

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

(Mark one)

FORM 10-Q

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

For Quarter Ended June 30, 1994

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

Owens-Illinois, Inc.

(Exact name of registrant as specified in its charter)

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

Owens-Illinois Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	33-13061	34-1559348
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(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

One SeaGate, Toledo, Ohio

43666

(Address of principal executive offices)

(Zip Code)

419-247-5000

(Registrants' telephone number, including area code)

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

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

Owens-Illinois, Inc. \$.01 par value common stock - 118,983,327
shares at July 31, 1994

Owens-Illinois Group, Inc. \$.01 par value common stock - 100
shares at July 31, 1994

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

OWENS-ILLINOIS, INC.
 CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
 Three months ended June 30, 1994 and 1993
 (Millions of dollars, except per-share amounts)

	1994	1993
Revenues:	-----	-----
Net sales	\$ 915.4	\$ 915.0
Interest and dividends	4.7	3.5
Royalties and net technical assistance	6.6	7.3
Equity earnings	4.1	7.8
Other	2.1	3.0
	-----	-----
	932.9	936.6
Costs and expenses:		
Manufacturing, shipping, and delivery	713.2	714.7
Research and development	6.4	5.2
Engineering	5.8	4.4
Selling and administrative	46.9	43.9
Interest	69.4	72.6
Other	(1.7)	9.7
	-----	-----
	840.0	850.5
Earnings from continuing operations	-----	-----
before items below	92.9	86.1
Provision for income taxes	36.7	33.7
Minority share owners' interests in earnings		
of subsidiaries	4.8	5.3
	-----	-----

Earnings from continuing operations before extraordinary item	51.4	47.1
Net earnings from discontinued operations		2.3
Gain on sale of discontinued operations, net of applicable income taxes		217.0
	-----	-----
Earnings before extraordinary item	51.4	266.4
Extraordinary charge from early extinguishment of debt, net of applicable income taxes		(7.4)
	-----	-----
Net earnings	\$ 51.4	\$ 259.0
	=====	=====
Earnings per share of common stock:		
Earnings from continuing operations before extraordinary item	\$ 0.43	\$ 0.39
Net earnings from discontinued operations		0.02
Gain on sale of discontinued operations		1.82
	-----	-----
Earnings before extraordinary item	0.43	2.23
Extraordinary charge		(0.06)
	-----	-----
Net earnings	\$ 0.43	\$ 2.17
	=====	=====

See accompanying notes.

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OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
Six months ended June 30, 1994 and 1993
(Millions of dollars, except per-share amounts)

	1994	1993
Revenues:	-----	-----
Net sales	\$1,754.6	\$1,747.1
Interest and dividends	9.2	7.1
Royalties and net technical assistance	13.6	14.8
Equity earnings	9.0	13.6
Other	8.5	5.0
	-----	-----
	1,794.9	1,787.6
Costs and expenses:		
Manufacturing, shipping, and delivery	1,387.3	1,378.3
Research and development	13.2	11.1
Engineering	11.8	10.3
Selling and administrative	95.4	88.9
Interest	137.0	145.6
Other	1.5	22.3
	-----	-----
	1,646.2	1,656.5
Earnings from continuing operations before items below	148.7	131.1
Provision for income taxes	60.7	52.7
Minority share owners' interests in earnings of subsidiaries	8.5	8.6
	-----	-----
Earnings from continuing operations before extraordinary item	79.5	69.8
Net earnings from discontinued operations		1.4
Gain on sale of discontinued operations, net of applicable income taxes		217.0
	-----	-----
Earnings before extraordinary item	79.5	288.2
Extraordinary charge from early extinguishment of debt, net of applicable income taxes		(7.4)
	-----	-----
Net earnings	\$ 79.5	\$ 280.8
	=====	=====
Earnings per share of common stock:		
Earnings from continuing operations before extraordinary item	\$ 0.66	\$ 0.58
Net earnings from discontinued operations		0.01

Gain on sale of discontinued operations		1.82
	-----	-----
Earnings before extraordinary item	0.66	2.41
Extraordinary charge		(0.06)
	-----	-----
Net earnings	\$ 0.66	\$ 2.35
	=====	=====

See accompanying notes.

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OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 1994, December 31, 1993, and June 30, 1993
(Millions of dollars)

	June 30, 1994	Dec. 31, 1993	June 30, 1993
	-----	-----	-----
Assets			
Current assets:			
Cash, including time deposits	\$ 76.8	\$ 67.1	\$ 76.3
Short-term investments, at cost which approximates market	24.3	26.5	92.2
Receivables, less allowances for losses and discounts (\$28.8 at June 30, 1994, \$31.3 at December 31, 1993, and \$27.8 at June 30, 1993)	435.9	340.0	236.5
Inventories	470.9	472.8	549.3
Prepaid expenses	54.9	53.6	9.1
	-----	-----	-----
Total current assets	1,062.8	960.0	963.4
Investments and other assets:			
Domestic investments and advances	23.4	20.6	86.0
Foreign investments and advances	61.6	81.9	90.5
Repair parts inventories	144.7	137.5	143.6
Deferred taxes	15.7	40.7	
Prepaid pension	638.0	616.5	655.5
Insurance for asbestos-related costs	650.0	282.9	230.1
Deposits, receivables, and other assets	226.7	180.5	178.7
Excess of purchase cost over net assets acquired, net of accumulated amortization (\$214.6 at June 30, 1994, \$198.7 at December 31, 1993, and \$190.7 at June 30, 1993)	1,062.9	1,083.0	1,119.5
	-----	-----	-----
Total investments and other assets	2,823.0	2,443.6	2,503.9
Property, plant, and equipment, at cost	2,709.0	2,485.9	2,473.9
Less accumulated depreciation	1,119.6	988.1	980.1
	-----	-----	-----
Net property, plant, and equipment	1,589.4	1,497.8	1,493.8
	-----	-----	-----
Total assets	\$5,475.2	\$4,901.4	\$4,961.1
	=====	=====	=====

See accompanying notes.

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CONDENSED CONSOLIDATED BALANCE SHEETS -- continued

	June 30, 1994	Dec. 31, 1993	June 30, 1993
	-----	-----	-----
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 83.4	\$ 67.6	\$ 82.2
Current portion of asbestos-related liabilities	140.0		
Accounts payable and other liabilities	630.3	658.5	612.6
	-----	-----	-----
Total current liabilities	853.7	726.1	694.8
Long-term debt	2,625.1	2,419.3	2,638.6
Deferred taxes	34.5	32.7	75.2
Nonpension postretirement benefits	409.7	415.3	451.3
Asbestos-related liabilities	478.3	325.0	
Other liabilities	584.3	597.0	465.0
Commitments and contingencies			
Minority share owners' interests	116.4	91.2	60.1
Share owners' equity:			
Preferred stock	26.3	26.3	26.3
Common stock, par value \$.01 per share (118,983,327 shares outstanding at June 30, 1994; 118,978,327 at December 31, 1993 and June 30, 1993.)	1.2	1.2	1.2
Capital in excess of par value	1,033.9	1,033.9	1,034.0
Deficit	(617.2)	(696.7)	(420.8)
Cumulative foreign currency translation adjustment	(71.0)	(69.9)	(64.6)
	-----	-----	-----
Total share owners' equity	373.2	294.8	576.1
	-----	-----	-----
Total liabilities and share owners' equity	\$5,475.2	\$4,901.4	\$4,961.1
	=====	=====	=====

See accompanying notes.

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OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED CASH FLOWS
Six months ended June 30, 1994 and 1993
(Millions of dollars)

	1994	1993
	-----	-----
Cash flows from operating activities:		
Earnings from continuing operations	\$ 79.5	\$ 69.8
Non-cash charges (credits):		
Depreciation	93.9	94.3
Amortization of deferred costs	23.8	26.5
Other	17.2	(.9)
Dividends from equity affiliates	1.8	2.1
Change in non-current operating assets	(11.4)	7.3
Asbestos-related payments	(73.8)	(83.4)
Reduction of non-current liabilities	(6.5)	(1.6)
Change in components of working capital	(104.7)	(30.5)

Cash provided by continuing operating activities	19.8	83.6
Cash utilized in discontinued operating activities		(7.3)
Cash provided by operating activities	19.8	76.3
Cash flows from investing activities:		
Additions to property, plant, and equipment	(128.0)	(107.6)
Acquisitions and other	(45.9)	(4.9)
Net cash proceeds from divestitures	2.6	444.8
Cash provided by (utilized in) investing activities	(171.3)	332.3
Cash flows from financing activities:		
Additions to long-term debt	485.1	9.8
Repayments of long-term debt	(298.6)	(400.3)
Increase in short-term loans	12.6	3.8
Payment of finance fees and debt retirement costs	(1.4)	(9.4)
Cash provided by (utilized in) financing activities	197.7	(396.1)
Effect of exchange rate fluctuations on cash	(36.5)	(17.3)
Increase (decrease) in cash	9.7	(4.8)
Cash at beginning of period	67.1	81.1
Cash at end of period	\$ 76.8	\$ 76.3

See accompanying notes.

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

1. Asbestos-related Asset and Liability

In 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.

2. Inventories

Major classes of inventory were as follows:

	June 30, 1994	December 31, 1993	June 30, 1993
Manufacturing:			
Finished goods	\$378.9	\$370.4	\$421.0
Work in process	5.2	7.6	28.4
Raw materials	63.2	67.2	69.5
Operating supplies	23.6	27.6	30.4
	\$470.9	\$472.8	\$549.3

3. Accounts Receivable

In February 1993, certain operating subsidiaries of the Company entered into a five-year agreement pursuant to which they will sell without recourse on a revolving basis substantially all of their receivables to another subsidiary of the Company. Certificates representing a \$180 million senior undivided interest in the receivables were purchased by a group of insurance companies and commercial banks. These transactions were reflected as a sale of receivables in the Company's financial statements. To the extent seasonally lower shipments limited the amount of receivables available for sale, cash collections from receivables previously sold were temporarily invested in a collateral equalization account. At June 30, 1993 the equalization account totalled \$65.8 million and was included in short-term investments in the condensed consolidated balance sheet. Following the termination of the program in late 1993, the certificates were repaid and the remaining collateral was returned to the Company.

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4. Long-Term Debt

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

	June 30, 1994	Dec. 31, 1993	June 30, 1993
Bank Credit Agreement:	-----	-----	-----
Revolving Loans	\$ 320.0	\$ 57.6	
Working Capital and Swing Line Loans			\$ 75.3
Bid Rate Loans	200.0		55.0
Senior Notes and Debentures:			
Senior Debentures, 11%, due 1999 to 2003	1,000.0	1,000.0	1,000.0
Senior Variable Rate Notes		268.9	340.0
Senior Subordinated Notes:			
10-1/4%, due 1999	250.0	250.0	250.0
10-1/2%, due 2002	150.0	150.0	150.0
10%, due 2002	250.0	250.0	250.0
9-3/4%, due 2004	200.0	200.0	200.0
9.95%, due 2004	100.0	100.0	100.0
Other	177.4	161.2	240.4
	-----	-----	-----
	2,647.7	2,437.7	2,660.7
Less amounts due within one year	22.3	18.4	22.1
	-----	-----	-----
Long-term debt	\$2,625.1	\$2,419.3	\$2,638.6

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 June 30, 1994, the Company had unused credit available under the Bank Credit Agreement of \$384.5 million.

Revolving loans bear interest, at the Company's option, at the prime rate or a Eurodollar deposit-based rate plus a margin linked to published ratings of the Company's senior debt instruments. The margin is currently .875% and is limited to a range of .625% to 1%. Swing Line and Overdraft Account loans bear interest at the prime rate minus the commitment fee percentage, defined below. The weighted average interest rate on borrowings outstanding under the

Bank Credit Agreement at June 30, 1994, was 5.05%. While no compensating balances are required by the Agreement, the Company must pay a commitment fee

on the excess of the Revolving Loan Commitments over the aggregate amount of Revolving Loans outstanding. The commitment fee, currently .375%, is subject to reduction to .25%, also based on changes in published ratings.

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

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

5. 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. 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 -----
Total revenues	\$ 118.1
Costs and expenses	97.9

Earnings before interest and taxes	20.2
Interest expense	17.7

Earnings before income taxes	2.5
Provision for income taxes	1.1

Net earnings	\$ 1.4 =====

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 period.

6. Extraordinary Charge from Early Extinguishment of Debt

On July 29, 1993, the Company redeemed the entire \$130 million principal amount of its 12-1/2% Senior Notes following an "in-substance defeasance" on June 25, 1993. As a result, the Company recorded an extraordinary charge for the write-off of unamortized deferred finance fees and redemption premiums of \$11.8 million, net of applicable income tax effects of \$4.4 million.

7. Cash Flow Information

Interest paid in cash aggregated \$125.4 million and \$159.5 million for the six months ended June 30, 1994 and June 30, 1993, respectively. Income taxes paid in cash totaled \$6.2 million and \$9.3 million for the six months ended June 30, 1994 and June 30, 1993, respectively.

8. Contingencies

The Company is one of a number of defendants (typically 10 to 20) in a substantial number of lawsuits filed in numerous state and federal courts by persons alleging bodily injury (including death) as a result of exposure to dust from asbestos fibers. From 1948 to 1958, one of the Company's former business units commercially produced and sold a high-temperature, clay-based insulating material containing asbestos. The insulation material was used in limited industrial applications such as shipyards, power plants and chemical plants. During its ten years in the high-temperature insulation business, the Company's aggregate sales of insulation material containing asbestos were less than \$40 million. The Company exited the insulation business in April 1958. The lawsuits relating to such production and sale of asbestos material typically allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and punitive damages in various amounts. As of June 30, 1994, the Company estimates that it is a named defendant in asbestos bodily injury lawsuits and claims involving approximately 37,000 plaintiffs and claimants.

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 30% of the claims filed in 1993 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. Indemnity payments in bodily injury lawsuits and the property damage lawsuits referred to below may also be affected by settlement and judgment payments by

other defendants, which may take the form of a judgment credit for such settlements. Because the scope and extent of such third party contribution vary considerably according to applicable state law, the Company is unable to estimate the extent to which such contribution may affect indemnity payments.

The Company is also one of a number of defendants (typically 15 to 30) in a number of lawsuits and claims, some of which are class actions, brought by or on behalf of public or private property owners, alleging damages as a result of the presence of asbestos-containing insulation in various properties. These lawsuits typically assert multiple theories of liability, including negligence, breach of warranty and strict liability, and seek various forms of monetary and equitable relief, including compensatory and punitive monetary damages, restitution and removal of asbestos-containing material. As of June 30, 1994, the Company was a named defendant in 22 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") including, most recently, Keene Corporation, which filed in 1993. 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. The outcome of this matter is uncertain at this time.

In July, 1991, the Judicial Panel on Multidistrict Litigation consolidated in the Eastern District of Pennsylvania virtually all of the approximately 30,000 federal cases for possible coordinated and aggregate disposition and other processing techniques (the "MDL Case"). Included in the MDL Case is a case in the Eastern District of Texas where a petition had been filed to certify a nationwide litigation class action with respect to all asbestos-related bodily injury claims pending in the United States both in federal and state court. The Company believes that such a nationwide litigation class action is not supported by the existing case law. The number of plaintiffs in the cases pending in the MDL case in which the Company is a defendant is included in the reported pending plaintiffs and claimants. In 1992, the court entered an order severing and retaining any claims for punitive damages in cases remanded for trial of the compensatory damage claims. The court, through various administrative orders, is giving priority to claims involving malignancies and

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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.

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.) The total coverage sought in this litigation and, in the Company's opinion, applicable to both bodily injury and property damage is in excess of \$600 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 of liability. The Company believes that the New Jersey Supreme Court will decide these issues sometime in 1994 and that its decision will be favorable to the Company. Following such decision, the trial of the issues remanded by the Appellate Division will take place and will likely be concluded sometime in 1995.

The Company believes, based upon the rulings of the trial court and Appellate Division as well as its understanding of the facts and legal precedents and 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. The date, however, of a final resolution with respect to both coverage and damage recovery is uncertain. The coverage and any damage recovery obtained as a result of this 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 which amounted to \$356.7 million as of June 30, 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 monitored the trends of matters which may affect its ultimate liability. Furthermore, as previously reported, in the fourth quarter of 1993 the Company completed a detailed analysis of 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 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. 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 as a result of the United Insurance case and the amount of such charge.

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

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

Results of Operations - Second Quarter 1994 compared with Second Quarter 1993

The Company recorded earnings from continuing operations of \$51.4 million for the second quarter of 1994 compared to \$47.1 million in 1993. Increased operating profit, primarily in the Glass Containers segment, contributed to this improvement. Reduced interest expense largely offset the absence of operating profit from the Specialized Glass segment. 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 the second quarter of 1993 were \$259.0 million and included a gain of \$217.0 million on the sale of discontinued operations.

Capsule segment results (in millions of dollars) for the second quarter of 1994 and 1993 were as follows:

	Net sales (Unaffiliated customers)		Operating profit	
	1994	1993	1994	1993
Glass Containers	\$ 666.9	\$ 634.2	\$ 118.2	\$ 106.1
Plastics and Closures	248.2	230.0	40.7	38.7
Specialized Glass		50.5		4.6
Eliminations and other retained costs	.3	.3	(5.4)	(2.0)
Consolidated total	\$ 915.4	\$ 915.0	\$ 153.5	\$ 147.4

Consolidated net sales for the second quarter of 1994 increased 5.9%, or \$50.9 million over the second quarter of 1993, excluding the former Specialized Glass segment. Net sales of the Glass Containers segment increased \$32.7 million, or 5.2%, over 1993. Over two-thirds of the increase resulted from higher domestic sales. Domestic glass container unit shipments for the quarter were up 6.6% over 1993 due in large part to the March 31, 1994 acquisition of a customer's glass container manufacturing facility. The combined U.S. dollar sales of the segment's foreign affiliates increased 5.9% as a result of improved unit pricing and product mix. Most foreign affiliates experienced increased unit shipments; however, these increases were offset by significantly lower unit shipments in Brazil resulting from that country's programs to curb inflation. Net sales of the Plastics and Closures segment increased \$18.2 million, or 7.9%, over the prior year. Additional sales reported by the segment's Mexican affiliate, acquired in the third quarter of 1993, and higher unit sales volume in most businesses accounted for the increase.

Consolidated operating profit for the second quarter of 1994 increased \$10.7 million, or 7.5%, compared to the same period of 1993, excluding the former

Specialized Glass segment. The operating profit of the Glass Containers segment increased \$12.1 million, or 11.4%. Domestically, increased unit shipments of beer and iced tea containers combined with continuing improvements in machine and labor productivity more than offset continuing lower sales of soft drink containers. Internationally, higher combined U.S. dollar operating profit of the segment's foreign affiliates benefited from more favorable margins at the Colombian and United Kingdom affiliates. However, an economic slowdown in Brazil, associated with recently introduced economic programs in that country, negatively affected 1994 operating profit. Exchange and price controls instituted in Venezuela in late June 1994 could negatively impact the Company's results in that country. Similar programs 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 timing of such effects which may result from the measures currently being enacted or considered. The Plastics and Closures segment operating profit increased \$2.0 million, or 5.2%, compared to the same 1993 period. The favorable effects of increased unit shipments in the plastic bottles business were offset by lower selling prices in response to the competitive pricing environment. Higher unit sales volume in the closures business had a favorable effect on operating profit. Other retained costs were \$3.4 million higher principally due to implementation expenses associated with the restructuring program.

First Six Months 1994 compared with First Six Months 1993.

For the first six months of 1994, the Company recorded earnings from continuing operations of \$79.5 million compared to \$69.8 million in 1993. The earnings improvement was principally due to increased unit sales volume and

improved labor and machine productivity in the Glass Containers segment.

Capsule segment results (in millions of dollars) for the first six months of 1994 and 1993 were as follows:

	Net sales (Unaffiliated customers)		Operating profit	
	1994	1993	1994	1993
Glass Containers	\$1,267.9	\$1,189.0	\$ 201.5	\$ 171.9
Plastics and Closures	486.1	458.6	77.2	77.6
Specialized Glass		98.9		10.2
Eliminations and other retained costs	.6	.6	(11.2)	(3.7)
Consolidated total	\$1,754.6	\$1,747.1	\$ 267.5	\$ 256.0

Consolidated net sales for the first six months of 1994 increased 6.5%, or \$106.4 million, over the first six months of 1993, excluding the former Specialized Glass segment. Glass Containers segment sales increased 6.6%, or \$78.9 million, from 1993 to 1994. Increased domestic and international sales, reflecting acquisitions and higher glass container unit sales volumes, accounted for the increase. In the Plastics and Closures segment, net sales increased \$27.5 million, or 6.0%, due primarily to the additional sales reported by the segment's Mexican affiliate, acquired in the third quarter of

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1993, and higher unit sales volume in the closures business. The closures business continued to benefit from increased demand for dispensing and tamper-evident closures as well as continuing conversion from metal to plastic closures.

Consolidated operating profit for the first six months of 1994 increased 8.8%, or \$21.7 million, over the same 1993 period, excluding the former Specialized Glass segment. The increase was a result of improvement in the Glass Containers segment somewhat offset by increased retained costs. The operating profit in the Glass Containers segment improved 17.2%, or \$29.6 million, from 1993 to 1994. Increased domestic glass operating profits were a result of higher unit shipments, combined with improved labor and machine productivity. Internationally, the Company's United Kingdom affiliate, along with most Latin American affiliates, reported increased U. S. dollar operating profits for the Glass Containers segment. The Plastics and Closures segment operating profits were lower by \$0.4 million, or 0.5%, compared to the first six months of 1993. Unit shipments in the closures and plastic bottles businesses were higher than prior year; however, soft drink label shipments were lower. Lower unit selling prices in the household products segment of the plastic bottles business coupled with a mix shift to smaller containers more than offset the favorable effects of increased volume. Other retained costs were \$7.5 million higher than the first six months of 1993 principally due to the restructuring program and expenses related to previous divestitures.

Capital Resources and Liquidity

The Company's total debt at June 30, 1994 was \$2.71 billion compared to \$2.49 billion at December 31, 1993 and \$2.72 billion at June 30, 1993.

At June 30, 1994, the Company had available credit totaling \$1.0 billion under the Bank Credit Agreement of which \$384.5 million had not been utilized. 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 the redemption of the remaining \$268.9 million of Senior Variable Rate notes. The increased utilization during the first six months of 1994 resulted from acquisitions, capital expenditures, asbestos-related payments, and normal seasonal working capital requirements, partially offset by cash provided by operations. Cash provided by continuing operating activities was \$20.6 million for the first six months of 1994 compared to \$83.6 million in 1993. Cash provided by continuing operating activities in the first six months of 1993 included the sale of trade receivables for \$180.0 million and the related investment in a collateral equalization account of \$65.8 million as of June 30, 1993, resulting in a one-time improvement in cash flow of \$114.2 million.

In the twelve-month period commencing July 1, 1994, 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, including cash payments required in connection with the restructuring program undertaken in 1993. During the first six months of 1994, cash expenditures related to the fourth quarter 1993 restructuring charge were not significant. The Company faces additional demands upon its liquidity for asbestos-related payments

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until the United Insurance litigation is resolved; the date of the resolution is uncertain. Based on the Company's expectations regarding future 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 previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company's liquidity on a short-term or long-term basis.

Over the five-year term of the Bank Credit Agreement ending 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, 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.

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Item 1. Legal Proceedings.

(a) Contingencies. Note 8 to the Condensed Consolidated Financial Statements, "Contingencies," that is included in Part I of this Report, is incorporated herein by reference.

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

(a) Exhibits:

Exhibit 23 Consent of McCarter & English

(b) Reports on Form 8-K:

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

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SIGNATURES

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

OWENS-ILLINOIS, INC.

Date August 15, 1994

By /s/ Lee A. Wesselmann

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

Date August 15, 1994

By /s/ David G. Van Hooser

David G. Van Hooser, Vice President, Treasurer
and Comptroller (Principal Accounting Officer)

OWENS-ILLINOIS GROUP, INC.

Date August 15, 1994

By /s/ Lee A. Wesselmann

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

Date August 15, 1994

By /s/ David G. Van Hooser

David G. Van Hooser, Vice President, Treasurer
and Comptroller (Principal Accounting Officer)

EXHIBIT 23
CONSENT OF MCCARTER & ENGLISH

August 10, 1994

Ladies and Gentlemen:

We consent to the incorporation by reference of the reference to our firm in the "Contingencies" section of the Company's report on Form 10-Q for the quarter ended June 30, 1994.

Very truly yours,

/s/McCarter & English
McCarter & English