditions to Issuance of Stock Certificates

-----

The shares of stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares or issued shares which have been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

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

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

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

(d) The payment to the Company (or other employer corporation) of all amounts, if any, which, under federal, state or local tax law, it is required to withhold upon exercise of the

Option; and

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

Section 4.6 - Rights as Stockholder

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

ARTICLE V

OTHER PROVISIONS

Section 5.1 - Administration

The Committee shall have the power to interpret the Plan, this Agreement and all other documents relating to the Option and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option and all members of the Committee shall be fully protected by the Company in respect to any such action, determination or interpretation. The Board shall have no right to exercise any of the rights or duties of the Committee under the Plan and this Agreement.

Section 5.2 - Option Not Transferable

Unless otherwise approved in writing by the Committee, no shares acquired upon exercise of any Option by any Officer may be sold, assigned, pledged, encumbered or otherwise transferred until at least six months have elapsed from (but excluding) the date that such Option was granted.

Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Optionee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 5.2 shall not prevent transfers by will or by the applicable laws of descent and distribution.

Section 5.3 - Shares to Be Reserved

The Company shall at all times during the term of the Option reserve and keep available such number of shares of stock as will be sufficient to satisfy the requirements of this Agreement.

Section 5.4 - Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Optionee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 5.4, either party may hereafter designate a different address for notices to be given to it or him. Any notice which is required to be given to the Optionee shall, if the Optionee is then deceased, be given to the Optionee's personal representative if such representative has previously informed the Company of his status and address by written notice under this

Section 5.4. Any notice shall be deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 5.5 - Titles

-----

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

Section 5.6 - Rule 16b-3

-----

The Company shall take such actions with respect to the Plan as may be necessary to satisfy the requirements of Rule 16b-3.

Section 5.7 - Conformity to Securities Laws

-----

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

Section 5.8 - Amendment

-----

This Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Agreement.

Section 5.9 - Governing Law

-----

The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

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

OWENS-ILLINOIS, INC.

By \_\_\_\_\_

Its \_\_\_\_\_

\_\_\_\_\_  
Optionee

\_\_\_\_\_

\_\_\_\_\_  
Address

Optionee's Social Security Number:

\_\_\_\_\_

EXHIBIT 21

OWENS-ILLINOIS, INC.

SUBSIDIARIES OF THE REGISTRANTS

The Registrants had the following subsidiaries at December 31, 1994:

Domestic Subsidiaries

Name -----	State of Incorporation or Organization -----
Owens-Brockway Packaging, Inc.	Delaware
OI Puerto Rico STS Inc.	Delaware
Owens-Illinois de Puerto Rico	Ohio
OI Venezuela STS Inc	Delaware
OI Peldar STS Inc.	Delaware
OI Ecuador STS Inc.	Delaware
OIB Produvisa Inc.	Delaware
OI Consol STS Inc.	Delaware
OI Peru STS Inc.	Delaware
OI Poland Inc.	Delaware
OI Brazil Inc.	Delaware
OI India Inc.	Delaware
Bolivian Investments, Inc.	Delaware
Overseas Finance Company	Delaware
SeaGate, Inc.	Ohio
OI Ione STS Inc.	Delaware
OI Closure FTS Inc.	Delaware
OI Machineworks Inc.	Delaware
Owens-Illinois Closure Inc.	Delaware
Product Design & Engineering, Inc.	Minnesota
Specialty Packaging Licensing Company Limited	Delaware
OI Plastic Products FTS Inc.	Delaware
Owens-Illinois Plastic Products Inc.	Delaware
Owens-Illinois Prescription Products Inc.	Delaware
OI Medical Inc.	Delaware
Owens-BriGam Medical Company	Delaware
OI Treitler STS Inc.	Delaware
Owens-Illinois Labels Inc.	Delaware
Treitler-Owens, Inc.	New Jersey
OI Dougherty STS Inc.	Delaware
DBC Inc.	New Jersey
Owens-Illinois Specialty Products Puerto Rico, Inc.	Delaware
OI Regioplast STS Inc.	Delaware
OI Schott STS Inc.	Delaware

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Name -----	State of Incorporation or Organization -----
OI General Finance Inc.	Delaware
OI General FTS Inc.	Delaware
Owens-Illinois General Inc.	Delaware
Harbor Capital Advisors, Inc.	Delaware
HCA Securities, Inc.	Delaware
Harbor Transfer, Inc.	Delaware
Owens Industries, Inc.	Ohio
Owens Hotel Industry, Inc.	Ohio
OI Holding Company, Inc.	Ohio
OI Services, Inc.	Ohio
Pacific Coast Glass Co., Ltd.	California
OI Castalia STS Inc.	Delaware
OI Levis Park STS Inc.	Delaware
OI MVCURC STS Inc.	Delaware
Maumee Valley Community Urban Redevelopment Corporation	Ohio

OI UMI STS Inc.	Delaware
Universal Materials, Inc.	Ohio
OI AID STS Inc.	Delaware
OI Overseas Management Company Limited	Delaware
Owens-Brockway Glass Container Inc.	Delaware
Owens-Brockway Glass Container Trading Company	Delaware
OI Brockway Plastics, Inc.	Delaware
Brockway Research Inc.	Delaware
Brockway Realty Inc.	Pennsylvania
OI Health Care Holding Corp.	Delaware

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Foreign Subsidiaries

Name	Country of Incorporation or Organization
----	-----
Owens Insurance, Ltd.	Bermuda
Companhia Industrial Sao Paulo e Rio Sao Raimundo Administracao, Participacoes e Representacoes, Limitada	Brazil
Cristaleria Peldar, S. A.	Colombia
Cristaleria del Ecuador, S. A.	Ecuador
Regioplast S.A. de C.V.	Mexico
Specialty Packaging Products de Mexico, S. A., CVA	Mexico
Vidrios Industriales S.A.	Peru
United Glass Group Ltd.	United Kingdom
United Glass, Limited	United Kingdom
Glassworks Limited	United Kingdom
Centro Vidriero de Venezuela, C. A.	Venezuela
Fabrica de Vidrio Los Andes, C. A.	Venezuela
Manufacturera de Vidrios Planos, C. A.	Venezuela
Owens-Illinois de Venezuela, C. A.	Venezuela
Owens-Illinois Ventas, S. A.	Venezuela
Owens-Brockway Venezuelan Holding	Venezuela
Owens-Illinois Foreign Sales Corp.	Virgin Islands



EXHIBIT 23.1  
OWENS-ILLINOIS, INC.  
CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Selected Financial Data."

We also consent to the incorporation by reference in the Registration Statement (Form S-3 No. 33-51982) of Owens-Illinois, Inc. and in the related Prospectus, in the Registration Statements (Forms S-8 Nos. 33-43559 and 33-57139) pertaining to the Fourth Amended and Restated Owens-Illinois, Inc. Stock Purchase and Savings Program; the Second Amended and Restated Owens-Illinois, Inc., Non-Union Retirement and Savings Plan; the Second Amended and Restated Owens-Illinois, Inc. Supplemental Retirement Plan; and the Second Amended and Restated Owens-Illinois, Inc. Long-Term Savings Plan, in the Registration Statement (Form S-8 No. 33-44252) pertaining to the Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc., and in the Registration Statement (Form S-8 No. 33-57141) pertaining to the Stock Option Plan for Directors of Owens-Illinois, Inc. of our report dated February 3, 1995 with respect to the consolidated financial statements and schedule of Owens-Illinois, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 1994.

/s/ Ernst & Young LLP  
-----  
Ernst & Young LLP

Toledo, Ohio  
March 30, 1995

EXHIBIT 23.2  
OWENS-ILLINOIS, INC.  
CONSENT OF MCCARTER & ENGLISH

March 29, 1995

Ladies and Gentlemen:

We consent to the incorporation by reference in this Annual Report on Form 10-K of Owens-Illinois, Inc. and Owens-Illinois Group, Inc. for the year ended December 31, 1994, of the reference to our firm under the caption "Legal Proceedings."

Very truly yours,

/s/ McCarter & English

-----  
McCarter & English

EXHIBIT 24  
OWENS-ILLINOIS, INC.  
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That each individual whose signature appears below hereby consents to and appoints Thomas L. Young, Lee A. Wesselmann, or either of them, individually, as his true and lawful attorney-in-fact and agent with all power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1994 Annual Report on Form 10-K of Owens-Illinois, Inc. and Owens-Illinois Group, Inc., both corporations organized and existing under the laws of the State of Delaware, and any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission pursuant to the requirements of the Securities and Exchange Act of 1934, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the same as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his hand on the date set opposite his name.

Signature -----	Title -----	Date -----
Joseph H. Lemieux -----	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer); Director	3/30/95 -----
Joseph H. Lemieux		
Lee A. Wesselmann -----	Senior Vice President and Chief Financial Officer (Principal Financial Officer); Director	3/30/95 -----
Lee A. Wesselmann		
Robert J. Lanigan -----	Chairman Emeritus of the Board of Directors; Director	3/30/95 -----
Robert J. Lanigan		
David G. Van Hooser -----	Vice President, Treasurer and Comptroller (Principal Accounting Officer)	3/30/95 -----
David G. Van Hooser		
Robert J. Dineen -----	Director	3/30/95 -----
Robert J. Dineen		
Signature -----	Title -----	Date -----
Edward A. Gilhuly -----	Director	3/30/95 -----
Edward A. Gilhuly		
James H. Greene, Jr. -----	Director	3/30/95 -----
James H. Greene, Jr.		
-----	Director	-----
Henry R. Kravis		
-----	Director	-----
Robert I. MacDonnell		
John J. McMackin, Jr. -----	Director	3/30/95 -----
John J. McMackin, Jr.		
Michael W. Michelson -----	Director	3/30/95 -----

Michael W. Michelson

George R. Roberts

Director

3/30/95

-----  
George R. Roberts

-----

<ARTICLE> 5

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This schedule contains summary financial information extracted from the December 31, 1994 consolidated balance sheet and the consolidated results of operations for the year then ended and is qualified in its entirety by reference to such financial statements.

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